KINGSOFT®

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

KINGSOFT CORPORATION LIMITED
2021 ANNUAL REPORT

WPS Office
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CORPORATE INFORMATION

Legal Name of the Company

Kingsoft Corporation Limited

Stock Code

03888

Date of Listing

9 October 2007

Principal Place of Business in Beijing

Building D

Xiaomi Campus

No. 33 Xierqi Middle Road

Haidian District

Beijing 100085

PRC

Principal Place of Business in Hong Kong

Suite 3208, 32/F, Tower 5

The Gateway, Harbour City

Tsim Sha Tsui, Kowloon

Hong Kong

Registered Office

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Executive Directors

Mr. Tao ZOU

Mr. Yuk Keung NG

Non-executive Directors

Mr. Jun LEI (Chairman)

Mr. Pak Kwan KAU

Mr. Chi Ping LAU

Independent Non-executive Directors

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

Audit Committee

Ms. Wenjie WU (Chairman)

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

Remuneration Committee

Mr. Shun Tak WONG (Chairman)

Mr. Jun LEI

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

Nomination Committee

Mr. Shun Tak WONG (Chairman)

Mr. Chi Ping LAU

Ms. Wenjie WU

Environmental, Social and Governance Committee

Mr. David Yuen Kwan TANG (Chairman)

Mr. Yuk Keung NG

Mr. Shun Tak WONG

Ms. Wenjie WU

Board Secretary/Company Secretary

Mr. Yuk Keung NG

Ms. Hongyu LV

Authorised Representatives

Mr. Tao ZOU

Mr. Yuk Keung NG

Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17/F. Hopewell Centre

183 Queen's Road East

Hong Kong

Auditor

Ernst & Young, Registered Public Interest Entity Auditor

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

Legal Advisor on Hong Kong Law

Baker & McKenzie

14th Floor, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

Principal Bankers

China CITIC Bank Corp., Ltd.

China Merchants Bank Co., Ltd.

Bank of Beijing Co., Ltd.

Bank of Communications Co., Ltd.

Industrial and Commercial Bank of China (Asia) Limited

Investor and Media Relations

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FINANCIAL HIGHLIGHTS

Consolidated Statement of Profit or Loss (Restated)

	Year ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Continuing Operations					
Revenue					
Office software and services	721,277	1,101,054	1,574,778	2,257,177	**3,264,794**
Online games and others	3,127,491	2,587,626	2,796,309	3,337,066	**3,106,612**
	3,848,768	3,688,680	4,371,087	5,594,243	**6,371,406**
Cost of revenue	(662,920)	(672,663)	(810,147)	(917,281)	**(1,157,117)**
Gross profit	3,185,848	3,016,017	3,560,940	4,676,962	**5,214,289**
Research and development costs	(1,121,760)	(1,453,001)	(1,538,529)	(1,656,067)	**(2,328,009)**
Selling and distribution expenses	(417,299)	(545,289)	(708,992)	(838,482)	**(1,064,954)**
Administrative expenses	(200,563)	(343,252)	(376,897)	(453,809)	**(570,016)**
Share-based compensation costs	(192,568)	(144,312)	(148,712)	(179,372)	**(219,151)**
Other income	279,057	271,806	239,396	310,789	**391,203**
Other expenses	(6,737)	(53,110)	(14,400)	(4,887)	**(62,779)**
Operating profit	1,525,978	748,859	1,012,806	1,855,134	**1,360,583**
Other gains/(losses), net	(187,836)	(55,917)	(1,236,554)	154,739	**842,402**
Finance income	175,339	209,656	220,532	437,997	**416,250**
Finance costs	(45,732)	(27,159)	(19,672)	(107,514)	**(142,789)**
Share of profits and losses of:					
Joint ventures	121,039	49,898	17,524	(25,929)	**(31,673)**
Associates	51,076	374,037	(409,874)	(245,067)	**(1,301,645)**
Profit/(loss) before tax from continuing operations	1,639,864	1,299,374	(415,238)	2,069,360	**1,143,128**
Income tax expense	(134,982)	(128,155)	(152,537)	(270,924)	**(190,285)**
Profit/(loss) for the year from continuing operations	1,504,882	1,171,219	(567,775)	1,798,436	**952,843**
Discontinued Operation					
Profit/(loss) for the year from a discontinued operation	1,791,747	(1,336,461)	(1,514,924)	8,446,504	**—**
Profit/(loss) for the year	3,296,629	(165,242)	(2,082,699)	10,244,940	**952,843**
Attributable to:					
Owners of the parent	3,201,837	389,214	(1,546,385)	10,045,043	**395,332**
Non-controlling interests	94,792	(554,456)	(536,314)	199,897	**557,511**
	3,296,629	(165,242)	(2,082,699)	10,244,940	**952,843**
Proposed final dividends	122,428	—	122,413	230,269	**134,069**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**
Earnings/(loss) per share attributable to ordinary equity holders of the parent					
Basic	2.46	0.29	(1.13)	7.35	**0.29**
Dilute	2.39	0.27	(1.15)	7.32	**0.28**

BUSINESS REVIEW AND OUTLOOK

In 2021, we are poised to achieve a steady growth and development in our core businesses leveraging our continuous investment in technological innovation. Kingsoft Office Group focuses on user needs and has further enhanced its products and services. It has continued to pursue the ecosystem strategy of "multi-screen, cloud, content, AI and collaboration" and achieved an excellent operation performance. Regarding our online games business, we have launched several new mobile games during the year while continuing to focus on the development of premium games, long-term operation and enrichment of core IPs.

The Group's business continued to achieve a steady growth in 2021 with revenue reaching RMB6,371.4 million, increasing by 14% year-on-year. Our office software and services business maintained a solid growth momentum and its revenue increased 45% year-on-year.

In 2021, Kingsoft Office Group continued to enhance its products and services for cloud and collaboration office scenarios. With increasing user activeness and user stickiness in individual and enterprise users, cloud migration of both domestic individual and institutional subscriptions has accelerated. With the stable growth in the number of monthly active devices of its key products, Kingsoft Office Group has continued to optimize its user experience and products functions, promote cloud migration, increase usage of its value-added functions and further drove the growth in its number of paying users. In addition, the significant increase in the number of uploaded cloud documents and the increase in the proportion of long-term paying users have also laid a solid foundation for the continuous growth of the individual subscription business in the future.

Regarding the government and enterprise market, Kingsoft Office Group took advantage of the industry trend on the demands of government and enterprise users for data asset management and office efficiency improvement, and has actively improved product systems, enhanced user experience and expanded eco-systems, to promote the cloud office migration of government and enterprise users. This has also set a solid foundation for its subsequent promotion of digital office platform solutions. As the cloud migration of government and enterprise users continues, Kingsoft Office Group is expected to increase its presence in the government and enterprise market.

In addition, Kingsoft Office Group has witnessed a strong demand growth from the government and enterprise users, as localization projects enter a booming stage with a fast-growing market leveraging the favourable policies. Moreover, Kingsoft Office Group also received substantial orders for its re-flowable and fixed-layout document format products which lead to a robust growth of its domestic institutional licensing business.

In the fourth quarter, revenue from the flagship JX Online III PC game and the classic JX 2D PC game grew steadily quarter-on-quarter. Moreover, we have also achieved breakthroughs on products development demonstrating the vitality of the core IP and our strong R&D and operational capabilities.

Following the successful release of the JX I Pocket mobile game in Vietnam in April 2021, JX I: Gui Lai (劍網1: 歸來), the domestic version of JX I Pocket mobile game was released in October. Upon its debut, JX I: Gui Lai (劍網1: 歸來) was ranked third in the top free charts and first in the top grossing role-playing game (RPG) charts for iOS. In November, Wu Lin Xian Xia (武林閑俠), our self-developed mobile game, was released in China with highest ranking sixth in the top grossing charts for iOS, demonstrating our successful strategic co-operation with Nuverse. In December, JX World III, the third generation of the JX World series mobile games, was launched. Upon its launch, JX World III ranked first in the top free charts and ninth in the top grossing charts for iOS. In addition, the mobile game was also recommended on the front page of Apple Today and was recognized as a superstar product by the Mobile Hardcore Alliance.

Looking forward, Kingsoft Office Group will ride on the trend of cloud and collaboration office and continue to invest in products R&D. It will also further explore the opportunities in the enterprise market and strive to empower the digital transformation of large-scale organizations. Regarding our online games business, we will continue to maintain the development of our core IP while focusing on bringing new game genres and new IPs. Looking ahead, we will continue to promote technological innovation and upgrades, and pursue social responsibility to ensure long-term sustainable growth of our business.

Jun LEI
Chairman
Hong Kong, 23 March 2022

OPERATIONAL HIGHLIGHTS

	In December 2021	In December 2020	In September 2021	Year-on-year Change %	Quarter-on-quarter Change %
Office Software					
Monthly Active Devices of the key products* (Million)	**544**	477	**526**	14	3

	As at 31 December 2021	As at 31 December 2020	Year-on-year Change %
Accumulated paying subscribers** (Million)	**25.37**	19.62	29

* 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.

For the Year Ended 31 December 2021

The following table sets forth the comparative numbers for the years ended 31 December 2021 and 2020, respectively.

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
CONTINUING OPERATIONS		
Revenue		
Office software and services	**3,264,794**	2,257,177
Online games and others	**3,106,612**	3,337,066
	6,371,406	5,594,243
Cost of revenue	**(1,157,117)**	(917,281)
Gross profit	**5,214,289**	4,676,962
Research and development costs	**(2,328,009)**	(1,656,067)
Selling and distribution expenses	**(1,064,954)**	(838,482)
Administrative expenses	**(570,016)**	(453,809)
Share-based compensation costs	**(219,151)**	(179,372)
Other income	**391,203**	310,789
Other expenses	**(62,779)**	(4,887)
Operating profit	**1,360,583**	1,855,134
Other gains, net	**842,402**	154,739
Finance income	**416,250**	437,997
Finance costs	**(142,789)**	(107,514)
Share of profits and losses of:		
Joint ventures	**(31,673)**	(25,929)
Associates	**(1,301,645)**	(245,067)
Profit before tax from continuing operations	**1,143,128**	2,069,360
Income tax expense	**(190,285)**	(270,924)
Profit for the year from continuing operations	**952,843**	1,798,436
DISCONTINUED OPERATION		
Profit for the year from a discontinued operation	**—**	8,446,504
Profit for the year	**952,843**	10,244,940
Attributable to:		
Owners of the parent	**395,332**	10,045,043
Non-controlling interests	**557,511**	199,897
	952,843	10,244,940

	Year ended 31 December	
	2021	**2020**
	RMB	**RMB**
Earnings per share attributable to ordinary equity holders of the parent		
Basic		
— For profit for the year	**0.29**	7.35
— For profit from continuing operations	**0.29**	0.94
Diluted		
— For profit for the year	**0.28**	7.32
— For profit from continuing operations	**0.28**	0.92

Revenue

Revenue for the year of 2021 increased 14% year-on-year to RMB6,371.4 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 2021, respectively.

Revenue from the office software and services business for the year of 2021 increased 45% year-on-year to RMB3,264.8 million. The increase was mainly due to the continued fast growth of individual subscription business, sustainable growth of institutional subscription business, and the explosive growth of institutional licensing business.

Revenue from the online games and others business for the year of 2021 decreased 7% year-on-year to RMB3,106.6 million. The decrease was primarily due to declined revenue from existing games, partially offset by revenue contribution from newly launched mobile games.

Cost of Revenue and Gross Profit

Cost of revenue for the year of 2021 increased 26% year-on-year to RMB1,157.1 million. The year-on-year increase was primarily due to: i) greater server and bandwidth costs and an increase in purchasing costs of services and products in line with increased paying users and user activeness, as well as greater channel costs along with the business expansion of Kingsoft Office Group; and ii) increased personnel-related expenses of operating team of mobile games.

Gross profit for the year of 2021 increased 11% year-on-year to RMB5,214.3 million. The Group's gross profit margin decreased by two percentage points year-on-year to 82%.

R&D Costs

R&D costs for the year of 2021 increased 41% year-on-year to RMB2,328.0 million. The year-on-year increase was mainly due to increased personnel-related expenses as we continued to invest in technological research and innovation.

Selling and Distribution Expenses

Selling and distribution expenses for the year of 2021 increased 27% year-on-year to RMB1,065.0 million. The year-on-year increase mainly due to greater spending of Kingsoft Office Group to expand its reach into enterprise and government markets.

Administrative Expenses

Administrative expenses for the year of 2021 increased 26% year-on-year to RMB570.0 million. The year-on-year increase was mainly due to increased personnel-related expenses.

Share-based Compensation Costs

Share-based compensation costs for the year of 2021 increased 22% year-on-year to RMB219.2 million. The increase was primarily due to the new grants of awarded shares.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the year of 2021 decreased 22% year-on-year to RMB1,579.7 million.

Other Gains, net

Net other gains for 2021 were RMB842.4 million, compared with net other gains of RMB154.7 million for the last year. The gains in 2021 and 2020 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.

Finance Costs

Finance costs for the year of 2021 increased 33% year-on-year to RMB142.8 million. The year-on-year increase was primarily due to issued convertible bonds in April 2020.

Share of Profits and Losses of Associates

Share of losses of associates for 2021 were RMB1,301.6 million, compared with share of losses of RMB245.1 million for the last year. The losses in 2021 were mainly due to the losses recognized in Kingsoft Cloud and Cheetah Mobile. The losses in 2020 were primarily due to the losses recognized in Kingsoft Cloud, partially offset by the profits recognized in Cheetah Mobile.

Income Tax Expense

Income tax expense for the year of 2021 decreased 30% year-on-year to RMB190.3 million. The year-on-year decrease was mainly due to lower taxable profits.

Profit Attributable to Owners of the Parent

For the reasons described above, profit attributable to owners of the parent (including that from continuing operations and a discontinued operation) for the year of 2021 was RMB395.3 million, compared with profit of RMB10,045.0 million for the last year.

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

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

Profit attributable to owners of the parent before share-based compensation costs (including that from continuing operations and a discontinued operation) for the year of 2021 was RMB530.2 million, compared with profit of RMB10,201.3 million for the last year.

The net profit margin excluding the effect of share-based compensation costs was 8% and 138% for the year 2021 and 2020, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of 2021. As at 31 December 2021, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB16,190.1 million and RMB9.4 million, respectively, which totally represented 44% of the Group's total assets.

As at 31 December 2021, the Group's gearing ratio, which represents total liabilities divided by total assets, was 21%, as compared with 19% as at 31 December 2020.

Note:
The cash resources which the Group considered in cash management including but not limited to cash and cash equivalents, bank deposits, restricted cash and financial assets at fair value through profit of loss. As at 31 December 2021, the aggregate amount of cash resources of the Group was RMB19,070.4 million.

Foreign Currency Risk Management

As at 31 December 2021, RMB2,873.1 million of the Group's financial assets were held in deposits denominated in non-RMB currencies. As there are no cost-effective hedges against the fluctuation of RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuation in connection with our deposits and investments.

Net Cash Generated from Operating Activities

Net cash generated from the operating activities reflects the Group's profit 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 deferred revenue, other payables and accruals.

Net cash generated from operating activities (including that from continuing operations and a discontinued operation) was RMB2,220.1 million and RMB2,991.1 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Capital Expenditures

Capital expenditures represent cash payments for acquisition of business, fixed assets and intangible assets. Cash used for capital expenditures (including that from continuing operations and a discontinued operation) was RMB363.8 million and RMB683.6 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Material Investments and Acquisitions

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

As at 31 December 2021, we held 1,423,246,584 shares of Kingsoft Cloud and the fair value of the equity interest of Kingsoft Cloud held by the Group was approximately RMB9,527.9 million (31 December 2020: RMB26,961.9 million) which was estimated based on the market price of Kingsoft Cloud, accounted for 26% of the Group's total assets.

Net loss from Kingsoft Cloud for the year of 2021 was RMB2,112.8 million (2020: RMB1,606.3 million).

Particulars of the Groups' material investment are set out in note 22 to the financial statement. Except for investment in Kingsoft Cloud, there was no other individual investment with a carrying value of 5% or more of the Group's total assets as at 31 December 2021.

Future Plans for Material Investments or Capital Assets

As at 31 December 2021, we did not have other specific plans for material investments and capital assets. However, in view of the challenging environment ahead, the Group will continue to explore new business opportunities that will complement and enhance its existing business.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year of 2021, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Tao ZOU, aged 46, is currently an executive Director and the chief executive officer ("**CEO**") of the Company. Mr. ZOU is a director of Seasun Holdings, a director of Cheetah Mobile (NYSE: CMCM), Chairman of Kingsoft Office (SSE STAR Market: 688111) and a director of Kingsoft Cloud (NASDAQ: KC). Mr. ZOU also serves as a director of Xunlei Limited (NASDAQ: XNET) from 1 December 2016 to 2 April 2020 and a director of 21Vianet Group, Inc. (NASDAQ: VNET) from 1 December 2016 to 14 December 2020. Mr. ZOU graduated from Nankai University in 1997. Mr. ZOU joined us in 1998 and was responsible for the development of our Kingsoft PowerWord. Mr. ZOU has been responsible for our entertainment software business since 2004 and served as the CEO of Seasun Holdings until January 2018.

Mr. ZOU became a senior vice president of the Company in December 2007 and has been an executive Director of the Company since August 2009 and the CEO of the Company since December 2016.

Mr. ZOU is also a director of certain subsidiaries of the Company.

Yuk Keung NG, aged 57, is currently an executive Director and the chief financial officer ("**CFO**") of the Company. He is also a member of the Environmental, Social and Governance Committee of the Company. Mr. NG graduated from the University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and obtained a Master of Science degree in Global Business Management and E-commerce in 2002. Mr. NG is a professional accountant, and a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, and the Institute of Chartered Accountants in England and Wales.

Mr. NG has more than twenty years of experience in financial management, corporate finance and merger and acquisition. Mr. NG worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. Before joining the Company, Mr. NG held financial management positions in several listed companies, including deputy CFO, joint company secretary and qualified accountant of IRICO Group Electronics Company Limited (Stock Code: 438); vice president and CFO of China Huiyuan Juice Group Ltd. (Stock Code: 1886); executive director, CFO and company secretary of China NT Pharma Group Company Limited (Stock Code: 1011). Mr. NG is currently an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631), and an independent non-executive director and the chairman of the audit committee of E-Commodities Holdings Limited (Stock Code: 1733). Mr. NG is also a member of the board of trustees of International School of Beijing, an academic institution in Beijing, China from April 2018. Mr. NG was also an independent non-executive director and the chairman of the audit committee of Zhongsheng Group Holdings Limited (Stock Code: 881) and Beijing Capital Land Limited (Stock Code: 2868).

Mr. NG was appointed as the CFO of the Company in 2012 and became an executive director of the Company from 1 March 2013. Mr. NG is also a director of certain subsidiaries of the Company.

Non-executive Directors

Jun LEI, aged 52, is a non-executive Director, the Chairman of the Board, a member of the Remuneration Committee and the co-founder of the Company. Mr. LEI has been employed by us since 1992 and has played a key role in developing the operation of our Group and expanding our business operations. He had been our CEO since 1998, and under his leadership, we further expanded application software businesses into utilities software, internet security software and online games. He also played a major role in transforming our Group from a traditional software company into an on demand software company which extensively utilizes the internet. In December 2007, Mr. LEI relinquished his position as CEO, chief technology officer and president of the Company. In August 2008, Mr. LEI was re-designated from an executive Director to a non-executive Director. Mr. LEI was appointed as the Chairman of the Board of our Company on 5 July 2011. Mr. LEI is also a director of certain subsidiaries of the Company.

Mr. LEI co-founded Xiaomi Corporation (a company listed on the Stock Exchange in July 2018, Stock Code: 1810) with other partners in 2010, and currently is an executive director, the chairman, the CEO and a member of the Remuneration Committee. Since December 2011, Mr. LEI has served as a director of Kingsoft Office (SSE STAR Market: 688111). Since April 2015, Mr. LEI has been the chairman of the board of Kingsoft Cloud (NASDAQ: KC).

Mr. LEI graduated from Wuhan University in 1991 with a bachelor's degree in Computer Science. He has been a member of the board of Wuhan University since 2003.

Mr. LEI was elected as one of the top 10 economic personages of China in 2017 and one of 100 outstanding private entrepreneurs on the 40th anniversary of the China's reform and opening-up. In 2020, Mr. LEI was honored with title of "National Advanced Individual of Private Economy Fighting against COVID-19", title of "Beijing Model Worker" and title of "Outstanding Entrepreneur in the 30th Anniversary of Capital Market". In 2021, Mr. LEI was awarded the 11th "China Charity Award" by the Ministry of Civil Affairs of the People's Republic of China, ranked first in Forbes "2021 China's Best CEO List" and was selected as one of the "Top 10 News Figures of China's Private Economy in 2021".

Mr. LEI is also a famous angel investor in China.

Pak Kwan KAU, aged 57, was re-designated from an executive Director to a non-executive Director of our Company with effect from 24 October 2011. Mr. KAU has been employed by us since 1988. He graduated from National Defense University of Science and Technology in China in 1984 with a bachelor's degree in Information Management Systems. Between 1984 and 1987, Mr. KAU worked at various Chinese companies as a software developer.

Mr. KAU started Kingsoft Software in 1988, and he was primarily responsible for the development of WPS 1.0 in 1988. Mr. KAU was named as one of the Top Ten Business Persons of the Year in 2000, one of the China Top Financial Figures of the Year in 2001 by CCTV, one of the Ten Most Influential Leaders in China's Games Industry at the inaugural China Game Industry Annual Conference in January 2005, and one of the Most Outstanding Entrepreneurs at 2009 China Game Industry Annual Conference held in December 2009. Mr. KAU has never held directorship in any other listed public companies. Mr. KAU was appointed as an acting CEO of the Company in December 2007. He was the CEO of the Company from May 2008 to 24 October 2011 when he resigned from the post. Mr. KAU was the Chairman of the board of our Company until 5 July 2011.

Mr KAU is also a director of certain subsidiaries of the Company.

Chi Ping LAU, aged 49, is a non-executive Director and a member of the Nomination Committee of the Company. He is also an executive director and president of Tencent Holdings Limited ("**Tencent**") (a company listed on the Stock Exchange, Stock Code: 700). He joined Tencent in 2005 as a chief strategy and investment officer and was responsible for corporate strategies, investments, merger and acquisitions and investor relations. In 2006, he was promoted as president of Tencent to manage the day-to-day operation of Tencent. In 2007, he was appointed as an executive director of Tencent. Prior to joining Tencent, he was an executive director at Goldman Sachs (Asia) L.L.C's investment banking division and a chief operating officer of its Telecom, Media and Technology Group. Prior to that, he worked at Mckinsey & Company, Inc. as a management consultant. Mr. LAU is a director of Vipshop Holdings Limited, an online discount retailer company, Tencent Music Entertainment Group, an online music entertainment platform in China, and DiDi Global Inc., a leading mobility technology platform in China, all of these companies are listed on the New York Stock Exchange. Mr. LAU is also a non-executive director of Meituan, a leading e-commerce platform for services in China, that is listed on the Stock Exchange. Mr. LAU was a director of JD.com, Inc., an online direct sales company in China, that is listed on NASDAQ and the Stock Exchange, up to 23 December 2021. Mr. LAU was a director of Leju Holdings Limited, an online-to-offline real estate services provider in China that is listed on the New York Stock Exchange, up to 18 August 2020.

Mr. LAU received his Bachelor of Science degree in Electrical Engineering from the University of Michigan, a Master of Science degree in Electrical Engineering from Stanford University and a MBA from Kellogg Graduate School of Management, Northwestern University. Mr. LAU was appointed as a non-executive Director of the Company on 28 July 2011.

Independent Non-executive Directors

Shun Tak WONG, aged 61, is an independent non-executive Director of our Company. He is also a member of the Audit Committee and the Environmental, Social and Governance Committee, the chairman of the Nomination Committee and the chairman of the Remuneration Committee of the Company. Mr. WONG was a co-founder and acting as CFO of Rokid Corporation Ltd., an artificial intelligence devices design and development company. From June 2018, Mr. WONG is an independent non-executive director and chairman of audit committee of Xiaomi Corporation (a company listed on the Stock Exchange in July 2018, Stock Code: 1810). He served as an executive Director and CFO of the Company from October 2011 to July 2012, and also acted as an independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee of the Company from April 2007 to September 2011.

Mr. WONG was vice president for finance and corporate controller of Alibaba Group from August 2007 to September 2011, an enterprise which engages in internet-based businesses that includes business-to-business international trade, retail and payment platforms and data-centric cloud computing services. During his service with Alibaba Group, he also acted as chairman of Group Financial Control Committee of Alibaba Group.

Mr. WONG served as the CFO of Goodbaby Children Products Group ("**Goodbaby**") from August 2003 to August 2007, a leading juvenile product manufacturer in China. Before joining Goodbaby, Mr. WONG worked as the vice president for finance in IDT International Limited, a company listed on the Stock Exchange, between September 2001 and July 2003.

In the past, Mr. WONG held key financial executive positions in various multi-nationals companies, including as the financial controller of AMF Bowling, Inc. From November 1996 to March 1998 and International Distillers China Ltd. from December 1993 to October 1996. Mr. WONG has extensive experience in financial control, operations, strategic planning and implementation, private equity investments and exit strategies.

Mr. WONG has a master's degree in Finance from the University of Lancaster in the United Kingdom and a master's degree in Accounting from Charles Stuart University in Australia. Mr. WONG is also a fellow CPA member of the Hong Kong Institute of Certified Public Accountants and a fellow CPA member of Australian Society of CPAs.

David Yuen Kwan TANG, aged 67, is an independent non-executive Director of our Company. He is also a member of the Audit Committee, a member of the Remuneration Committee and the chairman of the Environmental, Social and Governance Committee of the Company. Mr. TANG holds a master's degree in Business Administration at the California State University, Fullerton and a bachelor's degree in Computer Science and Engineering at the California State University, Long Beach.

Mr. TANG has extensive IT industry experience in the global market and in the China market in the areas of sales, marketing, business development, research and development and manufacturing. Mr. TANG is a well-known business leader in China and has held various positions such as the vice president of the European Union Chamber of Commerce in China, the vice chairman of the China Association of Enterprises with Foreign Investment and the vice president of the Beijing Chamber of International Commerce. Over the years, Mr. TANG has been widely recognized in the industry and was awarded the title of "Best Professional Manager of the Decade ("十年最佳職業經理人")" by China's CEO & CIO magazine. Mr. TANG has been responsible for the management of businesses up to an annual sales turnover of RMB70 billion. Mr. TANG also worked as adviser at UCWeb and Ganji.

Mr. TANG is currently the independent non-executive director of JOYY, Inc. (NASDAQ: YY) and Standard Chartered PLC (Stock Code: 2888). He is also the partner and chief value officer of Kaiyun Motors, which is an electric vehicle company. Prior to joining Kaiyun Motors, from 2013 to 2021, Mr. TANG was the managing director of Nokia Growth Partner ("**NGP**") which is a venture capital firm, and was responsible for investments in businesses in China. From 2011 to 2013, Mr. TANG was the corporate senior vice president and the president of Greater China of AMD (Greater China is the largest region of AMD with sales, marketing, research and development and manufacturing operations). During 2004 to 2010, Mr. TANG held a number of positions in Nokia, including the global vice president, the vice chairman and the vice president of sales in Greater China. Mr. TANG was also appointed as the chairman of Nokia Telecommunications Limited, which is a joint venture established by Nokia in China. In addition, Mr. TANG held senior positions at Apple.Inc, 3Com, DEC and AST.

Wenjie WU, aged 47, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Ms. WU is currently an independent Director of Xunlei Limited (NASDAQ: XNET) and BlueCity Holdings Ltd. (NASDAQ: BLCT). Ms. WU served as the Chief Investment Officer of New Hope Group from November 2018 to February 2020. Ms. WU served as managing partner of Baidu Capital from November 2016 to November 2018.Ms. WU successively served as deputy CFO, CFO and CSO of Ctrip.com (NASDAQ: CTRP) from December 2011 to November 2016. Ms. WU was an equity research analyst covering China Internet and Media industries in Morgan Stanley Asia Limited and in Citigroup Global Markets Asia Limited from 2005 to 2011. Prior to that, Ms. WU worked for China Merchants Holdings (International) Company Limited (Stock Code: 0144), a company listed on the Stock Exchange for three years.

Ms. WU has a Ph.D. degree in Finance from the University of Hong Kong, a master's degree in Finance from the Hong Kong University of Science and Technology, and both a master's degree and a bachelor's degree in Economics from Nan Kai University, China. Ms. WU has been a Chartered Financial Analyst (CFA) since 2004.

Senior Management

For the biography details of Mr. Tao ZOU and Mr. Yuk Keung NG, please refer the paragraph headed "Executive Directors" above in this section.

Wei LIU, aged 45, is currently a senior vice president of the Company. Mr. LIU joined the Group in 2000 and has been project manager, HR director and the vice president of human resources of Westhouse Holdings Limited. Mr. LIU has started as an assistant president of our Group since April 2012, and has been the vice president of the Group and assistant to the Chairman since 2013. Mr. LIU became senior vice president of the Company and special assistant to the Chairman in 2016. Mr. LIU is also a director of Kingsoft Office (SSE STAR Market: 688111).

Mr. LIU graduated from China University of Mining And Technology with a bachelor degree in Economics in 1999.

KWOK Wai Wai Kris, aged 41, is currently a senior vice president of our Group and the chief executive officer in Seasun Holdings Limited ("**Seasun**"). He joined the JX3 Online ("**JX3**") development team in Seasun in the year 2004, and currently serves as JX3 producer. Mr. KWOK is familiar with the business and development strategy of Seasun with rich experience in business operation and management. Mr. KWOK graduated from Saint John's University.

Joint Company Secretaries

For the biography details of Mr. Yuk Keung NG, please refer to the paragraph headed "Executive Directors" above in this section.

Hongyu LV, aged 40, is currently joint company secretary and Board secretary of the Company. Ms. LV joined the Company in October 2013, responsible for company secretarial and compliance matters. Before joining the Company, Ms. LV worked in another company listed on the Main Board of the Stock Exchange for many years, responsible for legal compliance, asset reorganization, investment and financing and company secretarial matters. She also worked in law firms. Ms. LV is a Fellow of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute, holding Chartered Secretary and Chartered Governance Professional dual designations. Ms. LV also holds the Chinese legal professional qualification certificate and the board secretary qualification granted by the Shanghai Stock Exchange. Ms. LV holds a bachelor's degree in law and a master's degree in economic law.

CORPORATE GOVERNANCE REPORT

OVERVIEW OF CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. 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 provisions 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 26 May 2021 and the extraordinary general meeting of the Company held on 9 December 2021 due to pre-arranged engagements. 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 enough for the members of the Board to discharge their duties. The Board will continue to review this practice and shall make necessary changes when appropriate and report to the shareholders accordingly.

The following is a summary of work performed by the Board in determining the policy for the corporate governance of the Company during the year ended 31 December 2021:

(1) Developed and reviewed the Company's policies and practices on corporate governance;

(2) Reviewed and monitored the training and continuous professional development of Directors and senior management;

(3) Reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(4) Developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors; and

(5) Reviewed the Company's compliance with the Code and disclosure in the corporate governance report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Code.

BUSINESS MODEL AND STRATEGY

The Group always endeavors to enhance its enterprise value, ensure the Company's long-term and stable development and benefit its shareholders and other stakeholders. The Group emphasizes on long term business growth instead of short term reward by focusing on innovation and R&D to continue improving products and services. The discussion and analysis of the Group's performance for the year ended 31 December 2021 are set out under the section of Management Discussion and Analysis of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**").

Specific enquiry has been made of all the Directors and each of the Directors has confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2021 and up to the date of this annual report. The designated senior management of the Company also has adopted the Model Code.

Details of security interests in the Company held by the Directors are set out in the paragraph headed "Directors' and Chief Executive's Interests in Securities" under the section of the Directors' Report of this annual report.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company (the "**Guidelines**").

No incident of non-compliance of the Guidelines by the employees of the Group was noted by the Company during the year ended 31 December 2021.

THE BOARD

Responsibilities of the Board

The Board is the core function of the Company's corporate governance structure. The principal responsibilities of the Board are to set an overall framework of corporate governance within which the management conducts business and to monitor the Group's operations. The Company's overall framework of corporate governance contains many internal guidelines, internal control policies and procedures that have been formed over the years. The Board has delegated the authority and responsibility for the Group's daily management and operation to senior management of the Group which is under the supervision of the CEO who reports to the Board.

The Board has formulated a clear written policy that stipulates the circumstances under which the management should report and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board regularly reviews our corporate governance practices and updates them as and when appropriate.

The Board oversees specific areas affecting the interests of all shareholders including the execution of resolutions, annual budget, formulation of major decisions for operations, financial proposals and policies, the Company's management system, recommendation/declaration of dividend or other distributions, notifiable and connected transactions under the Listing Rules, recommendation on appointment or reappointment of auditor and other significant operational and financial matters.

The Board is responsible for the preparation of financial statements, so that such financial statements meet the requirements of laws and regulations and applicable accounting standards, and truly and fairly reflect the financial position, the operating results and cash flows of the Group for each reporting period. The Directors also ensures the timely publication of the Group's financial statements. In preparing the financial statements for the year ended 31 December 2021, the Directors adopted appropriate accounting policies and made fair and reasonable judgments and estimates, and the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue on a going concern basis. The external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report of this annual report.

Composition of the Board

As at the date of this annual report, the Board of Directors comprises eight Directors with two executive Directors, three non-executive Directors and three independent non-executive Directors. The independent non-executive Directors constitute one-third of the Board members which complies with rule 3.10A of the Listing Rules and are possessing appropriate professional qualifications or accounting or related financial management expertise. All of the independent non-executive Directors of the Company act in diligent manner to uphold the interests of the Company and the shareholders by maintaining the independence of their opinions and providing professional advice on the long-term development of the Company.

The Company has received, from each of the independent non-executive Directors, a written annual confirmation of his/her independence to the Company pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

A list of Directors, their respective biographies and their relationship with others, if any, are set out in the section headed Directors and Senior Management in this annual report. Save for the disclosure in this annual report, there is no other relationship among the Board members to the best knowledge of the Board as at the date of this annual report.

During the year ended 31 December 2021, the Board comprises the following Directors:

Executive Directors:

Mr. Tao ZOU

Mr. Yuk Keung NG

Non-executive Directors:

Mr. Jun LEI

Mr. Pak Kwan KAU

Mr. Chi Ping LAU

Independent Non-executive Directors:

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Supply of and Access to Information and Resource

All the Directors have direct access to the legal counsels. Written procedures are also in place for Directors to seek, at the Company's expenses, independent professional advice in performing their duties. The Company has arranged appropriate insurance to cover the liabilities of the Directors arising from corporate activities. The insurance coverage is reviewed on an annual basis. The management provides the Board and its committees with adequate, complete and reliable information in a timely manner to enable them to make informed decisions.

Continuing Development

Every newly appointed Director of the Company has received a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development are also available as necessary, to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Pursuant to the applicable code provisions as set out in the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2021, all Directors, namely, the executive Directors Mr. Tao ZOU and Mr. Yuk Keung NG; the non-executive Directors Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Chi Ping LAU; and the independent non-executive Directors Mr. Shun Tak WONG, Mr. David Yuen Kwan TANG and Ms. Wenjie WU have participated in continuous professional development by attending training course or external seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board.

During the year ended 31 December 2021, the company secretary of the Company (the "**Company Secretary**") has taken no less than 15 hours of relevant professional training in compliance with rule 3.29 of the Listing Rules.

Board Meetings

The Board meets at least four times a year at approximately quarterly intervals to review the financial performance of the Group, internal re-organisation plans, the overall group strategy and operations with active participation of the majority of Directors. Certain regular Board meetings held during the year ended 31 December 2021 were convened with at least 14 days' notice, which is in compliance with code provision C.5.3 of the Code. The Company adopted a flexible approach in convening Board meetings and ensured that sufficient time and adequate information were given to Directors in advance.

A regular meeting does not include the practice of obtaining the consent of the Board through the circulation of written resolutions. For all other Board meetings, our Directors are given reasonable notices. Senior managements are invited to attend Board meetings from time to time to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for drafting meeting agenda and obtaining comments from all Directors and approval of meeting agenda by the Chairman, preparing and circulating meeting materials that contain analysis and background information to all meeting attendees at least 3 days in advance, drafting minutes of meetings of the Board and Board committees and obtaining comments from all Directors and approval of the meetings minutes by the Chairman. The approved meetings minutes are open for inspection by the Directors with reasonable advance notice.

The Articles of Association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with a physical board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction should be present and vote at such Board meeting.

Directors' Attendance Records

There were four Board meetings and two general meetings held during the year ended 31 December 2021. The attendance records of each Director at the Board meetings and general meetings during the year of 2021 are set out below:

Name of Director	Attendance/ Number of Board meetings	Attendance/ Number of general meetings
Executive Directors:		
Mr. Tao ZOU	4/4	2/2
Mr. Yuk Keung NG	4/4	2/2
Non-Executive Directors:		
Mr. Jun LEI	4/4	2/2
Mr. Pak Kwan KAU	4/4	2/2
Mr. Chi Ping LAU	4/4	0/2
Independent Non-executive Directors:		
Mr. Shun Tak WONG	4/4	2/2
Mr. David Yuen Kwan TANG	4/4	2/2
Ms. Wenjie WU	4/4	2/2

Chairman and CEO

The Company fully supports the division of responsibility between the Chairman of the Board and the CEO to ensure a balance of power and authority. Their respective responsibilities are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The CEO focuses on implementing objectives, policies and strategies approved and delegated by the Board. As at the date of this annual report, the posts of Chairman and CEO of the Company were held by Mr. Jun LEI and Mr. Tao ZOU, respectively, and there is a clear division of power and responsibility between them.

Appointment and Re-election

All the Directors including the non-executive Directors have either service contracts or formal letters of appointments setting out the major terms and conditions of their appointment. Their terms are fixed for three years.

The Company may from time to time elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election at the general meeting of the Company, at which a Director who retires may fill the vacated office.

BOARD COMMITTEES

The Board has established Audit Committee (established on 3 September 2007), Remuneration Committee (established on 3 September 2007), Nomination Committee (established on 3 September 2007) and Environmental, Social and Governance Committee (established on 23 March 2021) to oversee key aspects of its affairs.

The written terms of reference of our Audit Committee, Remuneration Committee, Nomination Committee and Environmental, Social and Governance Committee which cover their respectively specific role, authority and functions are available on our website. The Audit Committee, Remuneration Committee and Nomination Committee mainly consist of the independent non-executive Directors and non-executive Directors.

In order to discharge their dedicated functions, each of our Board committees is provided with sufficient resources, including the provision of external advisors such as financial advisors and valuation firms, to provide professional advice as required at our cost.

The following lists out the membership, responsibilities and the summary of work that the Audit Committee, Remuneration Committee, Nomination Committee and Environmental, Social and Governance Committee performed on behalf of the Board during the financial year ended 31 December 2021:

Audit Committee

Membership and Responsibilities

During the year ended 31 December 2021, 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. In compliance with rule 3.21 of the Listing Rules, both Mr. Shun Tak WONG and Ms. Wenjie WU of the Audit Committee possess appropriate professional qualifications on accounting or related financial management expertise. None of the Audit Committee members is a member of the previous or existing auditor of the Company.

The terms of reference of our Audit Committee sets out its authority, responsibilities, membership and frequency of meetings. The primary duties of the Audit Committee include:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- approving the remuneration and terms of engagement of the external auditor, and resignation or dismissal of the auditor;
- reviewing and monitoring the external auditor's independence, the objectivity and the effectiveness of the audit process in accordance with applicable standard, and reviewing financial information of the Company;
- reviewing the effectiveness and adequacy of the Company's financial reporting system, risk management and internal control systems;
- assessing work performed by the Company's internal audit team, and the adequacy of resources, qualifications and experience of the accounting staff of the Company;
- assisting our Board in supervising the truthfulness and completeness of the Company's financial statements;
- reviewing the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response; and
- maintaining a whistle blower system to identify and prevent frauds against the Company.

Summary of principal work performed

Principal work performed by the Audit Committee during the year ended 31 December 2021 includes reviewing and/ or approving:

- our Company's unaudited quarterly results, interim consolidated financial statements and audited annual consolidated financial statements, with its recommendations to the Board;
- the accounting principles, policies and practices adopted by the Group;
- annual internal audit plan of the Group and quarterly review of internal audit and business control;
- annual audit plan of the Group and review of quarterly external audit progress report;
- the effectiveness of the internal control systems adopted by the Company;
- the independence, authorities and resource of the internal and external auditor; and
- the terms of engagement and fees of the Company's external auditor.

Meetings attendance

The Audit Committee held four meetings during the year ended 31 December 2021. The attendance records of each member of the Audit Committee are set out below:

Members	Attendance/ Number of meetings held
Ms. Wenjie WU (Chairman)	4/4
Mr. Shun Tak WONG	4/4
Mr. David Yuen Kwan TANG	4/4

Remuneration Committee

Membership and Responsibilities

The Remuneration Committee currently consists of four Directors with three of them being independent non- executive Directors, namely, Mr. Shun Tak WONG, Mr. David Yuen Kwan TANG, Ms. Wenjie WU and one non-executive Director, Mr. Jun LEI.

The primary duties of the Remuneration Committee mainly include assisting the Board to formulate overall remuneration policy and structure for the Company's Directors and senior management personnel and establish formal and transparent procedures for developing such remuneration policy; review and determination of the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration policy is set to attract, motivate and retain highly performing individuals who are essential to the success of the Company. The emolument package for the executive Directors, the senior managers and key personnel includes basic salary, benefits in kind, pension rights, performance bonus and incentive stock options. The non-executive Directors and independent non-executive Directors receive director's fees.

The basic salary and director's fees depend on individual's experience, responsibilities and relevant market rate. The bonus depends on actual performance of the Company's targets and individual performance. Details for the stock option scheme and the share award scheme can be found under the subtitle of "Share Option Schemes" and "Share Award Scheme" in the Directors' Report. The awarded shares are offered to qualified employees to reward them for their high level of performance and foster loyalty with the Group. The information regarding the remuneration of the Directors during the year ended 31 December 2021 is set out in note 10 to the financial statements. When a meeting is convened to discuss certain Directors' remuneration, the Directors in discussion cannot determine his/her own remuneration.

Summary of principal work performed

The following is a summary of work performed by the Remuneration Committee during the year ended 31 December 2021:

- Reviewed and approved the service contracts and remuneration packages (including year-end bonuses, awarded shares and share options) of our executive Directors and senior management;
- Reviewed and recommended director's fee for non-executive Directors and independent non-executive Directors to the Board; and
- Reviewed and recommended performance bonus scheme of the Company to the Board.

Meetings attendance

The Remuneration Committee held 1 meeting during the year ended 31 December 2021. The attendance records of each member of the Remuneration Committee are set out below:

Members	Attendance/ Number of meetings held
Mr. Shun Tak WONG (Chairman)	1/1
Ms. Wenjie WU	1/1
Mr. David Yuen Kwan TANG	1/1
Mr. Jun LEI	1/1

Nomination Committee

Membership and Responsibilities

The Nomination Committee comprises two independent non-executive Directors, namely Mr. Shun Tak WONG and Ms. Wenjie WU, and one non-executive Director, Mr. Chi Ping LAU.

The Nomination Committee is accountable to the Board and regularly reports its work to the Board. The primary duties of the Nomination Committee are mainly to lead the process for board appointments, review the structure and composition of the Board regularly, identify and nominate suitable candidates for appointment to our Board, assess the independence of our independent non-executive Directors, and make recommendations to the Board on matters relating to succession planning for Directors, particularly for the Chairman and the CEO.

The Nomination Committee has also established the basic principles of the board diversity policy of the Company, including: open gender; for the cultural and academic background or professional experience, a director shall, in general, possess an advanced level of education, and his/her expertise and experience shall be considered according to its relevance with the business of the Company or the management of listed companies.

Summary of principal work performed

The following is a summary of work performed by the Nomination Committee during the year ended 31 December 2021:

- Recommended candidates for the position of independent non-executive Director;
- Reviewed the structure, size and composition of the Board, reviewed the Company's policies on nomination of Directors and its committees and made recommendations regarding any proposed changes; and
- Reviewed and assessed each independent non-executive Director's annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

Meetings attendance

The Nomination Committee held 1 meeting during the year ended 31 December 2021. The attendance records of each member of the Nomination Committee are set out below:

Members	Attendance/ Number of meetings held
Mr. Shun Tak WONG (Chairman)	1/1
Ms. Wenjie WU	1/1
Mr. Chi Ping LAU	1/1

Environmental, Social and Governance Committee

Membership and Responsibilities

The Environmental, Social and Governance Committee currently consists of four Directors with three of them being independent non-executive Directors, namely, David Yuen Kwan TANG, Mr. Shun Tak WONG, Ms. Wenjie WU and one executive Director, Mr. Yuk Keung NG.

The primary duties of the Environmental, Social and Governance Committee are mainly to recommend and review the group's ESG management policies, vision, strategies and goals, and submit to the Board for approval; to identify ESG-related matters that are significant to the operation of the Group and/or the interests of other stakeholders, and evaluate and determine the Group's ESG-related risks and opportunities, such as determining the criteria of selecting material ESG factors, identifying and continuously reviewing the list of material ESG factors, and determine the risks and opportunities that material ESG factors will bring to the Group; to approve and review ESG-related policies and to review and evaluate the adequacy and effectiveness of ESG risk management and internal control systems; and to review the Group's performance periodically against ESG-related goals and targets and its progress.

Summary of principal work performed

The following is a summary of work performed by the Environmental, Social and Governance Committee during the year ended 31 December 2021:

- Reviewed the Company's policies and practices on ESG;
- Reviewed and monitored the adequacy and effectiveness of all risk management related to ESG and the internal control systems;
- Set ESG-related goals and targets; and
- Reviewed disclosures in the Group's ESG report and recommended it to the Board for approval.

Meetings attendance

The Environmental, Social and Governance Committee held 1 meeting during the year ended 31 December 2021. The attendance records of each member of the Environmental, Social and Governance Committee are set out below:

Members	Attendance/ Number of meetings held
Mr. David Yuen Kwan TANG (chairman)	1/1
Mr. Yuk Keung NG	1/1
Mr. Shun Tak WONG	1/1
Ms. Wenjie WU	1/1

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

Ernst & Young, Hong Kong, Certified Public Accountants, were engaged as the Company's external auditor for the year ended 31 December 2021. External auditor may provide certain non-audit services to the Group as long as these services do not involve any management or decision making functions for and on behalf of the Group, performing of self-assessments or action as an advocacy role for the Group. Before any engagement with external auditor for non-audit services, external auditor must comply with the independence requirements under Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this annual report.

During the year ended 31 December 2021, the remunerations paid or payable to Ernst & Young regarding the audit and non-audit services (together with the comparative figures for 2020) are set out as follows:

	2021 RMB Million	2020 RMB Million
Audit services	**7.00**	6.68
Non-audit services*	**2.87**	5.48
Total	**9.87**	12.16

* Non-audit services included review services of the Group's interim financial statements, tax services and other compliance services.

DIVIDEND POLICY

The Company has adopted a dividend policy. Subject to the Companies Law of the Cayman Islands and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

The Board may from time to time pay to the shareholders of the Company such interim dividends subject to the Companies Law of the Cayman Islands and the Articles of Association. The Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate, or from time to time declare and pay special dividends subject to the Companies Law of the Cayman Islands and the Articles of Association.

In proposing any dividend payment, the Board shall take into account the following criteria, including:

- the Group's actual and expected results of operations and cash flow and financial position;
- general business conditions and the Group's business strategies;
- distributable profit, retained earnings and/or distributable reserves of the Company and the members of the Group;
- the Group's expected working capital requirements and future expansion plans;
- the Group's indebtedness level and liquidity position;
- legal, regulatory and other contractual restrictions on the Group's declaration and payment of dividends; and
- other factors that the Board deems appropriate.

INTERNAL CONTROL AND RISK MANAGEMENT

Our internal control system and risk management are designed to provide reasonable assurance in safeguarding our shareholders' investment and assets, improving corporate governance and risk management, preventing and detecting frauds and irregularities, providing reliable financial information, and ensuring compliance with applicable law and regulations. The Board acknowledges its responsibility to ensure the Company to maintain a solid, complete and effective internal control system and to monitor the effective implementation of such system. The Company has established an integrated framework of internal controls which is consistent with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") framework.

The Company's internal control framework covers the setting of objectives, budgets and targets; the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; the delegation of authority; and the establishment of clear lines of accountability. Well defined policies and procedures that are properly documented and communicated to employees are essential to the internal control system. Over the past few years, within its internal control framework, the Company has formulated manuals, implemented systems and adopted rules in relation to internal control, which are available on the Company's intranet. The Company's employees receive training of its code of conduct on a regular basis. The Company's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve our business objectives, and aims at providing a reasonable, as opposed to an absolute, assurance in this respect.

While the management is responsible for the design, implementation and maintenance of internal control system, the Board and the Audit Committee oversee the actions of the management and monitor the effectiveness of the established controls. To assist the Audit Committee in its oversight and monitoring activities, the Company has set up an independent internal audit team (the "**IA**") that reports to the Audit Committee directly. The IA provides independent assessment as to the existence and effectiveness of the Company's internal control system, conducts independent investigations regarding allegations of fraud and violations of our business code of conduct, and advices on managing and controlling of risks. To enable the fulfillment of its mission, the IA has unrestricted access to all corporate operations, records, data files, computer programs, property and personnel. Under the COSO framework, the IA undertakes a periodical risk assessment of the Company's overall activities and prepares its audit plan focusing on areas of the Company's operations with the greatest perceived risks. In selecting auditing projects to perform each year, the IA uses information collected throughout the year from process owners, the risk assessment team, senior executives, external auditor and the board of directors. The Audit Committee reviews audit plan and receives at least quarterly updates on the progress. The IA also conducts subjective auditing projects in the operational areas which are material to the business or identified by the Audit Committee and/or senior management, results of which will be reported to the Audit Committee and senior management's concerned. The IA will follow up with the implementation of audit recommendations. Any major internal control weaknesses and findings will be firstly reported to the Audit Committee whenever necessary. In addition, the IA maintains regular communications with our external auditor so that both parties are aware of the significant factors that may affect their respective scopes of work.

The board secretary office reviews the continuing connected transactions periodically to ensure they are in accordance with the pricing policies or mechanisms under the framework agreements, including the pricing range, the process for estimating the selling prices for the goods or services, and the procedures for obtaining quotations or tenders, as appropriate. The Board considers the internal control procedures are adequate and effective to ensure the transactions are so conducted.

The Board has the responsibility to oversee the risks undertaken by the Group, and to actively consider, analyze and formulate strategies to control the risks the Group is exposed to, and determine the level of risk the Company wishes to and is able to take. The Board realizes that risk management is incorporated as part of the Group's annual strategic planning process across all major functions of the Company rather than being a separate and standalone process. Therefore, all business functions are required to identify, assess and evaluate material risks that may impact their strategy objectives, including the following aspects of the risk: business continuity, financial impact, reputational risk, safety and health, external regulations and social responsibility. Each business function monitors and reviews the risks and reports to the senior management team periodically. The senior management team monitors these risks and develops effective systems and mechanisms to mitigate the risks to an acceptable level as determined by the Board. At least annually, the senior management team coordinates the risk identification and assessment process and reports to the Board and whenever necessary on the identified risks and the actions taken to mitigate them.

The Board reviews the risk management and internal control systems annually. The Board believes that all the internal control and risk management policies and procedures have been properly designed and would enable the Company to strengthen the compliance of the overall monitoring system and thereby reduce its operational risk. Continuous monitoring and improvement of management procedures will be carried out to ensure effective internal control system to be in line with the growth of the Company's business. The Company has not suffered any material liability during the year under review resulting from the deficiencies in our internal control system.

During the year ended 31 December 2021, the Board has reviewed the effectiveness of the system of internal control and risk management of the Group and considers the internal control and risk management systems effective and adequate. Such review also took into consideration the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, as well as their training programs and budget.

INSIDE INFORMATION

In accordance with the SFO, the Company has established a framework for handling and the disclosure of inside information. The framework sets out the procedures and internal controls for publishing the inside information announcements. The Company has communicated with all relevant staff regarding the implementation of the framework and relevant trainings are also provided.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication, the Company maintains the website at www.kingsoft.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and press releases are updated on the Company's website in a timely fashion.

The Board endeavours to maintain an on-going dialogue with our shareholders, uses annual general meetings or other general meetings to communicate with our shareholders in particular and encourages them to participate in these meetings. All annual general meeting materials including but not limited to circular, notice and proxy form will be sent to shareholders in time which contain all adequate information according to the Listing Rules.

INVESTOR RELATIONS

Kingsoft establishes an investor relations team to promote open, ongoing and effective communications with shareholders, investors and equity analysts. We are committed to proactively providing the investment community with all necessary information in a timely manner so that participants in the investment community can make fair investment decisions.

During the year ended 31 December 2021, the Company's senior management presented its results in both physical and virtual conference meetings. Through various activities such as global analyst briefings, virtual press conferences, conference calls, and investor non-deal road shows, our senior management presented and answered the key issues about which investors were mainly concerned. In addition to regular one-on-one investor meetings, our senior management participated in a number of investor conferences held by major international investment banks in order to maintain active communications with global institutional investors. The investor relations section of the Company's website, www.kingsoft.com, provides information of the Company such as financial results, announcements, press releases and other latest information in a timely manner and is updated regularly.

SHAREHOLDERS' RIGHT

Procedures for shareholders to convene an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such a requisition must be signed by the shareholders.

Procedures for putting forward proposals at general meetings

Shareholders are welcomed to put forward proposals relating to the operations, strategy and/or management of the Group to be discussed at general meetings. Proposal shall be sent to the Board or the Company Secretary by written requisition at the Company's principal place of business in Hong Kong at Suite 3208, 32/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong or at the Company's principal place of business in Beijing at Building D, Xiaomi Campus, No.33 Xierqi Middle Road, Haidian District, Beijing 100085, the PRC.

Shareholders' enquiries

If the Shareholders are in any doubt about their shareholdings, the Shareholders shall inquire the Company's share registrar directly. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business in Hong Kong at Suite 3208, 32/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong or at the Company's principal place of business in Beijing at Building D, Xiaomi Campus, No.33 Xierqi Middle Road, Haidian District, Beijing 100085, the PRC.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2021.

On behalf of the Board

Jun LEI
Chairman

Hong Kong, 23 March 2022

The Board of the Company submits its report together with the audited financial statements of the Group for the year ended 31 December 2021.

Principal Business

The Group is principally involved in the following principal 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.

Results and Appropriations

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement of comprehensive income of this annual report.

The state of affairs of the Group as at 31 December 2021 is set out in the consolidated statement of financial position of this annual report.

The consolidated statement of cash flows of the Group for the year ended 31 December 2021 is set out in this annual report.

The Directors recommend the payment of a final dividend of HK$0.12 per ordinary share (2020: HK$0.20 per ordinary share) totalling approximately HK$164.0 million (2020: HK$273.6 million), which excluded the dividend related to the shares held under the Share Award Scheme, based on issued shares capital as at 31 December 2021 to shareholders whose names appear on the register of members of the Company on Friday, 10 June 2022. Such proposed dividends will be subject to approval of the shareholders at the forthcoming annual general meeting ("**AGM**") to be held on Wednesday, 25 May 2022. Such proposed dividends will be payable on Tuesday, 21 June 2022. This recommendation has been incorporated in note 14 to the financial statements.

For the year ended 31 December 2021, the Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 20 May 2022 to Wednesday, 25 May 2022 and, Tuesday, 7 June 2022 to Friday, 10 June 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the right to attend and vote at the forthcoming AGM and the proposed final dividend, 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 not later than 4:30 p.m. on Thursday, 19 May 2022 and Monday, 6 June 2022 , respectively.

Reserves

For the year ended 31 December 2021, the profit attributable to owners of the parent company amounted to RMB395.3 million. The Company's reserves available for distribution comprise share premium and retained earnings. Under the Companies Law of the Cayman Islands, the Company's share premium account may be applied by the Company in paying distributions or dividend to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2021, the Company had distributable reserves amounting to RMB4,813.6 million, calculated in accordance with any statutory provisions applicable in the Cayman Islands. Details of movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity of this annual report, and in note 49 to the financial statements, respectively.

Donations

During the year, the Group made charitable and other donations totalling RMB10.0 million (2020: RMB1.7 million).

Pension Schemes

We participate in government and other mandatory pension schemes for our employees in Chinese mainland and overseas. Particulars of these schemes are set out in note 2.4 to the financial statements.

Employee and Remuneration Policy

As at 31 December 2021, the Group employed approximately 7,054 full-time employees (2020: 5,775) inclusive of all its staff in Chinese mainland and overseas offices, most of whom are based at the Company's offices in Beijing and Zhuhai.

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

The remuneration policy and package of the Group's employees are periodically reviewed. The principle of the Group's remuneration policy is fairness, motivating, performance-oriented and market-competitive. 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 contributions.

The staff costs of the Group including Directors' and senior management's emoluments in 2021 and 2020 were approximately RMB3,003.7 million and RMB2,105.1 million, respectively.

Please refer to note 36 to the financial statements for the share options and awarded shares granted to certain Directors and employees of the Group, note 10 to the financial statements for Directors' and senior executives' remuneration, and note 7 to the financial statements for the employee benefit expenses.

Subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2021 are set out in note 1 to the financial statements.

Financial Summary

A summary of the published results, assets, and liabilities of the Group for the last five financial years as extracted from the consolidated financial statements for the year ended 31 December 2017, 2018, 2019, 2020 and 2021, is set out as below. The summary does not form part of the audited financial statements.

	YEAR ENDED 31 DECEMBER				RMB'000
	2017	2018	2019	2020	2021
Profit/(loss) for the year	3,296,629	(165,242)	(2,082,699)	10,244,940	**952,843**
	AS AT 31 DECEMBER				
	2017	2018	2019	2020	2021
Total assets	17,762,390	20,049,812	24,401,623	35,044,195	**36,535,112**
Total liabilities	5,209,419	7,128,213	8,792,242	6,816,285	**7,742,922**

Contract of Significance

Save as disclosed in this annual report, none of Directors was materially interested, directly or indirectly, in any contracts of significance to the Group subsisting during or at the end of the year 2021.

Bank Borrowings

As at 31 December 2021, the Group did not have outstanding bank borrowings.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2021 are set out in note 16 to the financial statements. No assets of the Group are charged during the year ended 31 December 2021.

Principal Properties

During the year, the Group has not held any properties for development and/or sale or for investment purposes of which the percentage ratios exceeds 5%.

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2021.

Key Relationships with Employees, Customers and Suppliers

Details of the key relationships between the Company and its employees, customers and suppliers are set out in the paragraph headed "Employee and Remuneration Policy" and "Major Customers and Suppliers" in this annual report.

Share Capital

Details of the movements in share capital of the Company for the year ended 31 December 2021 are set out in note 35 to the financial statements.

Share Option Schemes

2011 Share Option Scheme

On 9 December 2011, the Company adopted the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participant which expired on 8 December 2021.

2021 Share Option Scheme

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

Seasun Holdings Share Option Scheme

On 27 June 2013, the shareholders of the Company and Seasun Holdings, approved and adopted the Seasun Holdings Share Option Scheme. On 26 December 2016 and 24 May 2017, the Seasun Holdings Share Option Scheme was amended and refreshed.

Details of the movements in share options of the Group for the year ended 31 December 2021 are set out in note 36 to the financial statements.

Summary of the Share Option Schemes

	Detail	2011 Share Option Scheme	2021 Share Option Scheme	Seasun Holdings Share Option Scheme
1	Purposes	To provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest.	To provide incentives or rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.	To provide incentives or rewards to participants thereunder for their contribution to Westhouse Group and/or to enable the Westhouse Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Westhouse Group and any invested entity.
2	Qualified participants	(a) Employee(s) (whether full time or part time employee(s), including any executive director but not any non-executive director); and (b) Any non-executive director (including independent non-executive directors) of the Group or any Invested Entity.	(a) Employee(s) (whether full time or part time employee(s), including any executive director but not any non-executive director); and (b) Any non-executive director (including independent non-executive directors) of the Group or any Invested Entity.	Employee(s) (whether full time or part time employee(s)) of Seasun Holdings, its subsidiaries or any invested entities.

	Detail	2011 Share Option Scheme	2021 Share Option Scheme	Seasun Holdings Share Option Scheme
3	Maximum number of shares	The maximum number of shares which may be issued upon exercise of all share options to be granted under the 2011 Share Option Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 9 December 2011. The total number of shares available for issue under the 2011 Share Option Scheme are 106,264,893, representing approximately 7.75% of the issued shares of the Company as at the date of this annual report.	The maximum number of Shares which may be issued upon exercise of all Options to be granted under the 2021 Share Option Scheme (when aggregated with Shares to be issued upon exercise of options to be granted under other share option scheme) may not in aggregate exceed 10% of the Shares in issue as at 9 December 2021, which is 137,272,871.	The total number of shares which may be issued upon exercise of all options to be granted shall not in aggregate exceed 40,000,000 ordinary shares of Seasun Holdings unless otherwise approved by the shareholders of the Company and Seasun Holdings in general meeting.
4	Maximum entitlement of each participant	The maximum number of shares issuable under share options to each eligible participant in the 2011 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.	The maximum number of shares issuable under share options to each eligible participant in the 2021 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares in issue, unless separately approved by the shareholders of the Company and Seasun Holdings in general meeting with such participant and his associates abstaining from voting. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) (where the shares are listed on the Stock Exchange,) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders of the Company and Seasun Holdings.
5	Option period	The period set out in the relevant offer letter to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the scheme and that the board may at its discretion determine the minimum period for which the option has to be held before the exercise of the subscription right attaching thereto.	The period set out in the relevant offer letter to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the scheme and that the board may at its discretion determine the minimum period for which the option has to be held before the exercise of the subscription right attaching thereto.	Such period as the board of Seasun Holdings may in its absolute discretion determine and notify to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the scheme.

	Detail	2011 Share Option Scheme	2021 Share Option Scheme	Seasun Holdings Share Option Scheme
6	Acceptance of offer	The offer of grant of share options must be accepted within a period of 28 days from the date of offer, upon payment of a consideration of HK$1.00 on acceptance of each grant of share options.	The offer of grant of share options must be accepted within a period of 28 days from the date of offer, upon payment of a consideration of HK$1.00 on acceptance of each grant of share options.	An offer of grant of an option may be accepted by a participant within a period of 28 days from the offer date provided that no offer shall be open for acceptance after the expiry of the scheme or after the scheme has been terminated.
7	Subscription price	The exercise price shall be determined by the board, and shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.	The exercise price shall be determined by the board, and shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.	The subscription price shall be such price as determined by the board of Seasun Holdings but in any case the subscription price of options granted after Seasun Holdings or the Company has resolved to seek a separate initial public offering and up to date of Seasun Holdings' initial public offering must not be lower than the new issue price (if any) in the Seasun Holdings' initial public offering. In particular, any options granted during the period commencing six months before the lodgment of Form A1 (or its equivalent) up to the date of Seasun Holdings' initial public offering are subject to this requirement. The subscription price of options granted during such period shall be subject to adjustment to a price not lower than the new issue price in Seasun Holdings' initial public offering.
8	Remaining life of the Scheme	It expired on 8 December 2021, the tenth anniversary of the date on which the scheme is deemed to take effect.	It will expire on the tenth anniversary of the date on which the scheme is deemed to take effect.	It will expire on the tenth anniversary of the date on which the scheme is deemed to take effect.

2011 Share Option Scheme

The following share options were outstanding under the 2011 Share Option Scheme as of 31 December 2021:

	NUMBER OF SHARE OPTIONS						
NAME OR CATEGORY OF PARTICIPANT	**AT 1 JAN 2021**	**GRANTED DURING THE PERIOD**	**EXERCISED DURING THE PERIOD**	**CANCELLED DURING THE PERIOD**	**AT 31 DEC 2021**	**DATE OF GRANT OF SHARE OPTIONS**	**EXERCISE PRICE OF SHARE OPTIONS HK$ PER SHARE**
Executive Directors							
Tao ZOU	4,000,000	—	1,470,200	—	2,529,800	21 April 2017	20.25
Yuk Keung NG	600,000	—	—	—	600,000	23 November 2017	22.75
	4,600,000	—	1,470,200	—	3,129,800		

Share Award Schemes

Share Award Scheme

The Share Award Scheme was adopted by the Board on 31 March 2008. On 5 July 2021, the Board resolved to amend certain provisions of the Share Award Scheme to, among others, (i) allow the Company to allot and issue new Shares as the awarded Shares, and (ii) extend the termination date of the Share Award Scheme to 30 March 2027. For details of the amendments to the Share Award Scheme, please refer to the announcement of the Company dated 5 July 2021.

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

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

More details regarding the Share Award Scheme are set out in note 36 to the financial statements.

Seasun Holdings Share Award Schemes

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

More details regarding the Seasun Holdings Share Award Schemes are set out in note 36 to the financial statements.

Kingsoft Office Share Award Scheme

On 2 June 2021, the shareholders of Kingsoft Office approved and adopted the Kingsoft Office Share Award Scheme, for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Kingsoft Office Group are entitled to participate. The Kingsoft Office Share Award Scheme is valid and effective from the grant date of the share awards to the date when all the granted share awards are vested or forfeit, which should be no longer than 60 months. The directors of Kingsoft Office are authorised to issue up to 870,000 shares pursuant to the Kingsoft Office Share Award Scheme.

More details regarding the share award schemes are set out in note 36 to the financial statements.

Directors

The Directors of the Company up to the date of this report comprised 8 Directors, of which 2 were executive Directors, 3 were non-executive Directors and 3 were independent non-executive Directors, whose names are as follows:

	APPOINTMENT DATE	RESIGNATION DATE	RE-DESIGNATION DATE
EXECUTIVE DIRECTORS			
Mr. Tao ZOU (鄒濤)	25 August 2009	N/A	N/A
Mr. Yuk Keung NG (吳育強）	1 March 2013	N/A	N/A
NON-EXECUTIVE DIRECTORS			
Mr. Jun LEI (雷軍)	27 July 1998	N/A	28 August 2008
Mr. Pak Kwan KAU (求伯君)	27 July 1998	N/A	24 October 2011
Mr. Chi Ping LAU (劉熾平)	28 July 2011	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Shun Tak WONG (王舜德)	15 July 2014	N/A	N/A
Mr. David Yuen Kwan TANG (鄧元鋆)	6 May 2013	N/A	N/A
Ms. Wenjie WU（武文潔）	1 March 2013	N/A	N/A

In accordance with Article 108 of the Articles of Association,Mr. Tao ZOU, Mr. Yuk Keung NG and Mr. Pak Kwan KAU, will retire at the forthcoming AGM of the Company and, being eligible, will offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and we consider them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 12 to 15 of this annual report.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company. Each agreement is for a period of three years and shall continue thereafter until being terminated by either party giving not less than three months' prior written notice.

The emoluments of the Directors of the Company are determined by the Remuneration Committee after considering the Company's operating results, market rate and individual performance. No Director is allowed to take part in deciding his own remuneration. Details of the remuneration policy for the Directors and senior management of the Group are set out in Corporate Governance Report under the heading of "Remuneration Committee".

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Interests of the Directors in Contracts

Save as disclosed in the section of "Related Party Transactions and Connected Transactions" in Directors' Report, no Directors had any direct or indirect material interests in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party at the end of the year or at any time during the year ended 31 December 2021.

Directors' and Chief Executive's Interests in Securities

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Interests in the ordinary shares of the Company

Name of Director	Capacity	No. of shares interested	% of the total number of issued shares (Note 1)	Nature of Shares held
Jun LEI	Interest of controlled corporation	210,116,248	15.33	Long position
	Other	102,000,000	7.44	Long position
	Total	312,116,248 (Note 2)	22.78	Long position
Pak Kwan KAU	Interest of controlled corporation	102,000,000 (Note 3)	7.44	Long position
Tao ZOU	Beneficial owner	4,411,707	0.32	Long position
Yuk Keung NG	Beneficial owner	1,098,600	0.08	Long position

Notes:

1. % of the total number of issued shares was calculated on basis of the total number of issued shares of the Company as at 31 December 2021, which was 1,370,203,717.

2. As at 31 December 2021, among these 312,116,248 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; (ii) 35,298,057 shares are held by a wholly-owned subsidiary of Xiaomi, a company controlled by Mr. Jun LEI under the SFO; and (iii) 102,000,000 shares are deemed to be interested by Mr. Jun LEI under the SFO because under a voting consent agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI votes with these shares.

3. These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

Interests in shares and underlying shares of associated corporations of the Company

Seasun Holdings (Note 1)

Name of Director	Capacity	No. of shares interested	% of issued share capital in class (Note 2)	Nature of Shares interested
Tao ZOU	Beneficial owner	18,123,462	2.07	Long position

Notes:

1. Seasun Holdings is a non wholly-owned subsidiary of the Company.

2. % of issued share capital in class was calculated on basis of the issued ordinary shares of Seasun Holdings as at 31 December 2021, which was 875,039,945 .

Cheetah Mobile (Note 1)

Name of Director	Capacity	No. of shares interested	% of issued share capital in class (Note 2)	Nature of Shares interested
Jun LEI (Note 3)	Interest of controlled corporation	14,285,714	3.17	Long position
Yuk Keung NG	Beneficial owner	1,200	0.00	Long position

Notes:

1. The Company held 47.91% ownership interest and 26.39% voting power of Cheetah Mobile as at 31 December 2021, which is listed on the NYSE.

2. % of issued share capital in class was calculated on basis of the issued Class A Cheetah Shares as at 31 December 2021, which was 450,604,900.

3. These shares are held by Xiaomi, a company owned as to more than 30% voting power by Mr. Jun LEI under the SFO.

Save as disclosed above, none of the Directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 31 December 2021.

Substantial Shareholders

As at 31 December 2021, as far as the Directors are aware of, the following, other than the Directors and chief executive of the Company, had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued capital of the Company:

Interest in the shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares interested	% of issued share capital (Note 1)	Nature of Shares held
Color Link Management Limited (Note 2)	Beneficial owner	174,818,191	12.76	Long position
Topclick Holdings Limited (Note 3)	Beneficial owner	102,000,000	7.44	Long position
Tencent Holdings Limited (Note 4)	Interest of controlled corporation	106,784,515	7.79	Long position
UBS Group AG	Interest of controlled corporation	72,501,067	5.29	Long position
	Interest of controlled corporation	26,969,384	1.97	Short position

Notes:

1. % of issued share capital was calculated on basis of the total number of issued shares of the Company as at 31 December 2021, which was 1,370,203,717.

2. Mr. Jun LEI is deemed to be interested in Color Link Management Limited's interest in the Company pursuant to Part XV of the SFO because Color Link Management Limited is wholly owned by Mr. Jun LEI.

3. These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

4. These shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited, MIH TC Holdings Limited and Naspers Limited, its beneficial owners, are deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.

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

Public Float

As at the date of this report, the Company has maintained the prescribed public float of at least 25% under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Purchase, Sale or Redemption of the Company's Listed Securities

In August 2021, the Company repurchased 1,619,200 of its own ordinary shares on the Stock Exchange at a price range from HK$30.55 to HK$31.15. In September 2021, the Company repurchased 2,046,000 of its ordinary shares on the Stock Exchange at a price range from HK$28.95 to HK$30.9. In October 2021, the Company repurchased 330,000 of its ordinary shares on the Stock Exchange at a price range from HK$29.8 to HK$29.95. In December 2021, the Company repurchased 274,400 of its ordinary shares on the Stock Exchange at a price range from HK$32.7 to HK$32.8. During the year ended 31 December 2021, the Company repurchased a total of 4,269,600 of its own ordinary shares on the Stock Exchange at a total cost of approximately HK$129.93 million. The Company considered that it is in the best interest of the shareholders to return some surplus funds to them which will in turn enhance shareholders' value.

Convertible Bonds and Adjustment to the Conversion Price

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

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

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

The actual use of the net proceeds raised from the issue of the 2020 Convertible Bonds as at 31 December 2021 and the expected timeline for use of unutilized proceeds is set out as follows:

PROPOSED USE OF PROCEEDS	ACTUAL USE OF PROCEEDS AS AT 31 DECEMBER 2021 (HK$ MILLION)	UNUTILIZED PROCEEDS (HK$ MILLION)	EXPECTED TIMELINE FOR USE OF UNUTILIZED PROCEEDS
Strategic investments and acquisitions	154.81	2,245.18	By 2023
General corporate purposes	535.56	98.39	By 2025

As at 31 December 2021, no 2020 Convertible Bonds had been converted into new shares of the Company, and the outstanding 2020 Convertible Bonds at an aggregate principal amount of HK$3,100,000,000 are convertible into 87,768,969 shares upon full conversion. The following table summarizes the potential effects on the shareholding structure of the Company as a result of the full conversion of the 2020 Convertible Bonds, on the assumptions that there will be no other change to the share capital of the Company from 31 December 2021 to the date of full conversion of the 2020 Convertible Bonds, save for the conversion of the 2020 Convertible Bonds:

	As at 31 December 2021		Assuming the 2020 Convertible Bonds are fully converted at the adjusted conversion price of HK$35.32 per share	
Name of Shareholders	**Number of Shares**	**% of total issued Shares (Note 7)**	**Number of Shares**	**% of the enlarged issued Shares**
Mr. Jun LEI (Note 1)	210,116,248	15.33	210,116,248	14.41
Mr. Pak Kwan KAU (Note 2)	102,000,000	7.44	102,000,000	7.00
Mr. Tao ZOU (Note 3)	4,411,707	0.32	4,411,707	0.30
Mr. Yuk Keung NG (Note 4)	1,098,600	0.08	1,098,600	0.08
Tencent Holdings Limited (Note 5)	106,784,515	7.79	106,784,515	7.32
Holders of the 2020 Convertible Bonds (Note 6)	0	0	87,768,969	6.02
Other public shareholders	945,792,647	69.03	945,792,647	64.87
Total Issued Shares	**1,370,203,717**	**100.00**	**1,457,972,686**	**100.00**

1. As at 31 December 2021, among these 210,116,248 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; and (ii) 35,298,057 shares are held by a wholly-owned subsidiary of Xiaomi, a company controlled by Mr. Jun LEI under the SFO. In addition, pursuant to Part XV of the SFO, Mr. Jun LEI is deemed to be interested in Mr. Pak Kwan KAU's interest of 102,000,000 shares (see Note 2 below) pursuant to a voting consent agreement and its supplemental agreement entered into between Mr. Jun LEI and Mr. Pak Kwan KAU whereby Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

2. These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these 102,000,000 shares under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

3. Mr. Tao ZOU is a Director of the Company.

4. Mr. Yuk Keung NG is a Director of the Company.

5. These shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited is deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.

6. Assuming that the holders of the 2020 Convertible Bonds do not hold any shares of the Company as at 31 December 2021.

7. Any discrepancies between total and sum of percentage listed therein are due to rounding.

The Group had a strong cash position towards the end of reporting period. As at 31 December 2021, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB16,190.1 million and RMB9.4 million, respectively, which totally represented 44% of the Group's total assets. As at 31 December 2021, the Group's gearing ratio, which represents total liabilities divided by total assets, was 21%, compared to 19% as at 31 December 2020. As the reasons discussed above, even though the holders hold the 2020 Convertible Bonds to maturity, the Company is fully capable of redeeming in cash.

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

Details of dilutive effect on the basic earnings per share as at 31 December 2021 are set out in note 15 to the financial statements.

Major Customers and Suppliers

For the year ended 31 December 2021, the 5 largest customers of the Group accounted for less than 30% of the total revenue. For the year ended 31 December 2021, the 5 largest suppliers of the Group accounted for 42% of the total purchases, while the largest supplier accounted for 10% of the total purchases.

The major customers of the Group are mainly distributors and operators of internet services. The Group paid attention to strengthening and sustaining the relationship with its major customers as they are important to the business of the Group. However, the Group does not materially rely on such major customers to generate revenue. The Group's end customers vary for different categories of business of the Group, which include game users, purchasers of our application softwares or other internet services, advertisers who advertise through our products and etc. The Group will continue to strengthen its customer services to provide superior quality services to the users, and strive to achieve the fastest response times and highest customer satisfaction levels in the industry. The major suppliers of the Group mainly provide game development services and bandwidth services to the Group. The Group has established long-term relationships with the major suppliers of the Group to ensure the stable and sustainable supplies for the businesses of the Group.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and suppliers.

Environmental Policies and Performance

As a group providing internet services, the day-to-day business of the Group generally does not involve many environment issues. However, the Group acknowledges the great importance of environment protection. To minimise the impact on the environment and natural resources generated from the operation of the Group, the Group has broadly implemented resource-recycling and energy-saving practices in its offices and branch premises, including its offices and premises in Zhuhai, Beijing, Chengdu, Wuhan and etc. Specifically, the Group (i) encouraged double-sided printing and multi-pages-per-sheet printing for office documents; (ii) encouraged its employees to collect waste paper and used batteries for recycling purpose; and (iii) encourage its employees to turn off lights and computers before leaving the office.

Details of the Company' environmental policies and performances will be set out in a separate Environmental, Social and Governance Report.

Compliance with Relevant Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements. During the year ended 31 December 2021, the Group has complied, to the best of our knowledge, with Telecommunications Regulations, The Administrative Measures for Telecommunications Business Operating Licenses and other laws and regulations in relation to foreign investment, copy rights and etc., as well as Listing Rules and other applicable laws and regulations. The Group has been allocating system and staff resources to ensure ongoing compliance with laws, regulations and rules. The Legal Department and Compliance Department of the Group are mainly responsible for monitoring the operation of the Group to be in compliance with relevant laws and regulations.

Permitted Indemnity Provision

As at 31 December 2021, all Directors of the Company were covered under the liability insurance purchased by the Company for its Directors.

Related Party Transactions and Connected Transactions

1. Structure Contracts

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises, which were issued on 11 December 2001 by the State Council and became effective on 1 January 2002, a foreign investor is currently prohibited from owning more than 50% of the equity interest in a Chinese entity that provides value-added telecommunications services. Internet content provision ("**ICP**") services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP license from the appropriate telecommunications authorities in order to carry on any commercial Internet content provision operations in China. In July 2006, the Ministry of Information and Industry of China issued a notice which prohibits ICP license holders from leasing, transferring or selling a telecommunications business operating license to any foreign investors in any form, or providing any resource, sites or facilities to any foreign investors for their illegal operation of telecommunications businesses in China. The notice also requires that ICP license holders and their shareholders directly own the domain names and trademarks used by such ICP license holders in their daily operations. Therefore, in order for us to be able to carry on our business in China, the Group entered into a series of structure contracts with Kingsoft Qijian, its shareholders Weiqin Qiu and Peili Lei, and Chendu Digital Entertainment, which enable the Group to exercise control over Kingsoft Qijian, Beijing Digital Entertainment and Chengdu Digital Entertainment and to consolidate these companies' financial results in our results. Beijing Digital Entertainment (which is wholly owned by Kingsoft Qijian) and Chengdu Digital Entertainment (which is owned as to 99.91% by Beijing Digital Entertainment and 0.09% by Weiqin Qiu) hold the requisite ICP licenses.

Pre-existing Structure Contracts during the 2021 financial year

To streamline the corporate structure of the Group, the Group has commenced an internal reorganization exercise. In 2007, the Group has (i) entered into structure contracts relating to Kingsoft Qijian; and (ii) entered into structure contracts relating to Chengdu Digital Entertainment. In 2012, the Group has entered into structure contracts relating to Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou. In 2020, the Group has entered into structure contracts relating to Wuhan Jufang Technology.

The risks for operating business with contractual arrangements exist in the following aspects: (i) the PRC government may determine that the agreements which established the structure for operating the Group's business in the PRC do not comply with PRC government restrictions on foreign investment; (ii) the Group's structure contracts with relevant contractually-controlled entities and their shareholders may be less effective in providing operational control as compared with having direct ownership of those entities; and (iii) in the event of the imposition of statutory liens, bankruptcy or criminal proceedings against the shareholders of the relevant contractually-controlled entities, the Company may lose the ability to use a major portion of its assets. For details of such risks, please refer to the Company's prospectus. The Company has made and will continue to make efforts to keep abreast of the recent development of PRC laws and regulations on the contractual arrangement. In order to mitigate the risks, the Company will consult the PRC legal advisors of the Company from time to time and un-wind the contractual arrangements in due course where applicable.

The structure contracts in relation to the business operations of the Group subject to the reporting requirements under the Chapter 14A of the Listing Rules which were pre-existing during the 2021 financial year were as follows:

Structure Contracts relating to Kingsoft Qijian

(i) A loan agreement dated 30 March 2007 between Weiqin Qiu, Peili Lei and Chengdu Interactive Entertainment which provided for an interest free loan by Chengdu Interactive Entertainment of RMB1,200,000 to Weiqin Qiu and of RMB300,000 to Peili Lei, entirely for the purpose of repaying the loan provided by Zhuhai Software. The loans have no definite maturity date and Chengdu Interactive Entertainment may request repayment at any time. Weiqin Qiu and Peili Lei shall repay the loans by transferring the equity interest they hold in Kingsoft Qijian to Chengdu Interactive Entertainment or any person or entity as it may direct.

(ii) A shareholder voting agreement dated 30 March 2007 among Chengdu Interactive Entertainment, Weiqin Qiu, Peili Lei and Kingsoft Qijian, under which Weiqin Qiu and Peili Lei irrevocably entrust all of their shareholder rights in Kingsoft Qijian to Chengdu Interactive Entertainment, including but not limited to the voting rights and the right to nominate directors of Kingsoft Qijian.

(iii) A call option agreement dated 30 March 2007 among Weiqin Qiu, Peili Lei, Kingsoft Qijian and Chengdu Interactive Entertainment, under which Chengdu Interactive Entertainment was granted an exclusive irrevocable option to purchase, or designate a third party to purchase, part or all of Weiqin Qiu's and Peili Lei's equity interest in Kingsoft Qijian at anytime, at a nominal amount subject to applicable PRC laws.

(iv) An equity pledge agreement dated 30 March 2007 among Weiqin Qiu, Peili Lei, Chengdu Interactive Entertainment and Kingsoft Qijian, pursuant to which Weiqin Qiu and Peili Lei pledged all of their equity interests in Kingsoft Qijian (and any increase in their capital contributions) in favor of Chengdu Interactive Entertainment as security for the performance of their respective obligations under the above loan agreement, the shareholder voting agreement and the call option agreement, the performance by Kingsoft Qijian of its obligations under the above shareholder voting agreement and the call option agreement, the performance by Chengdu Digital Entertainment of its obligations under the intellectual property license agreements (as described below in "Structure Contracts relating to Chengdu Digital Entertainment") and the performance by Beijing Digital Entertainment of its obligations under the intellectual property license agreements (as described below).

(v) Zhuhai Software (as the licensor) and Beijing Digital Entertainment (as the licensee) entered into a framework intellectual property license agreement on 15 June 2007 for a term of 10 years from 1 January 2007 which will be automatically renewed for one year at the end of the term or any renewed term, unless the licensor notifies otherwise. Zhuhai Software agreed to enter into agreements to license certain intellectual property rights to Beijing Digital Entertainment on a case-by-case basis.

Structure Contracts relating to Chengdu Digital Entertainment

(i) A loan agreement dated 30 March 2007 between Weiqin Qiu and Chengdu Interactive Entertainment which provided for an interest free loan of RMB100,000 by Chengdu Interactive Entertainment to Weiqin Qiu entirely for the purpose of capital funding of Chengdu Digital Entertainment. The loan has no definite maturity date and Chengdu Interactive Entertainment may request repayment at any time. Weiqin Qiu shall repay the loan by transferring the equity interest she holds in Chengdu Digital Entertainment to Chengdu Interactive Entertainment or any person or entity nominated by Chengdu Interactive Entertainment.

(ii) A shareholder voting agreement dated 30 March 2007 among Chengdu Interactive Entertainment, Weiqin Qiu and Chengdu Digital Entertainment, under which Weiqin Qiu irrevocably entrusts all of her shareholder rights in Chengdu Digital Entertainment to Chengdu Interactive Entertainment, including but not limited to the voting rights and the right to nominate directors of Chengdu Digital Entertainment.

(iii) A call option agreement dated 30 March 2007 among Weiqin Qiu, Chengdu Digital Entertainment and Chengdu Interactive Entertainment, under which Chengdu Interactive Entertainment was granted an exclusive irrevocable option to purchase, or designate a third party to purchase, part or all of Weiqin Qiu's equity interest in Chengdu Digital Entertainment at any time, at a nominal amount subject to applicable PRC laws.

(iv) An equity pledge agreement dated 30 March 2007 among Weiqin Qiu, Chengdu Interactive Entertainment, Chengdu Digital Entertainment and Beijing Digital Entertainment, pursuant to which Weiqin Qiu pledged all of her equity interests in Chengdu Digital Entertainment (and any increase in her capital contribution) in favor of Chengdu Interactive Entertainment as security for the performance of her obligations under the above loan agreement, shareholder voting agreement and call option agreement as well as the performance by Chengdu Digital Entertainment of its obligations under the above shareholder voting agreement, the call option agreement, and the intellectual property license agreements (as described below).

(v) Chengdu Interactive Entertainment (as the licensor) and Chengdu Digital Entertainment (as the licensee) entered into a framework intellectual property license agreement on 15 June 2007 for a term of 10 years from 1 January 2007 which will be automatically renewed for one year at the end of the term or any renewed term, unless the licensor notifies otherwise. Chengdu Interactive Entertainment agreed to enter into agreements to license certain intellectual property rights to Chengdu Digital Entertainment.

As Weiqin Qiu is the sister of Pak Kwan Kau, and Peili Lei is the aunt of Jun Lei, with Pak Kwan Kau and Jun Lei being our executive Directors when the above said structure contracts were signed and now our non-executive Directors, Weiqin Qiu and Peili Lei are associates of Pak Kwan Kau and Jun Lei, and therefore, are our connected persons. Accordingly, certain transactions under the structure contracts technically constituted connected transactions. The Company applied to the Stock Exchange for and was granted a specific waiver from strict compliance with the applicable disclosure and shareholders' approval requirements of Chapter 14A of the Listing Rules in relation to the transactions contemplated under the structure contracts for so long as the shares of the Company are listed on the Stock Exchange.

The independent non-executive Directors have reviewed the structure contracts relating to Kingsoft Qijian, Beijing Digital Entertainment and Chengdu Digital Entertainment and have confirmed that:

- these structure contracts remain unchanged and are consistent with their disclosure in the prospectus of the Company dated 24 September 2007;
- no dividends or other distributions were made by Kingsoft Qijian, Beijing Digital Entertainment, or Chengdu Digital Entertainment to the holders of their equity interests for the year ended 31 December 2021; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

Structure Contracts Relating to Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou

(i) Tao Zou, Weiqin Qiu and Chengdu Westhouse Interactive Entertainment Co., Ltd. ("**Chengdu Westhouse**") entered into a loan agreement on 3 September 2012, pursuant to which Chengdu Westhouse provided interest free loans of RMB10,000,000 to Tao Zou and Weiqin Qiu for repaying the liability incurred by Tao Zou and Weiqin Qiu for the acquisition of the entire registered capital in Zhuhai Seasun Shiyou. The loans have no fixed maturity date, and Chengdu Westhouse may demand repayment at any time. Subject to the PRC Laws, Tao Zou and Weiqin Qiu shall repay the loans by transferring their equity interests in Zhuhai Seasun Shiyou to Chengdu Westhouse or its designated third party.

(ii) Tao Zou, Weiqin Qiu, Chengdu Westhouse and Zhuhai Seasun Shiyou entered into a shareholder voting entrustment agreement on 3 September 2012, pursuant to which Tao Zou and Weiqin Qiu irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Zhuhai Seasun Shiyou) in Zhuhai Seasun Shiyou to such persons designated by Chengdu Westhouse.

(iii) Tao Zou, Weiqin Qiu, Chengdu Westhouse and Zhuhai Seasun Shiyou entered into an exclusive option agreement on 3 September 2012, pursuant to which Chengdu Westhouse was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by Tao Zou and Weiqin Qiu in Zhuhai Seasun Shiyou at any time at an exercise price equal to the corresponding portion of liability of Chengdu Westhouse borne by Tao Zou and Weiqin Qiu under the loan agreement. However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the exercise price shall be the lowest price permitted by the PRC Laws. Despite the above, Tao Zou and Weiqin Qiu shall jointly waive the obligations of Chengdu Westhouse for paying the shortfall in the case that the lowest price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC. When the option is exercised by Chengdu Westhouse, Chengdu Westhouse is entitled to the rights to pay the exercise price by directly waiving the corresponding portion of liability of Chengdu Westhouse borne by Tao Zou and Weiqin Qiu. The ratio of the waived liability of Tao Zou and Weiqin Qiu to their total liabilities shall be the same as that of the transferred equity interest held by Tao Zou and Weiqin Qiu to their total equity interest in Zhuhai Seasun Shiyou.

(iv) Chengdu Westhouse and Chengdu Seasun Shiyou entered into an exclusive technology development, support and consultation agreement on 3 September 2012, pursuant to which Chengdu Westhouse agreed, on the terms, conditions and pricing as required by the agreement, to provide to Chengdu Seasun Shiyou exclusively and Chengdu Seasun Shiyou agreed to accept the technology development, support and consultation services exclusively provided by Chengdu Westhouse for an indefinite term unless otherwise terminated by Chengdu Westhouse in accordance with the terms of the agreement.

(v) Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou, Chengdu Seasun Shiyou and Chengdu Westhouse entered into a business operation agreement on 3 September 2012, pursuant to which, Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou will make relevant undertakings and guarantee to Chengdu Westhouse for the daily operation of Chengdu Seasun Shiyou for a term of 10 years, unless otherwise terminated by Chengdu Westhouse, to ensure that Chengdu Seasun Shiyou would perform the obligations under the above exclusive technology development, support and consultation agreement entered into on the same date.

(vi) Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou and Chengdu Westhouse entered into an equity pledge agreement on 3 September 2012, pursuant to which, Tao Zou and Weiqin Qiu agreed to pledge all equity interests they respectively held in Zhuhai Seasun Shiyou and any increase in capital contributions in favor of Chengdu Westhouse, and granted the priority of pledge compensation while Zhuhai Seasun Shiyou agreed to utilize these equity pledge arrangement as a security for the performance of their obligations under the above loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement dated 3 September 2012 and the settlement in respect of the relevant guaranteed debts. Guaranteed debts represents all direct, indirect, resulting loss and expected interest loss arising from any default by Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou, and all expenses generated by Chengdu Westhouse for enforcing mandatory performance of all agreed obligations by Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou under the above loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement all dated 3 September 2012.

The arrangement relating to Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in this annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou, and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or any other distributions to the holders of their equity interests were made by Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou for the year ended 31 December 2021; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

Structure Contracts Relating to Wuhan Jufang Technology

(i) Wei Liu, Weiqin Qiu and Kingsoft Shiyou (Wuhan) Network Technology Co., Ltd. ("**Kingsoft Shiyou (Wuhan) Network Technology**", formerly known as Seasun Technology (Wuhan) Co., Ltd.) entered into a loan agreement on 16 July 2020, pursuant to which Kingsoft Shiyou (Wuhan) Network Technology provided interest free loans of RMB800,000 and RMB200,000 to Wei Liu and Weiqin Qiu respectively for subscription and fully payment of the entire registered capital of Wuhan Jufang Technology Co., Ltd. ("**Wuhan Jufang Technology**"). The loans have no fixed maturity date, and Kingsoft Shiyou (Wuhan) Network Technology may demand repayment at any time. Subject to the PRC Laws, Wei Liu and Weiqin Qiu shall repay the loans by transferring their equity interests in Wuhan Jufang Technology to Kingsoft Shiyou (Wuhan) Network Technology or its designated third party. Moreover, the ratio of the transferred equity interests in Wuhan Jufang Technology to the equity interests in Wuhan Jufang Technology held by these borrowers on the date of notice of repayment shall be the same as that of the requested repayment to the loans of these borrowers on the date of signing the loan agreement.

(ii) Weiqin Qiu, Wei Liu, Kingsoft Shiyou (Wuhan) Network Technology and Wuhan Jufang Technology entered into a shareholder voting entrustment agreement on 16 July 2020, pursuant to which Wei Liu and Weiqin Qiu irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to designate and nominate the senior management (such as directors and managers) of Wuhan Jufang Technology) in Wuhan Jufang Technology to Kingsoft Shiyou (Wuhan) Network Technology or persons designated by Kingsoft Shiyou (Wuhan) Network Technology.

(iii) Wei Liu, Weiqin Qiu, Kingsoft Shiyou (Wuhan) Network Technology and Wuhan Jufang Technology entered into an exclusive option agreement on 16 July 2020, pursuant to which Kingsoft Shiyou (Wuhan) Network Technology was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by Wei Liu and Weiqin Qiu in Wuhan Jufang Technology at any time at the price equal to the corresponding portion of liability of Kingsoft Shiyou (Wuhan) Network Technology borne by Wei Liu and Weiqin Qiu under the loan agreement. However, if the lowest transfer price permitted by the PRC Laws is higher than the amounts of those liabilities, the transfer price shall be the lowest price permitted by the PRC Laws. Despite the above, Wei Liu and Weiqin Qiu shall jointly waive the obligations of Kingsoft Shiyou (Wuhan) Network Technology for paying the shortfall in the case that the lowest price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC. When the option is exercised by Kingsoft Shiyou (Wuhan) Network Technology, Kingsoft Shiyou (Wuhan) Network Technology is entitled to the rights to pay the transfer price by directly waiving the corresponding portion of liability of Kingsoft Shiyou (Wuhan) Network Technology borne by Wei Liu and Weiqin Qiu. The ratio of the waived liability of Wei Liu and Weiqin Qiu to their total liabilities shall be the same as that of the transferred equity interest held by Wei Liu and Weiqin Qiu to their total equity interest in Wuhan Jufang Technology. In addition, Kingsoft Shiyou (Wuhan) Network Technology was also granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the assets of Wuhan Jufang Technology at any time at the lowest price permitted by the PRC Laws.

(iv) Kingsoft Shiyou (Wuhan) Network Technology and Wuhan Jufang Technology entered into an exclusive technology development, support and consultation agreement on 16 July 2020, pursuant to which Kingsoft Shiyou (Wuhan) Network Technology agreed, on the terms, conditions and pricing as required by the agreement, to provide to Wuhan Jufang Technology, and Wuhan Jufang Technology agreed to exclusively accept, the technology development, support and consultation services for an indefinite term unless otherwise terminated by Kingsoft Shiyou (Wuhan) Network Technology in accordance with the terms of the agreement. The settlement period of the service fee payable by Wuhan Jufang Technology to Kingsoft Shiyou (Wuhan) Network Technology shall be negotiated and agreed by both parties separately. The relevant service fees shall be comprised of the results service fee (the remaining 80%-100% of business income of Wuhan Jufang Technology for the year, net of the mutually-agreed business cost of Wuhan Jufang Technology) and the mutually-agreed service fee (for the specified consultation services and technology services provided by Kingsoft Shiyou (Wuhan) Network Technology at the request of Wuhan Jufang Technology from time to time). Kingsoft Shiyou (Wuhan) Network Technology shall be entitled to the rights to adjust the above service fees at its discretion. Kingsoft Shiyou (Wuhan) Network Technology and Chengdu Kingsoft Shiyou Jufang Technology Co., Ltd. ("**Chengdu Kingsoft Shiyou Jufang Technology**", formerly known as "Chengdu Jufang Technology Co., Ltd."), the subsidiary of Wuhan Jufang Technology, entered into an exclusive technology development, support and consultation agreement on 28 July 2020, pursuant to which Kingsoft Shiyou (Wuhan) Network Technology agreed, on the terms, conditions and pricing as required by the agreement, to provide to Chengdu Kingsoft Shiyou Jufang Technology, and Chengdu Kingsoft Shiyou Jufang Technology agreed to exclusively accept, the technology development, support and consultation services for an indefinite term unless otherwise terminated by Kingsoft Shiyou (Wuhan) Network Technology in accordance with the terms of the agreement. The settlement period of the service fee payable by Chengdu Kingsoft Shiyou Jufang Technology to Kingsoft Shiyou (Wuhan) Network Technology shall be negotiated and agreed by both parties separately. The relevant service fees shall be comprised of the results service fee (the remaining 80%-100% of business income of Chengdu Kingsoft Shiyou Jufang Technology for the year, net of the mutually-agreed business cost of Chengdu Kingsoft Shiyou Jufang Technology) and the mutually-agreed service fee (for the specified consultation services and technology services provided by Kingsoft Shiyou (Wuhan) Network Technology at the request of Chengdu Kingsoft Shiyou Jufang Technology from time to time). Kingsoft Shiyou (Wuhan) Network Technology shall be entitled to the rights to adjust the above service fees at its discretion.

(v) Wei Liu, Weiqin Qiu, Kingsoft Shiyou (Wuhan) Network Technology and Wuhan Jufang Technology entered into a business operation agreement on 16 July 2020, pursuant to which, Wei Liu, Weiqin Qiu and Wuhan Jufang Technology will make relevant undertakings and guarantee to Kingsoft Shiyou (Wuhan) Network Technology for the daily operation of Wuhan Jufang Technology for a term of 10 years, unless otherwise terminated by Kingsoft Shiyou (Wuhan) Network Technology, to ensure that Wuhan Jufang Technology would perform the obligations under the agreements entered into with Kingsoft Shiyou (Wuhan) Network Technology. Wei Liu, Weiqin Qiu, Kingsoft Shiyou (Wuhan) Network Technology, Wuhan Jufang Technology and Chengdu Kingsoft Shiyou Jufang Technology entered into a business operation agreement on 28 July 2020, pursuant to which, Wei Liu, Weiqin Qiu, Wuhan Jufang Technology and Chengdu Kingsoft Shiyou Jufang Technology will make relevant undertakings and guarantee to Kingsoft Shiyou (Wuhan) Network Technology for the daily operation of Chengdu Kingsoft Shiyou Jufang Technology for a term of 10 years, unless otherwise terminated by Kingsoft Shiyou (Wuhan) Network Technology, to ensure that Chengdu Kingsoft Shiyou Jufang Technology would perform the obligations under the agreements entered into with Kingsoft Shiyou (Wuhan) Network Technology.

(vi) Wei Liu, Weiqin Qiu, Kingsoft Shiyou (Wuhan) Network Technology and Wuhan Jufang Technology entered into an equity pledge agreement on 16 July 2020, pursuant to which, Wei Liu and Weiqin Qiu agreed to pledge all equity interests they respectively held in Wuhan Jufang Technology and any increase in capital contributions in favor of Kingsoft Shiyou (Wuhan) Network Technology, and granted the priority of pledge compensation while Wuhan Jufang Technology agreed to utilize these equity pledge arrangement as a security for the performance of obligations of Wei Liu, Weiqin Qiu, Wuhan Jufang Technology and Chengdu Kingsoft Shiyou Jufang Technology under the above loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreements and business operation agreements and the settlement in respect of the relevant guaranteed debts. Guaranteed debts represents all direct, indirect, resulting loss and expected interest loss arising from any default by Wei Liu, Weiqin Qiu, Wuhan Jufang Technology and Chengdu Kingsoft Shiyou Jufang Technology, and all expenses generated by Kingsoft Shiyou (Wuhan) Network Technology for enforcing mandatory performance of all agreed obligations by Wei Liu, Weiqin Qiu, Wuhan Jufang Technology under the above loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreements and business operation agreements.

The arrangement relating to Wuhan Jufang Technology was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in this annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Wuhan Jufang Technology, and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or any other distributions to the holders of their equity interests were made by Wuhan Jufang Technology for the year ended 31 December 2021; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

2. Continuing Transactions and Continuing Connected Transactions

Continuing Connected Transactions with Xiaomi Group

The Company and Xiaomi entered into a framework agreement on 2 December 2019 (the "**Framework Agreement**"). Pursuant to the Framework Agreement, (i) the Group will provide various comprehensive services to Xiaomi Group, mainly including the cloud services, the promotion services, the mailbox customized development services and advertising agency services; (ii) the Group will jointly operate games provided by the Group with Xiaomi Group; (iii) the Group will provide hardware products (mainly including server, storage devices, load balancer and other hardware products manufactured by independent third parties) to Xiaomi Group; (iv) Xiaomi Group will provide various comprehensive services to the Group, mainly including the promotion services, the software development services, the canteen services and other ancillary services; and (v) Xiaomi Group will provide products to the Group, for a term of three years ending 31 December 2022.

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. Mr. Jun LEI holds a majority of voting power in Xiaomi, save for resolutions with respect to a limited number of reserved matters. As such, Xiaomi is a connected person of the Company. Therefore, the entering into the Framework Agreement between the Company and Xiaomi and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For details of the continuing connected transactions, please refer to the announcements of the Company dated 2 December 2019 and 26 May 2020.

The annual caps for the continuing connected transactions hereunder as compared with the actual transactions amounts incurred or received by the Group for the year ended 31 December 2021 are set out as follows:

	Annual Cap for 2021 RMB million	Actual Amount for 2021 RMB million
Fees payable by Xiaomi Group		
Provision of cloud services by the Group	963.20	0
Provision of promotion services by the Group	15.00	7.67
Provision of mailbox customized development services by the Group	0	0
Provision of advertising agency services by the Group	165.00	0
Joint operation of games provided by Group	7.67	6.90
Provision of hardware products by the Group	54.90	0
Fees payable by the Group		
Provision of promotion, software development and canteen services and other ancillary services by Xiaomi Group	113.11	30.88
Provision of products by Xiaomi Group	180.40	0.83

Since Kingsoft Cloud is no longer a subsidiary of the Company and the transactions between Kingsoft Cloud and Xiaomi Group no longer constitute connected transactions of the Group after its spin-off and separate listing on May 8, 2020, the above-mentioned actual amount for 2021 no longer includes the relevant transactions between Kingsoft Cloud and Xiaomi Group.

In respect of the above continuing connected transactions of the Group, the independent non-executive Directors have reviewed the related agreements and transactions contemplated thereunder and confirmed that these transactions were:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties;

(iii) entered into in accordance with the terms of the respective agreements and were fair and reasonable and in the interests of the Company and its shareholders as a whole;

(iv) the aggregate annual amount of the transactions were within the relevant annual caps (if any);

(v) the transactions have been conducted in accordance with the pricing policies or mechanisms under the framework agreements, including the pricing range, the process for determining the prices; and

(vi) the Group's internal control procedures are adequate and effective to ensure that transactions are so conducted.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

3. Related Party Transactions

Details of the related party transactions for the year are included in note 43 to the financial statements. Certain related party transactions disclosed in note 43 to the financial statements also constitute connected transactions or continuing connected transactions as disclosed above. Such certain transactions between connected persons and the Group as shown above have been entered into and/or are ongoing during the year and the Company had made relevant disclosures to the extent required in accordance with the requirements of the Listing Rules.

Compliance with the Code on Corporate Governance Practice

During the year ended 31 December 2021, the Company complied with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules with the exception of the deviation from code provision C.1.6 and D.1.2. Please also refer to the Corporate Governance Report in this annual report for full details.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2021 has been audited by Ernst & Young, who will retire and, being eligible, offer themselves for reappointment at our forthcoming AGM.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

Principal Risks and Uncertainties

For details of the financial risks of the Group, please refer to note 46 to the financial statements of this report. For details of the foreign currency risk, please refer to the Management Discussion and Analysis in this report. Save as disclosed above, a number of other factors, including downturn of the global or PRC economy, overall competitive environment and international policies may affect the result and business of the Group.

On behalf of the Board

Jun LEI
Chairman

Hong Kong, 23 March 2022

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Kingsoft Corporation Limited
(Continued in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Kingsoft Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 179, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2021, the Group held a significant amount of trade receivables of RMB839,268,000, which constituted a significant portion of total assets as at 31 December 2021 and the Group was exposed to credit risks thereof. The Group recognised an impairment loss amounting to RMB29,472,000 for the year ended 31 December 2021 based on the expected credit loss ("ECL") approach under IFRS 9 *Financial Instruments*. The measurement of ECLs requires the application of significant judgements and estimates, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment. Disclosures about accounting policies, significant accounting judgements and estimates and trade receivables are included in Note 2.4 "Summary of Significant Accounting Policies", Note 3 "Significant Accounting Judgements and Estimates" and Note 27 "Trade Receivables" to the consolidated financial statements.	Our audit procedures included the assessment of the design, implementation and operating effectiveness of key internal controls which governed the credit control, debt collection and estimation of expected credit losses. We assessed the reasonableness of the ECL determined by management by examining the information used by management to form such judgement and estimate, including checking the accuracy of the historical default information, evaluating whether the historical loss rates were appropriately adjusted and the debtors were appropriately classified based on current economic conditions and forward-looking information. We evaluated the reasonableness of the Group's provision for impairment of trade receivables by reference to the Group's subsequent collection of the trade receivables. We also assessed the disclosure in relation to the provision for impairment of trade receivable made by the Group.
Impairment of investments in associates	
As at 31 December 2021, the Group held significant amounts of investments in associates amounting to RMB12,130,558,000. No impairment loss has been recognised for the year ended 31 December 2021. Investments in associates are subject to impairment assessments when there is an indication of impairment. For those investments with impairment indicators, the recoverable amounts of the investments in associates were determined by management with the assistance of the external valuer engaged by the Group. Significant management judgements and estimates are required to determine the expected future cash flows and the assumptions used, including growth rates and discount rates applied. Disclosures about accounting policies, significant accounting judgements and estimates and investments in associates are included in Note 2.4 "Summary of Significant Accounting Policies", Note 3 "Significant Accounting Judgements and Estimates" and Note 22 "Investments in Associates" to the consolidated financial statements.	Our audit procedures included evaluating the assessments made by management on the existence of impairment indication on the investments in associates. For those investments with impairment indicators, with the assistance of our internal valuation specialists, we assessed the valuation methodology, key assumptions and parameters, such as revenue growth rate by reference to historical growth rate and discount rate by reference to the ones applied by comparative companies, used by management in determining the recoverable amount. We also evaluated cash flow projections prepared by management by reference to the historical financial data, approved budget and available market data. We also evaluated the competence, capabilities, objectivity and independence of the external valuer engaged by the Group to appraise the recoverable amount of the investments in associates with impairment indicators. We also assessed the adequacy of the disclosure made about the impairment of investments in associates.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Share-based payment	
The Group operates several share option schemes and share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share-based compensation costs were measured with reference to the fair values of the share options and awarded shares at the grant date. The fair values were determined by the management with the assistance of external valuers engaged by the Group, and the costs were recognised in share-based compensation costs in profit or loss, together with a corresponding increase in equity, over the period in which the performance and/or service conditions were fulfilled. The share-based compensation costs recognised during the year ended 31 December 2021 were RMB219,151,000. The determination of fair values and the forfeiture rate of share options and awarded shares required significant management judgements and estimates and was based on assumptions. Disclosures about accounting policies, significant accounting judgements and estimates and share-based payment are included in Note 2.4 "Summary of Significant Accounting Policies", Note 3 "Significant Accounting Judgements and Estimates" and Note 36 "Share-based Compensation Costs" to the consolidated financial statements.	Our audit procedures included obtaining grant letters, reviewing key information (i.e. grant dates, grant number of share options and awarded shares and vesting terms), evaluating the competence, capabilities, objectivity and independence of external valuers and assessing the methodologies, assumptions and parameters adopted, such as the dividend yield, expected volatility, risk-free interest rate, expected forfeiture rate and weighted average share price in the valuation of the share options and restricted share units with option features with the assistance of our internal valuation specialists. For the awarded shares granted, we reviewed the fair value of the shares at the grant date. We evaluated the reasonableness of share-based compensation costs recorded during the year. We also assessed the Group's disclosures about the details of those share option schemes and share award schemes and the relevant assumptions.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**6,371,406**	5,594,243
Cost of revenue		**(1,157,117)**	(917,281)
Gross profit		**5,214,289**	4,676,962
Research and development costs		**(2,328,009)**	(1,656,067)
Selling and distribution expenses		**(1,064,954)**	(838,482)
Administrative expenses		**(570,016)**	(453,809)
Share-based compensation costs	36	**(219,151)**	(179,372)
Other income	5	**391,203**	310,789
Other expenses		**(62,779)**	(4,887)
Other gains, net	6	**842,402**	154,739
Finance income	8	**416,250**	437,997
Finance costs	9	**(142,789)**	(107,514)
Share of profits and losses of:			
Joint ventures	21	**(31,673)**	(25,929)
Associates	22	**(1,301,645)**	(245,067)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**1,143,128**	2,069,360
Income tax expense	12	**(190,285)**	(270,924)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**952,843**	1,798,436
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	13	**—**	8,446,504
PROFIT FOR THE YEAR		**952,843**	10,244,940
Attributable to:			
Owners of the parent		**395,332**	10,045,043
Non-controlling interests		**557,511**	199,897
		952,843	10,244,940
		RMB	**RMB**
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	15		
Basic			
— For profit for the year		**0.29**	7.35
— For profit from continuing operations		**0.29**	0.94
Diluted			
— For profit for the year		**0.28**	7.32
— For profit from continuing operations		**0.28**	0.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**952,843**	10,244,940
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	**101,521**	124,302
Reclassification adjustments for deemed disposal of a subsidiary	**—**	64,475
Reclassification adjustments for partial disposal and deemed disposal of associates	**22,236**	9,002
Share of other comprehensive loss of associates	**(95,844)**	(324,056)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**27,913**	(126,277)
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	**(154,010)**	(400,252)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	**(2,307)**	959,391
Share of other comprehensive income of associates	**40,576**	8,419
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(115,741)**	567,558
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(87,828)**	441,281
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**865,015**	10,686,221
Attributable to:		
Owners of the parent	**315,977**	10,515,256
Non-controlling interests	**549,038**	170,965
	865,015	10,686,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,258,503**	1,184,902
Investment properties	17	**157,111**	64,003
Right-of-use assets	18	**488,728**	504,971
Goodwill	19	**185,564**	185,564
Other intangible assets	20	**121,859**	67,175
Investments in joint ventures	21	**146,121**	180,920
Investments in associates	22	**12,130,558**	12,752,057
Equity investments designated at fair value through other comprehensive income	23	**8,418**	10,725
Financial assets at fair value through profit or loss	24	**226,969**	198,953
Deferred tax assets	34	**124,674**	116,981
Other non-current assets	25	**35,098**	46,301
Total non-current assets		**14,883,603**	15,312,552
CURRENT ASSETS			
Inventories	26	**18,577**	19,085
Trade receivables	27	**839,268**	772,485
Prepayments, other receivables and other assets	28	**1,691,939**	967,372
Financial assets at fair value through profit or loss	24	**2,902,205**	3,910,553
Restricted cash	29	**9,382**	13,079
Cash and bank deposits	29	**16,190,138**	14,049,069
Total current assets		**21,651,509**	19,731,643
CURRENT LIABILITIES			
Trade payables	30	**423,400**	290,855
Other payables and accruals	31	**1,426,585**	1,158,305
Lease liabilities	18	**50,804**	52,758
Contract liabilities	32	**2,003,324**	1,475,907
Income tax payable		**192,071**	265,823
Total current liabilities		**4,096,184**	3,243,648
NET CURRENT ASSETS		**17,555,325**	16,487,995
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,438,928**	31,800,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	32	**143,807**	98,190
Deferred tax liabilities	34	**1,029,633**	1,059,090
Lease liabilities	18	**154,455**	169,759
Liability component of convertible bonds	33	**2,248,587**	2,196,595
Other non-current liabilities		**63,830**	49,003
Derivative financial instrument		**6,426**	—
Total non-current liabilities		**3,646,738**	3,572,637
Net assets		**28,792,190**	28,227,910
EQUITY			
Equity attributable to owners of the parent			
Issued capital	35	**5,308**	5,316
Share premium account	35	**2,490,650**	2,762,242
Treasury shares	35	**(15,259)**	(11,181)
Equity component of convertible bonds	33	**468,700**	468,700
Other reserves	37	**21,834,670**	21,439,482
		24,784,069	24,664,559
Non-controlling interests		**4,008,121**	3,563,351
Total equity		**28,792,190**	28,227,910

Tao ZOU
Director

Yuk Keung NG
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	ATTRIBUTABLE TO OWNERS OF THE PARENT												
	ISSUED CAPITAL (NOTE 35) RMB'000	SHARE PREMIUM ACCOUNT (NOTE 35) RMB'000	TREASURY SHARES (NOTE 35) RMB'000	EQUITY COMPONENT OF CONVERTIBLE BONDS (NOTE 33) RMB'000	STATUTORY RESERVES (NOTE 37) RMB'000	SHARE-BASED COMPENSATION RESERVE RMB'000	OTHER CAPITAL RESERVE (NOTE 37) 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 2020	5,316	2,995,605	(14,631)	–	348,987	556,591	4,008,820	(1,072,927)	391,892	6,577,495	13,797,148	1,812,233	15,609,381
Profit for the year	–	–	–	–	–	–	–	–	–	10,045,043	10,045,043	199,897	10,244,940
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	–	–	–	–	–	–	–	959,391	–	–	959,391	–	959,391
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	–	(247,018)	–	(247,018)	(28,932)	(275,950)
Reclassification adjustments for deemed disposal of a subsidiary (note 13)	–	–	–	–	–	–	–	–	64,475	–	64,475	–	64,475
Reclassification adjustments for partial disposal and deemed disposal associates	–	–	–	–	–	–	–	–	9,002	–	9,002	–	9,002
Share of other comprehensive income/(loss) of associates	–	–	–	–	–	–	–	8,419	(324,056)	–	(315,637)	–	(315,637)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	967,810	(497,597)	10,045,043	10,515,256	170,965	10,686,221
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(226,555)	(226,555)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	–	–	–	96,785	–	(96,785)	–	–	–
Final 2019 dividend declared (note 14)	–	(124,861)	–	–	–	–	–	–	–	–	(124,861)	–	(124,861)
Other distributions (note 14)	–	(130,033)	–	–	–	–	–	–	–	–	(130,033)	–	(130,033)
Issue of convertible bonds (note 33)	–	–	–	468,700	–	–	–	–	–	–	468,700	–	468,700
Share-based compensation costs (note 36)	–	–	–	–	–	158,323	–	–	–	–	158,323	84,590	242,913
Vesting and settlement of share-based awards (note 36)	–	21,531	3,450	–	–	(24,981)	–	–	–	–	–	–	–
Exercise and vesting of share-based awards issued by subsidiaries	–	–	–	–	–	(49,619)	51,358	–	–	–	1,739	1,500	3,239
Share of reserves of associates	–	–	–	–	–	–	6,918	–	–	–	6,918	–	6,918
Profit appropriation	–	–	–	–	102,523	–	–	–	–	(102,523)	–	–	–
Changes in the ownership interests in subsidiaries	–	–	–	–	–	–	(28,631)	–	–	–	(28,631)	(3,337)	(31,968)
Acquisition of a subsidiary (note 39)	–	–	–	–	–	–	–	–	–	–	–	30,108	30,108
Deemed disposal of a subsidiary (note 13)	–	–	–	–	(7,571)	(96,782)	(195,714)	–	–	300,067	–	1,693,847	1,693,847
At 31 December 2020	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

	ATTRIBUTABLE TO OWNERS OF THE PARENT												
	ISSUED CAPITAL (NOTE 35) RMB'000	SHARE PREMIUM ACCOUNT (NOTE 35) RMB'000	TREASURY SHARES (NOTE 35) RMB'000	EQUITY COMPONENT OF CONVERTIBLE BONDS (NOTE 33) RMB'000	STATUTORY RESERVES (NOTE 37) RMB'000	SHARE-BASED COMPENSATION RESERVE RMB'000	OTHER CAPITAL RESERVE (NOTE 37) 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 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 (note 14)	**–**	**(227,736)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(227,736)**	**–**	**(227,736)**
Share-based compensation costs (note 36)	**–**	**–**	**–**	**–**	**–**	**139,276**	**–**	**–**	**–**	**–**	**139,276**	**84,322**	**223,598**
Exercise of share options (note 36)	**5**	**37,905**	**–**	**–**	**–**	**(13,477)**	**–**	**–**	**–**	**–**	**24,433**	**–**	**24,433**
Vesting and settlement of share-based awards (note 36)	**–**	**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**
Shares repurchased (note 36)	**(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**

These reserve accounts comprise the consolidated other reserves of RMB21,834,670,000 (2020: RMB21,439,482,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**1,143,128**	2,069,360
From a discontinued operation		**—**	9,523,089
Adjustments for:			
(Gain)/loss on disposal of items of property, plant and equipment	7	**(231)**	36
Depreciation of property, plant and equipment and investment properties	7	**128,530**	404,090
Depreciation of right-of-use assets	7	**56,460**	72,888
Covid-19-related rent concessions from lessors		**—**	(118)
Amortisation of other intangible assets	7	**27,445**	13,507
Finance costs	9	**142,789**	276,617
Finance income	8	**(416,250)**	(448,980)
Fair value (gains)/losses on financial instruments at fair value through profit or loss, net	6	**(121,153)**	31,739
Gain on disposal of an associate	6	**(51,048)**	—
Gain on deemed disposal of subsidiaries	40	**—**	(10,166,559)
Gain on deemed disposal of joint ventures	6	**(9,856)**	—
Gain on deemed disposal of associates	6	**(628,586)**	(159,494)
Gain on a partial disposal of an associate	6	**(3,276)**	—
Gain on a previously held equity investment remeasured at acquisition date fair value	6	**—**	(81,341)
Share-based compensation costs		**219,151**	240,836
Impairment of trade and other receivables	7	**46,324**	16,531
Share of losses of joint ventures		**31,673**	27,379
Share of losses of associates		**1,301,645**	262,713
Foreign exchange differences, net	6	**(32,522)**	(10,971)
Impairment of investments in an associate	6	**—**	3,932
Impairment of investments in joint ventures	6	**—**	48,098
Impairment of loans to a joint venture	6	**—**	7,200
Impairment of loans to an associate	6	**—**	38,517
Gain on distribution in specie	6	**—**	(3,688)
Loss on exchange for equity investments designated at fair value through other comprehensive income	6	**—**	676
Compensation to a shareholder of a joint venture	6	**4,039**	—
		1,838,262	2,166,057
Increase in trade receivables		**(100,739)**	(659,910)
Increase in prepayments, other receivables and other assets		**(66,851)**	(89,800)
Decrease/(increase) in inventories		**505**	(5,015)
(Increase)/decrease in other non-current assets		**(7,129)**	701
Increase in trade payables		**135,361**	631,163
Increase in contract liabilities		**554,220**	657,461
Increase in other payables and accruals		**118,125**	320,986
(Decrease)/Increase in other non-current liabilities		**(32,348)**	44,953
Cash generated from operations		**2,439,406**	3,066,596
Interest received		**81,879**	89,647
Income tax paid		**(301,187)**	(165,170)
Net cash flows from operating activities		**2,220,098**	2,991,073

Year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**251,063**	289,874
Purchases of items of property, plant and equipment		**(288,648)**	(488,000)
Purchases of other intangible assets		**(13,829)**	(5,327)
Purchases of leasehold lands		**(1,284)**	(40,365)
Increase in deposits with original maturity of over three months when acquired, net		**(2,084,392)**	(3,496,302)
Redemption/(purchases) of financial assets at fair value through profit or loss		**1,159,453**	(3,848,795)
Receipt of government grants for property, plant and equipment		**—**	1,020
Disposal of property, plant and equipment		**752**	593
Dividends received from a joint venture		**13,000**	—
Dividends received from an associate		**—**	680,829
Investments in joint ventures		**(12,300)**	(57,100)
Investments in associates		**(97,946)**	(179,160)
(Increase)/decrease in other loans		**(524,442)**	6,453
Acquisition of a subsidiary, net of cash acquired	39	**—**	(150,915)
Acquisition of a business	39	**(60,000)**	—
Deemed disposal of subsidiaries	13, 40	**—**	(1,771,891)
Proceeds from disposal of associates		**53,275**	—
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**—**	1,484,141
Net cash flows used in investing activities		**(1,605,298)**	(7,574,945)

	NOTES	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of preferred shares of a subsidiary		**50,000**	—
Proceeds from issuance of convertible bonds	33	**—**	2,767,564
Cash settlement of share options issued by a subsidiary		**(5,949)**	(1,241)
Principal portion of lease payments		**(27,508)**	(53,584)
Proceeds from exercise of share options		**24,433**	—
Repurchase of shares		**(107,991)**	—
Proceeds from issue of redeemable convertible preferred shares of a subsidiary, net of cost		**—**	138,900
Dividends paid to owners of the parent	14	**(227,736)**	(237,979)
Dividends paid to non-controlling interests		**(172,643)**	(160,716)
Repayment of bank loans		**—**	(530,663)
Interest paid		**(25,003)**	(33,218)
(Increase)/decrease in restricted cash		**12,792**	(12,792)
Net cash flows (used in)/from financing activities		**(479,605)**	1,876,271
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**135,195**	(2,707,601)
Cash and cash equivalents at beginning of year		**4,455,271**	7,329,845
Effect of foreign exchange rate changes, net		**(37,038)**	(166,973)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,553,428**	4,455,271
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**1,816,922**	1,471,825
Deposits with original maturity of less than three months when acquired	29	**2,736,506**	2,983,446
Cash and cash equivalents as stated in the statement of cash flows	29	**4,553,428**	4,455,271

1. CORPORATE AND GROUP INFORMATION

Kingsoft Corporation Limited (the "Company") was incorporated under the Companies Act of the British Virgin Islands on 20 March 1998. On 15 November 2005, the Company was redomiciled to the Cayman Islands under the Company Law (2004 revision) of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands. The Company's shares have been listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange") since 9 October 2007.

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

During the year, the Company and its subsidiaries (together, the "Group") were involved in the following principal activities:

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

Information about subsidiaries and structured entities

Particulars of the Company's principal subsidiaries and structured entities held by the Group as at 31 December 2021 are as follows:

NAME	PLACE OF INCORPORATION/ REGISTRATION AND OPERATIONS	ISSUED ORDINARY/ REGISTERED SHARE CAPITAL	PERCENTAGE OF EQUITY ATTRIBUTABLE TO THE COMPANY		PRINCIPAL ACTIVITIES
			DIRECT	INDIRECT	
Kingsoft Entertainment Software Holdings Limited ("KES Holdings")	Cayman Islands	US$1	100	—	Investment holding
Seasun Holdings Limited ("Seasun Holdings")	Cayman Islands	US$3,469,269	—	72	Investment holding
Kingsoft Shiyou Holdings Limited ("Shiyou Holdings")	Cayman Islands	US$400,000	—	100	Investment holding
Kingsoft Entertainment Software Corporation Limited	Hong Kong	HK$10,000,000	—	100	Investment holding, and operation and distribution of games
Seasun Games Corporation Limited (iv)	Hong Kong	HK$18,600,000	—	72	Investment holding and provision of game services
Kingame Corporation Limited	Hong Kong	HK$1	—	100	Investment holding and provision of game services
Chengdu Kingsoft Interactive Entertainment Co., Ltd. (i)(ii)	Chinese Mainland	RMB2,600,000,000	—	100	Research and development of games
Beijing Kingsoft Qijian Digital Technology Co., Ltd. (i)(v)	Chinese Mainland	RMB1,500,000	—	100	Marketing and operation of SMS and wireless service of online games and application software
Chengdu Kingsoft Digital Entertainment Technology Co., Ltd. (i)(v)	Chinese Mainland	RMB110,000,000	—	100	Marketing and operation of entertainment software products
Chengdu Westhouse Interactive Entertainment Co., Ltd. (i)(ii)(iv)	Chinese Mainland	RMB15,000,000	—	72	Research and development of games
Zhuhai Seasun Shiyou Technology Co., Ltd. (i)(iv)(v)	Chinese Mainland	RMB10,000,000	—	72	Marketing and operation of entertainment software products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries and structured entities (continued)

Particulars of the Company's principal subsidiaries and structured entities held by the Group as at 31 December 2021 are as follows: (continued)

NAME	PLACE OF INCORPORATION/ REGISTRATION AND OPERATIONS	ISSUED ORDINARY/ REGISTERED SHARE CAPITAL	PERCENTAGE OF EQUITY ATTRIBUTABLE TO THE COMPANY DIRECT	INDIRECT	PRINCIPAL ACTIVITIES
Chengdu Seasun Shiyou Technology Co., Ltd. (i)(iv)(v)	Chinese Mainland	RMB10,000,000	—	72	Marketing and operation of entertainment software products
Zhuhai Kingsoft Online Game Technology Co., Ltd.(i)(iii)(iv)	Chinese Mainland	RMB10,000,000	—	72	Research and development of online games
Kingsoft Shiyou (Wuhan) Network Technology Co., Ltd. (i)(ii)	Chinese Mainland	RMB100,000,000	—	100	Research and development of online games
Wuhan Jufang Technology Co., Ltd. (i)(v)	Chinese Mainland	RMB1,000,000	—	100	Research and development of online games
Chengdu Kingsoft Shiyou Jufang Technology Co., Ltd. (i)(v)	Chinese Mainland	RMB1,000,000	—	100	Marketing and operation of entertainment software products
Zhuhai Kingsoft Software Co., Ltd. (i)(iii)	Chinese Mainland	RMB215,500,000	—	100	Research, development and distribution of consumer application software
Beijing Kingsoft Office Software Co., Ltd. ("Beijing Kingsoft Office") (i)(iii)	Chinese Mainland	RMB461,000,000	—	53	Sale and operation of office application software
Zhuhai Kingsoft Office Software Co., Ltd. (i)(iii)(iv)	Chinese Mainland	RMB1,073,260,000	—	53	Sale and operation of office application software
Wuhan Kingsoft Office Software Co., Ltd. (i)(iii)(iv)	Chinese Mainland	RMB550,000,000	—	53	Sale and operation of office application software
Beijing Shuke Wangwei Technology Co., Ltd. ("Shuke") (i)(iii)(iv)	Chinese Mainland	RMB34,928,865	—	37	Sale and operation of office application software

(i) The English names of these companies represent the best efforts by the management of the Company in directly translating the Chinese names of these companies, as no English names have been registered.

(ii) These companies are registered as wholly-foreign-owned enterprises under PRC law.

(iii) These companies are registered as limited liability enterprises under PRC law, except for Beijing Kingsoft Office which is registered as a joint stock limited enterprise under PRC law.

(iv) These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

(v) The Company does not have legal ownership in the equity of these entities. However, under certain contractual agreements (including power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and exclusive technical consulting and service agreement) entered into with the registered owners of these entities, the Company and its other legally owned subsidiaries control these entities by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these entities to the Company and/or its other legally owned subsidiaries. As a result, these entities are treated as subsidiaries of the Company and their financial statements have been consolidated by the Company.

The above table lists the subsidiaries and structured entities of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 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") and the disclosure requirements of the Hong Kong Companies Ordinance. They 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 Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Company and certain subsidiaries have set up trusts or entities for the purpose of purchasing, administering and holding their shares for the share award scheme adopted. The Group has the power to govern the financial and operating policies of these trusts or entities and derive benefits from the services of the employees who have been awarded the shares through their continued employment with the Group. The assets and liabilities of these trusts or entities are included in consolidated statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, and equity investments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives used for this purpose are as follows:

Buildings	Over the lease terms of related leasehold lands
Electronic equipment	2 to 4 years
Office equipment and fixtures	3 to 5 years
Motor vehicles	4 to 5 years
Leasehold improvements	Over the shorter of the expected life of the leasehold improvements and the lease terms

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as right-of-use assets which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life. The estimated useful lives are as follows:

Leasehold lands	Over the lease term
Buildings	Over the lease term of the leasehold land

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Purchased software, technology, trademark, non-compete agreements and customer relationship

Purchased software, technology, trademark, non-compete agreements and customer relationship are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated economic lives of 1 to 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold lands	Over lease term
Buildings	1 to 6 years
Equipment	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately presented in the Group's consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments, interest-bearing bank loans, lease liabilities and the liability component of convertible bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

After initial recognition, lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises materials and production costs related to the purchase and production of inventories. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank deposits comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction of the related expense when the expense is incurred.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Office software and services

The Group is engaged in design, research and development, and sales and marketing of the office software products and services of WPS Office.

Sales of application software

Revenue from the sales of application software is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the application software.

Some contracts for the sales of application software require the Group to provide when-and-if-available upgrades, technical support and training to the customers. Contracts which bundled sales of application software and after-sale services are comprised of two performance obligations because the promises to transfer the application software and provide after-sale services are distinct and separately identifiable. Accordingly, the revenue from the sales of application software is recognised upon the control of the software is transferred and the revenue in relation to services associated with the software is amortised over the period that the services are provided.

WPS Office Subscription service

The Group provides WPS Office subscription service, including WPS membership, Docer membership and various virtual products and services to individual and enterprise users.

The Group provides different types of memberships of office application software, which enables subscription users to access to various products and functions during the membership validity period. The performance obligation of the subscription service is satisfied over the period in which the subscription services are provided, and payment is generally in advance. Revenue is recognised over the subscription period.

The Group provides various kinds of virtual products and services, such as resume templates, audio books, paper check service, at a fix price. Payment is generally in advance. Revenue is recognised and the performance obligation is satisfied at the point in time when the virtual products are available for use by the customers or service is provided to customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Office software and services (continued)

Online marketing service

The Group provides marketing services primarily through display of impressions or clicks of the advertisement/embedded hyperlinks on particular areas of the Group's websites or software. The service fee from customers is charged primarily on the basis of per click, per thousand impressions or per sales. Revenue is recognised over time as services are rendered.

(b) Services rendered in online games and mobile games

The Group engages in development and operation of online games and mobile games. Revenue from services in online games and mobile games is recognised upon services are rendered to players. The Group offers subscription service and virtual items to players. The service fee is paid directly by end players mainly via online payment channels or distributors.

The Group operates certain of its games through cooperation with third-party game distribution platforms under certain co-operation agreements. The Group is responsible for providing ongoing updates of new contents and technical support for the operation of the games. The third-party game distribution platforms are responsible for distribution, marketing, platform maintenance and payment collections. The third-party game distribution platforms collect the payment from players and remit the net proceeds, after deducting the commission charged, to the Group. In general, the portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currency sold and the agreed sharing ratios in the contracts signed with third-party game distribution platforms. As some third-party game distribution platforms offer various marketing discounts from time to time to players to encourage spending, the actual prices paid by players may be lower than the standard prices of in-game virtual currency. Such marketing discount information is not available to be tracked reliably, as such, the Group is not able to make a reasonable estimate of the gross amount received. In this case, the net amount received from these third-party game distribution platforms is recognised as contract liabilities. For other third-party game distribution platforms which do not offer discounts, gross amount before deduction of commission charged is recognised as contract liabilities, and the relevant commission is recognised as cost of revenue.

Certain of the Group's games were licensed from game developers and published and operated by the Group in defined regions and/or countries or within a specific period. The Group has evaluated the respective roles and responsibilities of the Group and the game developers in the delivery of game experience to players and concluded that the Group have the primary responsibility in these licensing arrangements as the Group are responsible for marketing and promotion of the games in the market, hosting the game servers, determining the price of the in-game virtual items, selection of distribution and payment channels and providing customer services.

The Group recognises revenue under different revenue streams described below.

Subscription services in online games

Several online games of the Group are not free to play. The Group applies a pay-to-play subscription-based model, in which the players pay for a pre-specified length of game playing time within a specified period of time, revenue is recognised based on the actual game playing time by the players or amortised over the pre-determined period because the players simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Services rendered in online games and mobile games (continued)

Sales of in-game virtual items

Some online games and all mobile games of the Group are free to play. Players can purchase game cards or online points and convert them into various in-game virtual items for better in-game experience. Given there is obligation to maintain the in-game virtual items and allow users to gain access and experience from them, revenue is recognised when services are rendered.

- Consumable items represent in-game virtual items that can be consumed by player actions or expire over a predetermined expiration time. The Group keeps track of the consumption or expiration of all the consumable items in the game. Revenue is recognised based on consumption, expiration period, or player life, where applicable, in accordance with the type and term of relevant virtual items as determined by management.
- Permanent items represent in-game virtual items that are accessible by the players as long as they play the game. The Group will provide continuous services in connection with these permanent items until these items are no longer used by the players. Revenues is recognised over player life as determined by management.

Licensing fees

The Group also derives revenue from licensing games to third-party publishing partners, who operate the Group's games in defined regions and/or countries or within a specific period.

The Group has evaluated the respective roles and responsibilities of the Group and the third-party game publishers in the delivery of game experience to players and concluded that the third-party game publishers have the primary responsibility in these licensing arrangements as they are responsible for marketing and promotion of the games in the market, hosting the game servers, determining the price of the in-game virtual items, selection of distribution and payment channels and providing customer services. Accordingly, the Group records licensing fees, which are calculated based on a pre-determined percentage of the proceeds received by game publishers from players, on a net basis.

(c) Cloud service provided by the discontinued operation

The Group through the discontinued operation provided integrated cloud-based services including cloud computing, storage and delivery to customers. Revenue is recognised over time, using an output method based on monthly utilisation records, because the Group's performance obligation is to stand ready to provide an unspecified quantify of integrated cloud-based services each day throughout the contract period and the customer simultaneously receives and consumes the benefits provided by the Group.

The Group through the discontinued operation also provides comprehensive customized cloud-based solutions, and related post-delivery maintenance and upgrade services to customers. Revenue from the cloud-based solutions and upgrades is recognised at a point in time upon the completion of the services and acceptance from customer. Revenue from maintenance is recognised over time, generally over the contact period, because the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

Contract liabilities represent cash received or receivables (whichever is earlier) from the subscription of software and related service and payment for online and mobile games in advance of services being rendered. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Share-based payments

The Group operates several share option schemes and share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model for share options and based on the market value for awarded shares. Further details of the fair values of share options and awarded shares are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognised in share-based compensation costs, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Defined contribution plan for PRC employees

Full-time employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a defined contribution scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the defined contribution scheme which covers pension, medical care, unemployment insurance, employee housing fund and other welfare. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the defined contribution scheme. The Group has no legal obligation for the benefits beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 14 to the financial statements.

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company is HK$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Accounting for companies governed under contractual arrangements as subsidiaries

The Company and some of its subsidiaries do not hold any equity interests in certain of their subsidiaries. Nevertheless, under the contractual agreements entered into between the Group and the shareholders who are the registered owners of those subsidiaries, the directors of the Company determine that the Group has the power to govern the financial and operating policies of those subsidiaries so as to obtain benefits from their activities. As such, those subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

The Group's revenue generated from the entities which are controlled by the Group through the contractual agreements described above amounted to approximately RMB2,650,616,000 (2020: RMB2,882,312,000) for the year ended 31 December 2021. At 31 December 2021, the Group's net assets held by these entities amounted to approximately RMB1,798,694,000 (2020: RMB1,289,283,000).

Classification between cash and cash equivalents and financial assets at fair value through profit or loss for wealth management products

The Group invests in principal protected structured deposits/wealth management products issued by reputable banks in Chinese Mainland amounting to RMB10,628,061,000 (2020: RMB11,139,339,000) in aggregate as at 31 December 2021.

In order for a financial asset to be classified as cash equivalent and measured at amortised cost, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The directors of the Company determine that the Group's structured deposits/wealth management products which have contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that is unrelated to the principal amount, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

As at 31 December 2021, the directors of the Company determined that the amount of structured deposits/ wealth management products classified as cash equivalents and financial assets at fair value through profit or loss amounting to RMB7,757,138,000 (2020: RMB7,257,699,000) and RMB2,870,923,000 (2020: RMB3,881,640,000), respectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value of financial assets at fair value through profit or loss

The Group held financial assets at fair value through profit or loss amounting to RMB3,129,174,000 (2020: RMB4,109,506,000) as at 31 December 2021. The wealth management products amounting to RMB2,870,923,000 (2020: RMB3,881,640,000) have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk volatility and discount rates and hence they are subject to uncertainty. Fair value of certain of financial instruments is determined using valuation model with the assistance of the external valuer engaged by the Group. Management makes estimates and assumptions about factors, such as the risk-free rate and, expected volatility as the parameters for applying the valuation. Further details are included in note 45 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was RMB24,017,000 (2020: nil). The amount of unrecognised tax losses at 31 December 2021 was RMB1,671,456,000 (2020: RMB1,513,157,000). Further details are included in note 34 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB185,564,000 (2020: RMB185,564,000). Further details are given in note 19.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the investments in associates and right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 27 to the financial statements.

Useful lives of virtual items provided in the Group's online games and mobile games

The players purchase in-game virtual items provided in the Group's online games and mobile games, which include items consumed at a single point in time, over a pre-specified period or throughout the whole game life. Revenue is recognised over the estimated lives of the virtual items or the users, where appropriate, which are determined on the basis of the Group's best estimate that takes into account all known, available and relevant information at the time of assessment. The Group estimates the lives of the in-game virtual items and the users on a game-by-game basis and re-assesses periodically. Future usage patterns may differ from the historical usage patterns on which the revenue recognition is based. The Group monitors the operating strategy and business patterns of the online games and mobile games. Any adjustments arising from changes in the lives of the virtual items and the users as a result of updated information will be accounted for prospectively as a change in accounting estimate.

Recognition of share-based compensation costs

The Company and some of its subsidiaries adopted their own share award schemes and/or share option schemes. The fair values of the awarded shares and options granted during the year ended 31 December 2021 were valued by external valuers based on valuation model. The valuation requires the Group to make estimates about the dividend yield, expected volatility, risk-free interest rate, expected forfeiture rate and weighted average share price, and hence it is subject to uncertainty. The fair value of these awarded shares and options granted during the year ended 31 December 2021 was approximately RMB495,073,000 (2020: RMB 56,116,000). The share-based compensation costs recognised during the year ended 31 December 2021 amounted to RMB219,151,000 (2020: RMB179,372,000).

The grant of awarded shares and share options is conditional upon the satisfaction of specified vesting conditions, including the service period. Judgement is required to take into account the vesting conditions and adjust the number of awarded shares and share options included in the measurement of share-based compensation costs.

4. OPERATING SEGMENT 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.

4. OPERATING SEGMENT INFORMATION (continued)

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

YEAR ENDED 31 DECEMBER 2021	OFFICE SOFTWARE AND SERVICES RMB'000	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
SEGMENT REVENUE (note 5):			
Sales	3,264,794	3,106,612	6,371,406
SEGMENT RESULTS	896,850	454,803	1,351,653
Reconciliation:			
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			(1,301,645)
Profit before tax from continuing operations			1,143,128
OTHER SEGMENT INFORMATION:			
Impairment losses recognised in the statement of profit or loss	(4,962)	(41,362)	(46,324)
Depreciation and amortisation	(86,342)	(126,093)	(212,435)
Capital expenditure*	(150,683)	(259,369)	(410,052)

* Capital expenditure consists of additions to property, plant and equipment, leasehold lands and other intangible assets, including assets from the business combination.

4. OPERATING SEGMENT INFORMATION (continued)

YEAR ENDED 31 DECEMBER 2020	OFFICE SOFTWARE AND SERVICES RMB'000	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
SEGMENT REVENUE (note 5):			
Sales	2,257,177	3,337,066	5,594,243
SEGMENT RESULTS	735,832	1,107,937	1,843,769
Reconciliation:			
Other gains, net			154,739
Finance income			437,997
Finance costs (other than interest on lease liabilities)			(96,149)
Share of profits and losses of:			
Joint ventures			(25,929)
Associates			(245,067)
Profit before tax from continuing operations			2,069,360
OTHER SEGMENT INFORMATION:			
Impairment losses recognised in the statement of profit or loss	311	(100,351)	(100,040)
Depreciation and amortisation	(68,244)	(115,464)	(183,708)
Capital expenditure*	(89,416)	(139,205)	(228,621)

* Capital expenditure consists of additions to property, plant and equipment, leasehold lands and other intangible assets, including assets from the acquisition of a subsidiary.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers:

	2021 RMB'000	2020 RMB'000
Chinese Mainland	**5,987,976**	5,358,616
Hong Kong	**343,522**	211,743
Other countries/regions	**39,908**	23,884
Total	**6,371,406**	5,594,243

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

(b) Non-current assets:

	2021 RMB'000	2020 RMB'000
China	**2,236,312**	2,045,089
Other countries/regions	**3,266**	3,243
Total	**2,239,578**	2,048,332

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

Information about major customers

There was no revenue from continuing operations from transaction with a single customer which amounted to 10% or more of the Group's revenue during the years ended 31 December 2021 and 31 December 2020.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**6,342,766**	5,568,321
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**28,640**	25,922
	6,371,406	5,594,243

Revenue from contracts with customers

(a) *Disaggregated revenue information*

For the year ended 31 December 2021

SEGMENTS	OFFICE SOFTWARE AND SERVICES RMB'000	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
TYPES OF GOODS OR SERVICES			
Sale and subscription of software and related services	**2,956,355**	**—**	**2,956,355**
Game services	**—**	**2,515,044**	**2,515,044**
Online marketing services	**308,006**	**—**	**308,006**
Royalties	**—**	**478,647**	**478,647**
Others	**—**	**84,714**	**84,714**
Total revenue from contracts with customers	**3,264,361**	**3,078,405**	**6,342,766**
GEOGRAPHICAL MARKETS			
Chinese Mainland	**3,161,425**	**2,797,911**	**5,959,336**
Hong Kong	**69,158**	**274,364**	**343,522**
Other countries/regions	**33,778**	**6,130**	**39,908**
Total revenue from contracts with customers	**3,264,361**	**3,078,405**	**6,342,766**

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

	OFFICE SOFTWARE AND SERVICES RMB'000	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
TIMING OF REVENUE RECOGNITION			
Goods or services transferred at a point in time	**1,426,094**	**110,890**	**1,536,984**
Services transferred over time	**1,838,267**	**2,967,515**	**4,805,782**
Total revenue from contracts with customers	**3,264,361**	**3,078,405**	**6,342,766**

For the year ended 31 December 2020

SEGMENTS	OFFICE SOFTWARE AND SERVICES RMB'000	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
TYPES OF GOODS OR SERVICES			
Sale and subscription of software and related services	1,915,684	—	1,915,684
Game services	—	2,589,979	2,589,979
Online marketing services	341,493	—	341,493
Royalties	—	584,448	584,448
Others	—	136,717	136,717
Total revenue from contracts with customers	2,257,177	3,311,144	5,568,321
GEOGRAPHICAL MARKETS			
Chinese Mainland	2,183,377	3,149,317	5,332,694
Hong Kong	65,243	146,500	211,743
Other countries/regions	8,557	15,327	23,884
Total revenue from contracts with customers	2,257,177	3,311,144	5,568,321
TIMING OF REVENUE RECOGNITION			
Goods or services transferred at a point in time	871,094	136,717	1,007,811
Services transferred over time	1,386,083	3,174,427	4,560,510
Total revenue from contracts with customers	2,257,177	3,311,144	5,568,321

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2021

SEGMENTS	OFFICE SOFTWARE AND SERVICES RMB'000	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
REVENUE FROM CONTRACTS WITH CUSTOMERS	**3,264,361**	**3,078,405**	**6,342,766**

For the year ended 31 December 2020

SEGMENTS	OFFICE SOFTWARE AND SERVICES RMB'000	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
REVENUE FROM CONTRACTS WITH CUSTOMERS	2,257,177	3,311,144	5,568,321

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Software related services	**874,257**	401,532
Game services	**529,772**	448,956
Royalties	**18,559**	26,714
Others	**2,978**	2,245
	1,425,566	879,447

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sales of application software

The performance obligation for the sales of application software is satisfied upon delivery of the application software and payment is generally due within 30 to 90 days from invoice date, except for certain customers, where payment in advance may be required. The performance obligation associated with the sales of application software is satisfied at the point in time when the products are delivered.

WPS Office subscription service

The performance obligation for membership service is satisfied over time as services are rendered. The performance obligations for the sales of virtual products/services are satisfied at the point in time when the products are available for use or services are rendered. The payment in advance is normally required.

Online marketing service

The performance obligation for online marketing service is satisfied over time as services are rendered. The payments are generally due in 30 to 60 days.

Game services and royalties

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days from the date of billing, except for individual customers and certain agents, where payment in advance is required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) from continuing operations as at 31 December are as follows:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**1,985,682**	1,473,599
After one year	**161,449**	100,498
	2,147,131	1,574,097

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to royalties and WPS Office subscription service, of which the performance obligations are to be satisfied within membership periods stated in the contracts. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE AND OTHER INCOME (continued)

Other income

	2021 RMB'000	2020 RMB'000
Government grants*	**382,188**	309,009
Others	**9,015**	1,780
	391,203	310,789

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

6. OTHER GAINS, NET

	NOTES	2021 RMB'000	2020 RMB'000
Gain on disposal of an associate		**51,048**	—
Gain on deemed disposal of associates		**628,586**	159,494
Gain on deemed disposal of joint ventures		**9,856**	—
Gain on a partial disposal of an associate		**3,276**	—
Gain on previously held equity investment remeasured at acquisition date fair value	39	**—**	81,341
Impairment of investments in joint ventures	21	**—**	(48,098)
Impairment of investments in an associate	22	**—**	(3,932)
Impairment of loans to a joint venture	43(b)(iii)	**—**	(7,200)
Impairment of loans to an associate		**—**	(38,517)
Gain on distribution in specie		**—**	3,688
Loss on exchange for equity investments designated at fair value through other comprehensive income		**—**	(676)
Foreign exchange differences, net		**32,522**	40,378
Fair value gains/(losses) on financial instruments at fair value through profit or loss, net		**121,153**	(31,739)
Others		**(4,039)**	—
		842,402	154,739

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	NOTE	2021 RMB'000	2020 RMB'000
Employee benefit expenses (including directors' remuneration (note 10)):			
Wages and salaries		**2,257,246**	1,630,802
Social insurance costs and staff welfare		**332,942**	237,738
Share-based compensation costs		**219,151**	179,372
Pension plan contributions*		**194,351**	57,148
		3,003,690	2,105,060
(Gain)/Loss on disposal of items of property, plant and equipment		**(231)**	36
Lease payments not included in the measurement of lease liabilities		**26,308**	18,734
Cost of inventories sold		**2,128**	2,747
Cost of services provided		**920,592**	783,226
Depreciation of property, plant and equipment	(a)	**126,997**	111,297
Depreciation of right-of-use assets	(a)	**56,460**	58,274
Depreciation of investment properties	(a)	**1,533**	1,517
Amortisation of other intangible assets	(a)	**27,445**	12,620
Impairment of trade and other receivables**		**46,324**	2,293
Donations**		**10,018**	1,672
Auditor's remuneration		**7,000**	6,680

* At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: nil).

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

Note:

(a) Depreciation/amortisation of property, plant and equipment, investment properties, right-of-use assets, and other intangible assets from continuing operations:

	2021 RMB'000	2020 RMB'000
Included in:		
Cost of revenue	**49,763**	14,947
Research and development costs	**63,695**	100,847
Selling and distribution expenses	**14,564**	11,801
Administrative expenses	**84,413**	56,113
	212,435	183,708

8. FINANCE INCOME

An analysis of finance income from continuing operations is as follows:

	NOTE	2021 RMB'000	2020 RMB'000
Finance income from banks*		**411,761**	436,569
Interest income from loans to related parties	43(a)	**4,489**	1,428
		416,250	437,997

* This amount includes finance income recognised for cash and bank deposits and wealth management products issued by banks.

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	NOTES	2021 RMB'000	2020 RMB'000
Interest on convertible bonds	33	**132,441**	91,058
Interest on bank loans		**—**	5,091
Interest on other non-current liabilities		**1,418**	—
Interest on lease liabilities	18(c)	**8,930**	11,365
		142,789	107,514

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	**1,215**	1,138
Other emoluments:		
Salaries, allowances and benefits in kind	**5,078**	3,896
Discretionary bonuses	**1,500**	140
Pension scheme contributions	**28**	15
Share-based compensation	**42,547**	45,596
	49,153	49,647
	50,368	50,785

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Shun Tak Wong	**405**	379
David Yuen Kwan Tang	**405**	379
Wenjie Wu	**405**	380
	1,215	1,138

There were no other emoluments payable to the independent non-executive directors during the year (2020: nil).

(b) Executive directors, non-executive directors and the chief executive

	2021			
	FEES RMB'000	SALARIES, ALLOWANCES AND BENEFITS IN KIND RMB'000	DISCRETIONARY BONUSES RMB'000	PENSION SCHEME CONTRIBUTIONS RMB'000
Executive directors:				
Yuk Keung Ng	—	2,195	—	—
Tao Zou	—	2,170	1,500	19
Non-executive directors:				
Pak Kwan Kau	—	405	—	—
Jun Lei	—	308	—	9
Chi Ping Lau[1]	—	—	—	—
	—	5,078	1,500	28

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	2020			
	FEES RMB'000	SALARIES, ALLOWANCES AND BENEFITS IN KIND RMB'000	DISCRETIONARY BONUSES RMB'000	PENSION SCHEME CONTRIBUTIONS RMB'000
Executive directors:				
Yuk Keung Ng	—	1,581	—	—
Tao Zou	—	1,575	140	7
Non-executive directors:				
Pak Kwan Kau	—	379	—	—
Jun Lei	—	361	—	8
Chi Ping Lau[1]	—	—	—	—
	—	3,896	140	15

1 Mr. Chi Ping Lau agreed to waive his remuneration for the years ended 31 December 2021 and 2020.

During the year and prior years, certain directors were granted share options and awarded shares, in respect of their services to the Group, further details of which are set out in note 36 to the financial statements. The fair value of such share options and awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant. During the year ended 31 December 2021, share-based compensation costs of RMB41,275,000 and RMB1,266,000 were recognised in the statement of profit or loss for Mr. Tao Zou and Mr. Yuk Keung Ng, respectively (2020:RMB43,747,000 and RMB1,849,000, respectively).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2020: two directors and the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**3,067**	3,067
Discretionary bonuses	**1,120**	1,456
Pension scheme contributions	**89**	48
Share-based compensation	**55,924**	87,756
	60,200	92,327

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	NUMBER OF EMPLOYEES	
	2021	2020
HK$6,000,001 to HK$6,500,000	**1**	—
HK$15,500,001 to HK$16,000,000	**1**	—
HK$23,000,001 to HK$23,500,000	**—**	1
HK$35,000,001 to HK$35,500,000	**—**	1
HK$50,500,001 to HK$51,000,000	**1**	1
	3	3

During the year and the prior years, share options and awarded shares were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 36 to the financial statements. The fair value of such options and awarded shares, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosure.

12. INCOME TAX

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Chinese Mainland during the year. 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% (2020: 16.5%) on 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 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

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

	NOTES	2021 RMB'000	2020 RMB'000
Current — Chinese Mainland		**203,423**	326,690
Current — Hong Kong		**5,841**	11,011
Current — Elsewhere		**18,172**	11,492
Deferred	34	**(37,151)**	(78,269)
Total tax charge for the year from continuing operations		**190,285**	270,924
Total tax charge for the year from a discontinued operation	13	**—**	1,076,585
		190,285	1,347,509

12. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax from continuing operations	**1,143,128**	2,069,360
Profit before tax from a discontinued operation	**—**	9,523,089
	1,143,128	11,592,449
Tax at the statutory tax rate of Chinese Mainland	**285,782**	2,898,214
Lower tax rates for specific provinces or enacted by local authorities	**(176,441)**	(196,318)
Effect of different tax rates in different jurisdictions	**(69,866)**	(1,477,750)
Effect on opening deferred tax of change in rates	**3,706**	(20)
Income not subject to tax	**(173,537)**	(57,995)
Expenses not deductible for tax	**151,654**	56,683
Research and development super deduction	**(132,599)**	(125,389)
Profits and losses attributable to joint ventures and associates	**329,502**	64,363
Tax losses and deductible temporary differences not recognised	**99,654**	146,871
Tax losses and deductible temporary differences utilised from previous periods	**(120,739)**	(7,986)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**26,010**	39,345
Effect of withholding tax on income arising from overseas operations	**2,485**	9,342
Others	**(35,326)**	(1,851)
Tax charge at the Group's effective rate	**190,285**	1,347,509
Tax charge from continuing operations at the effective rate	**190,285**	270,924
Tax charge from a discontinued operation at the effective rate	**—**	1,076,585

During the year ended 31 December 2021, current tax amounting to nil (2020:RMB37,034,000) was recognised in other comprehensive income in respect of equity investments designated at fair value through other comprehensive income.

The share of tax expense attributable to associates amounting to RMB8,385,468 (2020: RMB43,911,766) and the tax expense attributable to joint ventures amounting to RMB1,094,290 (2020: RMB2,219,680) were included in "share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

13. DISCONTINUED OPERATION

On 20 March 2020, the shareholders of the Company approved the proposed spin-off and separate listing of Kingsoft Cloud Holdings Limited ("Kingsoft Cloud") . On 8 May 2020 (New York time), the listing was completed and the trading in the American depositary shares ("ADSs") of Kingsoft Cloud on National Association of Securities Dealers Automated Quotations ("NASDAQ") commenced. As a result, the Group lost control over Kingsoft Cloud, which was then changed from a subsidiary to an associate of the Company.

Kingsoft Cloud and its subsidiaries (collectively, "Kingsoft Cloud Group") carries out the "cloud services segment" of the Group. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of Kingsoft Cloud Group before the deemed disposal have been presented as a discontinued operation in the consolidated statement of profit or loss.

The results of Kingsoft Cloud Group for the period are presented below:

	2020* **RMB'000**
Revenue	1,788,395
Total expenses	(2,431,865)
Loss before tax from the discontinued operation	(643,470)
Gain on deemed disposal of a subsidiary	10,166,559
Income tax:	
Related to pre-tax profit	(6,450)
Related to a gain on deemed disposal	(1,070,135)
Profit for the period from the discontinued operation	8,446,504

* These figures represent the operating results for the period prior to the deemed disposal on 8 May 2020.

13. DISCONTINUED OPERATION (continued)

The net assets of Kingsoft Cloud Group disposed of as at 8 May 2020 were as follows:

	NOTES	RMB'000
Net assets disposed of:		
Property, plant and equipment	16	1,761,924
Other intangible assets	20	7,517
Investments in joint ventures		59,856
Investments in associates		39,563
Financial assets at fair value through profit or loss		9,072
Inventories		2,388
Trade receivables		1,902,446
Prepayments, other receivables and other assets		562,944
Right-of-use assets	18	271,903
Cash and cash equivalents		1,771,891
Time deposits with original maturity of over three months when acquired		228,530
Trade payables		(1,848,288)
Other payables, accruals and deferred revenue		(1,016,716)
Interest-bearing bank loans		(174,351)
Lease liabilities	18	(279,770)
Income tax payable		(18,139)
Deferred tax liabilities	34	(147)
Derivative financial instruments		(129,723)
Liability component of redeemable convertible preferred shares		(3,785,716)
Non-controlling interests		1,693,847
		1,059,031
Exchange fluctuation reserve		64,475
		1,123,506
Gain on deemed disposal of a subsidiary		10,166,559
Investment in an associate		11,290,065

13. DISCONTINUED OPERATION (continued)

An analysis of the net outflows of cash and cash equivalents in respect of the deemed disposal of Kingsoft Cloud Group is as follows:

	2020 RMB'000
Cash consideration	—
Cash and cash equivalents disposed of	(1,771,891)
Net cash outflows from the deemed disposal of a subsidiary	(1,771,891)

The net cash flows incurred by Kingsoft Cloud Group are as follows:

	2020* RMB'000
Operating activities	(61,910)
Investing activities	(280,787)
Financing activities	113,545
Net cash outflow	(229,152)

* These figures represent the operating results for the period prior to the deemed disposal on 8 May 2020.

	2020 RMB
Earnings per share:	
Basic, from the discontinued operation	RMB6.41
Diluted, from the discontinued operation	RMB6.40

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2020
Profit attributable to ordinary equity holders of the parent from the discontinued operation	RMB8,764,699,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (note 15)	1,367,090,890
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 15)	1,370,872,929

14. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final dividend (note (a)):		
HK$0.12 (2020: HK$0.20) per share based on issued share capital as at year end	**134,433**	231,058
Less: Dividend for shares held for share award scheme as at year end	**(364)**	(789)
	134,069	230,269

(a) The actual amount of the 2020 dividend finally paid was RMB227,736,000, after eliminating the amount of RMB714,000 paid for shares held by the share award scheme trust.

(b) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Other distributions

On 8 May 2020, Kingsoft Cloud completed its initial public offering on National Association of Securities Dealers Automated Quotations.

In order to give due regard to the interests of its shareholders, the Company has provided the shareholders with the choice of distribution in specie of ADS of Kingsoft Cloud, or cash payment in lieu, with value of each ADS to be HK$131.75, based on Kingsoft Cloud's initial public offering price of US$17 per ADS translated into HK$ at the exchange rate of US$1.00 to HK$7.75.

The total amount of cash payments distributed to the Company's shareholders is HK$124,000,000 (equivalent to RMB113,118,000), and the total number of ADSs distributed to the Company's shareholders is 110,265, equivalent to RMB16,915,000 at the date of distribution.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,368,379,188 (2020: 1,367,090,890) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings arising from the convertible bonds of the Company, the share option schemes and the share award schemes adopted by the Group's subsidiaries and associates, where applicable. 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 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.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share are based on:

	2021 RMB'000	2020 RMB'000
EARNINGS		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**395,332**	1,280,344
From a discontinued operation	**—**	8,764,699
	395,332	10,045,043
Decrease in earnings adjusted for the share option schemes and the share award schemes adopted by the Group's subsidiaries and associate	**(13,798)**	(16,869)
	381,534	10,028,174
Attributable to:		
Continuing operations	**381,534**	1,263,475
Discontinued operation	**—**	8,764,699
	381,534	10,028,174

	NUMBER OF SHARES 2021	2020
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 per share calculation	**1,368,379,188**	1,367,090,890
Effect of dilution — weighted average number of ordinary shares:		
Share options	**3,013,201**	1,726,557
Awarded shares	**2,983,872**	2,055,482
	1,374,376,261	1,370,872,929

The convertible bonds issued by the Company is anti-dilutive and ignored in the calculation of diluted earnings per share for the years ended 31 December 2021 and 31 December 2020.

16. PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS RMB'000	ELECTRONIC EQUIPMENT RMB'000	OFFICE EQUIPMENT AND FIXTURES RMB'000	MOTOR VEHICLES RMB'000	LEASEHOLD IMPROVEMENTS RMB'000	CONSTRUCTION IN PROGRESS RMB'000	TOTAL RMB'000
31 DECEMBER 2021							
At 1 January 2021:							
Cost	682,926	380,913	332,493	8,108	37,701	291,203	1,733,344
Accumulated depreciation and impairment	(63,558)	(281,861)	(185,533)	(5,623)	(11,867)	—	(548,442)
Net carrying amount	619,368	99,052	146,960	2,485	25,834	291,203	1,184,902
At 1 January 2021, net of accumulated depreciation and impairment	619,368	99,052	146,960	2,485	25,834	291,203	1,184,902
Additions	—	102,911	47,568	3,460	4,686	136,683	295,308
Transfer to investment properties (note 17)	(91,366)	—	—	—	—	—	(91,366)
Disposals	—	(439)	(5)	(77)	—	—	(521)
Depreciation provided during the year	(20,098)	(69,413)	(28,055)	(1,490)	(7,941)	—	(126,997)
Transfers	349,866	1,547	31,046	—	19,001	(401,460)	—
Government grants received	—	(2,775)	—	—	—	—	(2,775)
Exchange realignment	—	(15)	(33)	—	—	—	(48)
At 31 December 2021, net of accumulated depreciation and impairment	857,770	130,868	197,481	4,378	41,580	26,426	1,258,503
At 31 December 2021:							
Cost	939,132	472,733	409,704	10,922	61,082	26,426	1,919,999
Accumulated depreciation and impairment	(81,362)	(341,865)	(212,223)	(6,544)	(19,502)	—	(661,496)
Net carrying amount	857,770	130,868	197,481	4,378	41,580	26,426	1,258,503

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	BUILDINGS RMB'000	ELECTRONIC EQUIPMENT RMB'000	OFFICE EQUIPMENT AND FIXTURES RMB'000	MOTOR VEHICLES RMB'000	LEASEHOLD IMPROVEMENTS RMB'000	CONSTRUCTION IN PROGRESS RMB'000	DATA MACHINERY AND EQUIPMENT RMB'000	TOTAL RMB'000
31 DECEMBER 2020								
At 1 January 2020:								
Cost	682,329	3,563,363	312,633	6,993	13,645	298,767	132,824	5,010,554
Accumulated depreciation and impairment	(51,376)	(1,863,039)	(164,497)	(4,689)	(12,350)	—	(1,143)	(2,097,094)
Net carrying amount	630,953	1,700,324	148,136	2,304	1,295	298,767	131,681	2,913,460
At 1 January 2020, net of accumulated depreciation and impairment								
Additions	597	379,048	13,572	1,333	1,096	39,435	—	435,081
Acquisition of a subsidiary (note 39)	—	1,021	—	8	—	—	—	1,029
Disposals	—	(92)	(389)	(148)	—	—	—	(629)
Depreciation provided during the year	(12,182)	(353,483)	(30,705)	(1,004)	(603)	—	(4,596)	(402,573)
Transfers	—	—	16,555	—	24,101	(40,656)	—	—
Deemed disposal of a subsidiary (note 13)	—	(1,628,298)	(198)	—	—	(6,343)	(127,085)	(1,761,924)
Exchange realignment	—	532	(11)	(8)	(55)	—	—	458
At 31 December 2020, net of accumulated depreciation and impairment	619,368	99,052	146,960	2,485	25,834	291,203	—	1,184,902
At 31 December 2020:								
Cost	682,926	380,913	332,493	8,108	37,701	291,203	—	1,733,344
Accumulated depreciation and impairment	(63,558)	(281,861)	(185,533)	(5,623)	(11,867)	—	—	(548,442)
Net carrying amount	619,368	99,052	146,960	2,485	25,834	291,203	—	1,184,902

17. INVESTMENT PROPERTIES

	BUILDINGS RMB'000	LEASEHOLD LANDS RMB'000	TOTAL RMB'000
31 DECEMBER 2021			
At 1 January 2021:			
Cost	**70,463**	**10,320**	**80,783**
Accumulated depreciation	**(14,542)**	**(2,238)**	**(16,780)**
Net carrying amount	**55,921**	**8,082**	**64,003**
At 1 January 2021, net of accumulated depreciation	**55,921**	**8,082**	**64,003**
Transfer from owner-occupied property and right-of-use assets (notes 16 and 18)	**91,366**	**3,275**	**94,641**
Depreciation	**(1,273)**	**(260)**	**(1,533)**
At 31 December 2021, net of accumulated depreciation	**146,014**	**11,097**	**157,111**
At 31 December 2021:			
Cost	**164,124**	**14,223**	**178,347**
Accumulated depreciation	**(18,110)**	**(3,126)**	**(21,236)**
Net carrying amount	**146,014**	**11,097**	**157,111**

	BUILDINGS RMB'000	LEASEHOLD LANDS RMB'000	TOTAL RMB'000
31 DECEMBER 2020			
At 1 January 2020:			
Cost	70,463	7,304	77,767
Accumulated depreciation	(13,270)	(1,993)	(15,263)
Net carrying amount	57,193	5,311	62,504
At 1 January 2020, net of accumulated depreciation	57,193	5,311	62,504
Additions	—	3,016	3,016
Depreciation	(1,272)	(245)	(1,517)
At 31 December 2020, net of accumulated depreciation	55,921	8,082	64,003
At 31 December 2020:			
Cost	70,463	10,320	80,783
Accumulated depreciation	(14,542)	(2,238)	(16,780)
Net carrying amount	55,921	8,082	64,003

17. INVESTMENT PROPERTIES (continued)

The Group's investment properties consist of buildings and leasehold lands in Zhuhai, Guangdong. As at 31 December 2021, the fair value of the buildings and the leasehold lands was approximately RMB406 million (2020: RMB214 million) which was estimated based on the income approach model.

18. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between several months and 6 years, while equipment generally has lease terms of 5 years.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	LEASEHOLD LANDS RMB'000	BUILDINGS RMB'000	EQUIPMENT RMB'000	TOTAL RMB'000
As at 1 January 2020	288,272	115,436	29	403,737
Additions	9,084	475,474	—	484,558
Reduction*	(2,770)	(44,807)	—	(47,577)
Additions as a result of acquisition of a subsidiary (note 39)	—	9,347	—	9,347
Deemed disposal of a subsidiary (note 13)	—	(271,903)	—	(271,903)
Depreciation charge	(5,225)	(67,657)	(6)	(72,888)
Exchange realignment	—	(303)	—	(303)
As at 31 December 2020 and 1 January 2021	**289,361**	**215,587**	**23**	**504,971**
Additions	**32,564**	**26,823**	**95**	**59,482**
Reduction*	**—**	**(15,939)**	**—**	**(15,939)**
Transfer to investment properties (note 17)	**(3,275)**	**—**	**—**	**(3,275)**
Depreciation charge	**(5,577)**	**(50,869)**	**(14)**	**(56,460)**
Exchange realignment	**—**	**(51)**	**—**	**(51)**
As at 31 December 2021	**313,073**	**175,551**	**104**	**488,728**

18. LEASES (continued)

The Group as a lessee (continued)

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**(222,517)**	(116,049)
New leases	**(26,918)**	(475,474)
Additions as a result of acquisition of a subsidiary (note 39)	**—**	(9,347)
Deemed disposal of a subsidiary (note 13)	**—**	279,770
Accretion of interest recognised during the year:		
Interest recognised in profit or loss	**(8,930)**	(17,389)
Covid-19-related rent concessions from lessors	**—**	118
Payments	**36,438**	70,973
Reduction*	**16,548**	44,646
Exchange realignment	**120**	235
Carrying amount at 31 December	**(205,259)**	(222,517)
Analysed into:		
Current portion	**(50,804)**	(52,758)
Non-current potion	**(154,455)**	(169,759)

* The reduction of right-of-use assets and lease liabilities during the years ended 31 December 2021 and 2020 was mainly arising from the early termination and modification of lease contracts.

The maturity analysis of lease liabilities is disclosed in note 46 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year.

(c) *The amounts recognised in profit or loss in relation to leases from continuing operations are as follows:*

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**8,930**	11,365
Depreciation charge of right-of-use assets	**50,883**	58,274
Expense relating to leases of low-value assets, short-term leases (included in cost of sales, selling and distribution expenses, administrative expenses, and research and development costs)	**26,308**	18,734
Covid-19-related rent concessions from lessors	**—**	(118)
Total amount recognised in profit or loss	**86,121**	88,255

(d) *The total cash outflow for leases and future cash outflows relating to leases that have not commenced are disclosed in notes 41(c) and 42(b), respectively, to the financial statements.*

18. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 17) consisting of a leasehold lands and buildings in Zhuhai, Guangdong under operating lease arrangements. The term of the lease also requires the tenant to pay security deposits and provide for periodic rent as stipulated in the contract. Rental income recognised by the Group during the year was RMB28,640,000 (2020: RMB25,922,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**24,800**	20,795
After one year but within two years	**23,647**	21,679
After two years but within three years	**20,460**	22,607
After three years but within four years	**21,483**	23,581
After four years but within five years	**22,558**	23,564
After five years	**31,708**	54,265
	144,656	166,491

19. GOODWILL

	NOTE	RMB'000
At 1 January 2020:		
Cost		185,564
Accumulated impairment		—
Net carrying amount		185,564
Cost at 1 January 2020, net of accumulated impairment		—
Acquisition of a subsidiary	39	185,564
At 31 December 2020		185,564
At 31 December 2020:		
Cost		185,564
Accumulated impairment		—
Net carrying amount		185,564
Cost at 1 January 2021, net of accumulated impairment		**185,564**
Acquisition of a business	39	**—**
Cost and net carrying amount at 31 December 2021		**185,564**
At 31 December 2021:		
Cost		**185,564**
Accumulated impairment		**—**
Net carrying amount		**185,564**

Impairment testing of goodwill

Goodwill acquired through business combinations in 2020 is allocated to the office software and services cash-generating unit for impairment testing.

The recoverable amount of the office software and services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 19%. The growth rate used to extrapolate the cash flows of the office software and services unit beyond the five-year period is 3%.

19. GOODWILL (continued)

Impairment testing of goodwill (continued)

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are as follows: (i) budgeted revenue, determined based on the revenue achieved in the year immediately before the budget year and expected market development; and (ii) discount rate, before tax and reflects specific risks relating to the relevant unit. The values assigned to the key assumptions are consistent with external information sources.

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary as at 31 December 2021.

20. OTHER INTANGIBLE ASSETS

	PURCHASED SOFTWARE RMB'000	CAPITALISED SOFTWARE COSTS RMB'000	TECHNOLOGY RMB'000	CUSTOMER RELATIONSHIP RMB'000	TRADEMARK RMB'000	NON-COMPETE AGREEMENTS RMB'000	TOTAL RMB'000
31 DECEMBER 2021							
Cost at 1 January 2021, net of accumulated amortisation	23,374	—	25,776	18,025	—	—	67,175
Additions	26,180	—	—	—	—	—	26,180
Acquisition of a business (note 39)	—	—	11,500	31,500	9,000	4,000	56,000
Amortisation provided during the year	(14,453)	—	(6,932)	(5,491)	(229)	(340)	(27,445)
Exchange realignment	(51)	—	—	—	—	—	(51)
At 31 December 2021, net of accumulated amortisation	35,050	—	30,344	44,034	8,771	3,660	121,859
At 31 December 2021:							
Cost	205,432	27,229	38,800	51,300	9,000	4,000	335,761
Accumulated amortisation	(170,382)	(27,229)	(8,456)	(7,266)	(229)	(340)	(213,902)
Net carrying amount	35,050	—	30,344	44,034	8,771	3,660	121,859

20. OTHER INTANGIBLE ASSETS (continued)

	PURCHASED SOFTWARE RMB'000	CAPITALISED SOFTWARE COSTS RMB'000	TECHNOLOGY RMB'000	CUSTOMER RELATIONSHIP RMB'000	TOTAL RMB'000
31 DECEMBER 2020					
Cost at 1 January 2020, net of accumulated amortisation	30,938	—	—	—	30,938
Additions	9,549	—	—	—	9,549
Acquisition of a subsidiary (note 39)	801	—	27,300	19,800	47,901
Amortisation provided during the year	(10,208)	—	(1,524)	(1,775)	(13,507)
Deemed disposal of a subsidiary (note 13)	(7,517)	—	—	—	(7,517)
Exchange realignment	(189)	—	—	—	(189)
At 31 December 2020, net of accumulated amortisation	23,374	—	25,776	18,025	67,175
At 31 December 2020:					
Cost	179,798	27,229	27,300	19,800	254,127
Accumulated amortisation	(156,424)	(27,229)	(1,524)	(1,775)	(186,952)
Net carrying amount	23,374	—	25,776	18,025	67,175

21. INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets	**152,742**	182,449
Goodwill on acquisition	**70,801**	75,893
	223,543	258,342
Provision for impairment	**(77,422)**	(77,422)
	146,121	180,920

The Group's shareholdings in the joint ventures all comprise equity shares held by the Company's subsidiaries.

21. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the joint ventures' loss for the year from continuing operations	**(31,673)**	(25,929)
Share of the joint ventures' post-tax loss from a discontinued operation	**—**	(1,450)
Share of the joint ventures' total comprehensive loss	**(31,673)**	(27,379)
Aggregate carrying amount of the Group's investments in the joint ventures	**146,121**	180,920

(i) The Group has discontinued the recognition of its share of losses of three joint ventures because the share of losses of these joint ventures exceeded the Group's interests in the joint ventures and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of these joint ventures for the year ended 31 December 2021 and cumulatively were nil (2020: nil) and RMB11,552,000 (2020: RMB11,552,000), respectively.

(ii) During the year ended 31 December 2021, no impairment loss was recognised for its investments in joint ventures (2020: RMB48,098,000).

(iii) The Group's balances with the joint ventures are disclosed in notes 27, 30 and 43(b) to the financial statements, respectively.

22. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	**6,369,908**	6,507,729
Goodwill on acquisition	**7,020,230**	7,507,561
	13,390,138	14,015,290
Provision for impairment	**(1,259,580)**	(1,263,233)
	12,130,558	12,752,057

The Group's shareholdings in the associates all comprise equity shares held by the Company's subsidiaries except for the investments in Cheetah Mobile Inc. ("Cheetah Mobile") and Kingsoft Cloud, the shareholdings in which are held through the Company.

22. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the Group's material associate are as follows:

			PERCENTAGE OF			
NAME	PARTICULARS OF ISSUED SHARES HELD	PLACE OF REGISTRATION AND BUSINESS	OWNERSHIP INTEREST	VOTING POWER	PROFIT SHARING	PRINCIPAL ACTIVITIES
Kingsoft Cloud*	Ordinary shares	Cayman Islands	39	37	39	Investment holding

* As disclosed in note 13, Kingsoft Cloud became one of the Group's associates and has been accounted for using the equity method since the deemed disposal on 8 May 2020.

The following table illustrates the summarised financial information in respect of Kingsoft Cloud adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 RMB'000	2020 RMB'000
Current assets	**12,412,435**	9,544,536
Non-current assets, excluding goodwill	**12,340,036**	6,566,961
Goodwill on acquisition of the associate	**5,541,844**	6,051,054
Current liabilities	**7,532,116**	3,495,797
Non-current liabilities	**2,615,434**	849,909
Non-controlling interests	**1,001,572**	61
Net assets	**19,145,193**	17,816,784
Net assets, excluding goodwill	**13,603,349**	11,765,730
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**39%**	43%
Group's share of net assets of the associate, excluding goodwill*	**5,161,560**	4,926,731
Goodwill on acquisition	**5,541,844**	6,051,054
Carrying amount of the investment	**10,703,404**	10,977,785
Revenue	**9,060,710**	4,757,588**
Loss for the period	**(2,112,817)**	(855,888)**
Other comprehensive loss	**(143,781)**	(603,031)**
Total comprehensive loss for the period	**(2,256,598)**	(1,458,919)**

* The amount excludes the reserves of the associate not included in the associate's comprehensive income.

** These figures represent the operating results for the period of Kingsoft Cloud after the deemed disposal on 8 May 2020.

22. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the associates' profit/(loss) for the year from continuing operations	**(430,261)**	137,539
Share of the associates' post-tax loss from a discontinued operation	**—**	(819)
Share of the associates' other comprehensive income/(loss) from continuing operations	**1,781**	(51,203)
Share of the associates' total comprehensive income/(loss)	**(428,480)**	85,517
Aggregate carrying amount of the Group's investments in the associates	**1,427,154**	1,774,272

(i) The Group has discontinued the recognition of its share of losses of two (2020: one) associates because the share of losses of these associates exceeded the Group's interest in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of these associates for the year ended 31 December 2021 and cumulatively were RMB325,000 (2020: nil) and RMB370,000 (2020: RMB45,000), respectively.

(ii) The Group's balances with the associates are disclosed in notes 27, 30 and 43(b) to the financial statements, respectively.

(iii) During the year ended 31 December 2021, no impairment loss has been recognised (2020: RMB3,932,000) for the investments in associates.

(iv) As at 31 December 2021 and 2020, the Group held certain ordinary shares in Cheetah Mobile which are listed on the New York Stock Exchange in the form of American depositary shares. As at 31 December 2021, the carrying amount of the Group's investment in Cheetah Mobile was RMB1,233,085,000 (2020: RMB1,645,052,000) against which an accumulated provision for impairment of RMB1,253,856,000 (2020: RMB1,257,509,000) was made. As the share price of Cheetah Mobile has been struggled with sluggish performance and traded below the carrying value in book of the Company for a certain period of time, the Group performed an impairment assessment on its investment in Cheetah Mobile.

The recoverable amount of investment in Cheetah Mobile was determined based on a value in use calculation using expected cash flow projections approved by senior management covering a period of five years. The discount rate applied to the expected cash flow projections was 20% (2020: 20%), which was determined with reference to the average rate for companies in relevant industry with similar business risk, and the cash flow projections beyond the five-year period were extrapolated using a terminal growth rate of 3% (2020: 3%), which was the same as the long term average growth rate of the industry.

The following describes each key assumption on which management has based its expected cash flow projections to undertake impairment testing:

Revenue growth rate — The basis used to determine the revenue growth rate is the historical revenue growth rate, adjusted for expected market development and Cheetah Mobile's business plan.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant business.

The values assigned to the key assumptions are consistent with external information sources.

Based on the result of the impairment testing of investment in Cheetah Mobile, in the opinion of the directors, no impairment provision was considered necessary during the years ended 2021 and 2020.

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**8,418**	10,725

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	NOTES	2021 RMB'000	2020 RMB'000
Ordinary share subscription option	(i)	**31,282**	28,914
Wealth management products	(ii)	**2,870,923**	3,881,640
Others		**226,969**	198,952
		3,129,174	4,109,506
Current portion		**2,902,205**	3,910,553
Non-current portion		**226,969**	198,953
		3,129,174	4,109,506

(i) The ordinary share subscription option represents the rights to subscribe for an aggregate of 1,032,917 ordinary shares of an independent third party game company in Vietnam, which could be exercised from time to time at the Group's full discretion on or before 31 December 2020. On 28 December 2020, the Group entered into an amendment agreement with this third party, pursuant to which the exercise period of the ordinary share subscription option was extended to 31 December 2021. On 24 December 2021, the Group entered into another amendment agreement with this third party, pursuant to which, the exercise period of the ordinary share subscription option is extended to 31 December 2022.

(ii) The Group invests in wealth management products issued by reputable banks in Chinese Mainland. The wealth management products were mandatory classified as financial assets at fair value through profit or loss as their contractual cash flows are not SPPI.

25. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments for purchase of equipment	**10,583**	—
Prepayments for leasehold lands	**—**	31,281
Long term deferred cost	**8,294**	5,852
Others	**16,221**	9,168
	35,098	46,301

26. INVENTORIES

	2021 RMB'000	2020 RMB'000
Packaging materials	**144**	63
Trading stocks	**18,433**	19,022
	18,577	19,085

27. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**884,875**	801,835
Impairment	**(45,607)**	(29,350)
	839,268	772,485

The Group's trading terms with its customers are mainly on credit, except for sales to individual customers or to certain agents, where payment in advance is normally required. The credit period is generally one month, extending up to twelve months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from associates, a joint venture, a company whose parent has significant influence on the Company and a company controlled by a director of the Company of RMB31,257,000 (2020: RMB42,034,000), RMB942,000 (2020: nil), RMB116,700,000 (2020: RMB174,804,000) and RMB11,789,000 (2020: RMB24,837,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

27. TRADE RECEIVABLES (continued)

An ageing 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:

	2021 RMB'000	2020 RMB'000
0 to 30 days	**358,400**	339,534
31 to 60 days	**113,692**	127,072
61 to 90 days	**102,589**	58,415
91 to 365 days	**149,186**	187,915
1 to 2 years	**74,679**	48,627
Over 2 years	**40,722**	10,922
	839,268	772,485

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**29,350**	55,978
Impairment losses, net	**29,472**	15,670
Amounts written off as uncollectable	**(13,076)**	(18,521)
Deemed disposal of a subsidiary	**—**	(23,553)
Exchange realignment	**(139)**	(224)
At end of year	**45,607**	29,350

An impairment analysis is performed at each reporting date individually or using a provision matrix to measure expected credit losses collectively. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

27. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables:

As at 31 December 2021

		PAST DUE				
	CURRENT	LESS THAN 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	OVER 3 YEARS	TOTAL
Impairment for credit losses assessed by credit risk portfolio						
Expected credit loss rate	**0%**	**2%**	**18%**	**45%**	**100%**	**1%**
Gross carrying amount (RMB'000)	**662,929**	**170,759**	**8,831**	**3,804**	**2,624**	**848,947**
Expected credit losses (RMB'000)	**318**	**3,414**	**1,603**	**1,720**	**2,624**	**9,679**
Impairment for credit losses assessed individually*						
Expected credit loss rate	**—**	**100%**	**100%**	**100%**	**100%**	**100%**
Gross carrying amount (RMB'000)	**—**	**24,483**	**65**	**5,177**	**6,203**	**35,928**
Expected credit losses (RMB'000)	**—**	**24,483**	**65**	**5,177**	**6,203**	**35,928**

As at 31 December 2020

		PAST DUE				
	CURRENT	LESS THAN 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	OVER 3 YEARS	TOTAL
Impairment for credit losses assessed by credit risk portfolio						
Expected credit loss rate	0%	2%	22%	39%	100%	2%
Gross carrying amount (RMB'000)	618,830	143,729	12,969	5,675	3,619	784,822
Expected credit losses (RMB'000)	464	3,228	2,815	2,211	3,619	12,337
Impairment for credit losses assessed individually*						
Expected credit loss rate	—	100%	100%	100%	100%	100%
Gross carrying amount (RMB'000)	—	—	—	1,231	15,782	17,013
Expected credit losses (RMB'000)	—	—	—	1,231	15,782	17,013

* The individually impaired trade receivables were related to customers that were credit-impaired or in default payments and no receivables are expected to be recovered and full allowance for credit losses was provided for such individual trade receivables.

28. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	NOTE	2021 RMB'000	2020 RMB'000
Prepayments		**194,993**	130,857
Deposits		**13,899**	13,803
Due from related parties	43(b)	**554,334**	65,134
Loans receivable		**605**	9,970
Other receivables		**936,967**	754,896
		1,700,798	974,660
Impairment allowance		**(8,859)**	(7,288)
		1,691,939	967,372

The movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**7,288**	7,458
Impairment losses, net	**16,852**	861
Amounts written off as uncollectable	**(15,281)**	(1,031)
	8,859	7,288

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2021, the loss allowance for impairment of prepayments, other receivables and other assets was recognised by the Group mainly for its prepayments to third-party game distribution platforms.

29. CASH AND BANK DEPOSITS AND RESTRICTED CASH

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**1,816,922**	1,471,825
Non-pledged time deposits with original maturity of three months or less when acquired	**1,618,596**	2,569,546
Principal protected structure deposits with original maturity of three months or less when acquired	**1,117,910**	413,900
	4,553,428	4,455,271
Non-pledged time deposits with original maturity of over three months when acquired	**4,997,482**	2,749,999
Principal protected structure deposits with original maturity of over three months when acquired	**6,639,228**	6,843,799
	11,636,710	9,593,798
Cash and bank deposits	**16,190,138**	14,049,069
Restricted cash	**9,382**	13,079
	16,199,520	14,062,148

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of one day to a year depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, cash and bank balances amounting to RMB13,326,372,243 (2020: RMB9,286,355,160) were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

30. TRADE PAYABLES

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

	2021 RMB'000	2020 RMB'000
0 to 30 days	**210,511**	105,679
31 to 60 days	**69,504**	60,335
61 to 90 days	**31,134**	60,342
91 to 365 days	**97,903**	44,696
Over 1 year	**14,348**	19,803
	423,400	290,855

Trade payables are non-interest-bearing and are normally settled on terms of two to three months.

Included in the Group's trade payables are amounts due to a company controlled by a director of the Company, a company whose parent has significant influence on the Company, a joint venture and associates of the Group of RMB7,706,000 (2020: RMB50,310,000), RMB3,436,000 (2020: RMB11,000), RMB62,031,000 (2020: RMB63,164,000) and RMB39,544,000 (2020: RMB18,411,000), respectively, which are repayable on credit terms similar to those offered by the counterparty.

31. OTHER PAYABLES AND ACCRUALS

	NOTES	2021 RMB'000	2020 RMB'000
Deposits received from customers		**45,573**	28,379
Deferred government grants		**65,842**	51,988
Other payables		**927,676**	630,224
Accruals		**220,957**	174,186
Other taxes payable		**154,549**	243,985
Due to related parties	43(b)	**11,988**	29,543
		1,426,585	1,158,305

Other payables are non-interest-bearing and have an average term of not more than one year.

32. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2021 and 31 December 2020 are as follows:

	31 DECEMBER 2021 RMB'000	31 DECEMBER 2020 RMB'000
Office software and services	**1,601,061**	960,607
Entertainment software and others	**546,070**	613,490
	2,147,131	1,574,097
Current portion	**2,003,324**	1,475,907
Non-current portion	**143,807**	98,190
	2,147,131	1,574,097

Contract liabilities include advances received from customers for delivery of software products and rendering of services. The increase in contract liabilities for continuing operations in 2021 was mainly due to the increase in relation to the provision of office software and services.

33. CONVERTIBLE BONDS

On 29 April 2020, the Company issued five-year convertible bonds in the principal amount of HK$3,100,000,000 (equivalent to RMB2,827,820,000) which bear interest at a rate of 0.625% per annum payable semi-annually (the "2020 Convertible Bonds"). The 2020 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company from 9 June 2020 to the date falling 10 days prior to the maturity date, at a price of HK$35.7637 per share, subject to adjustments. The Company may redeem under certain circumstances the outstanding 2020 Convertible Bonds at a predetermined amount together with interest accrued by giving the bondholders not less than 30 nor more than 60 days' prior notice. On the maturity date, any 2020 Convertible Bonds not converted will be redeemed by the Company at 105.85% of the principal amount together with accrued and unpaid interest thereon.

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.

33. CONVERTIBLE BONDS (continued)

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, 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 years ended 31 December 2021 and 2020.

The 2020 Convertible Bonds have been split into the liability and equity components as follows:

	RMB'000
Nominal value of the 2020 convertible bonds issued	2,827,820
Less: Equity component	(468,700)
Less: Direct transaction costs attributable to the liability component	(60,256)
Liability component at the issuance date	2,298,864
Interest expenses	91,058
Interest paid	(8,399)
Exchange realignment	(182,120)
Carrying amount as at 31 December 2020	2,199,403
Portion included in other payables	(2,808)
Liability component as at 31 December 2020 and 1 January 2021	2,196,595
Interest expenses	**132,441**
Interest paid	**(16,073)**
Exchange realignment	**(64,376)**
Liability component as at 31 December 2021	**2,248,587**
Equity component as at 31 December 2020 and 31 December 2021	**468,700**

34. DEFERRED TAX

Deferred tax liabilities

	2021						
	DEFERRED COST RMB'000	FAIR VALUE ADJUSTMENT ARISING FROM ACQUISITION OF SUBSIDIARIES RMB'000	WITHHOLDING TAXES ON THE DISTRIBUTABLE PROFITS OF THE GROUP'S PRC SUBSIDIARIES RMB'000	GAIN ON DEEMED DISPOSAL OF A SUBSIDIARY RMB'000	INTEREST RECEIVABLES RMB'000	OTHERS RMB'000	TOTAL RMB'000
At 1 January 2021	491	6,570	30,945	1,008,427	18,217	14,414	1,079,064
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 12)	780	(3,305)	65	(33,471)	6,506	(2,446)	(31,871)
Gross deferred tax liabilities at 31 December 2021	1,271	3,265	31,010	974,956	24,723	11,968	1,047,193

34. DEFERRED TAX (continued)

Deferred tax assets

	2021						
	CONTRACT LIABILITIES RMB'000	ACCRUALS RMB'000	GOVERNMENT GRANTS RMB'000	PROVISIONS RMB'000	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS RMB'000	TAX LOSSES RMB'000	TOTAL RMB'000
At 1 January 2021	**84,290**	**23,408**	**9,633**	**16,903**	**2,721**	**—**	**136,955**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 12)	**(8,838)**	**(646)**	**(4,639)**	**(3,022)**	**(1,593)**	**24,017**	**5,279**
Gross deferred tax assets at 31 December 2021	**75,452**	**22,762**	**4,994**	**13,881**	**1,128**	**24,017**	**142,234**

Deferred tax liabilities

	2020						
	DEFERRED COST RMB'000	FAIR VALUE ADJUSTMENT ARISING FROM ACQUISITION OF SUBSIDIARIES RMB'000	WITHHOLDING TAXES ON THE DISTRIBUTABLE PROFITS OF THE GROUP'S PRC SUBSIDIARIES RMB'000	GAIN ON DEEMED DISPOSAL OF A SUBSIDIARY RMB'000	INTEREST RECEIVABLES RMB'000	OTHERS RMB'000	TOTAL RMB'000
At 1 January 2020	241	337	29,420	—	11,373	9,320	50,691
Acquisition of a subsidiary (note 39)	—	7,065	—	—	—	—	7,065
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 12)	250	(685)	1,525	1,008,427	6,844	5,094	1,021,455
Deemed disposal of a subsidiary (note 13)	—	(147)	—	—	—	—	(147)
Gross deferred tax liabilities at 31 December 2020	491	6,570	30,945	1,008,427	18,217	14,414	1,079,064

34. DEFERRED TAX (continued)

Deferred tax assets

	2020					
	CONTRACT LIABILITIES RMB'000	ACCRUALS RMB'000	GOVERNMENT GRANTS RMB'000	PROVISIONS RMB'000	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS RMB'000	TOTAL RMB'000
At 1 January 2020	70,956	17,852	2,254	12,206	3,770	107,038
Acquisition of a subsidiary (note 39)	—	139	—	—	—	139
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 12)	13,334	5,417	7,379	4,697	(1,049)	29,778
Gross deferred tax assets at 31 December 2020	84,290	23,408	9,633	16,903	2,721	136,955

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**124,674**	116,981
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,029,633)**	(1,059,090)
	(904,959)	(942,109)

The Group has tax losses arising in Chinese Mainland of RMB1,719,884,000 as at 31 December 2021 (2020: RMB1,434,230,000) that will expire in one to five years for offsetting against future taxable profits.

34. DEFERRED TAX (continued)

The amounts and expiration dates of the tax losses carried forward at 31 December 2021 and 2020 are listed below:

	2021 RMB'000	2020 RMB'000
Expiration date		
31 December 2021	—	120,696
31 December 2022	**42,115**	153,530
31 December 2023	**192,386**	429,179
31 December 2024	**350,960**	394,025
31 December 2025	**432,269**	336,800
31 December 2026	**702,154**	—

The Group also has tax losses arising in Hong Kong of RMB44,105,000 (2020: RMB55,503,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2021 RMB'000	2020 RMB'000
Tax losses	**1,671,456**	1,513,157
Deductible temporary differences	**7,413**	4,479
	1,678,869	1,517,636

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

A deferred tax liability is recognised for the estimated withholding taxes to the extent that it is probable that those subsidiaries will distribute earnings in the foreseeable future. This requires an estimation of the likely timing and level of dividends to be distributed, and a judgement as to whether the dividends are associated with earnings generated from 1 January 2008 or not. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland, for which deferred tax liabilities have not been recognised for withholding taxes that would be payable on the unremitted earnings of these subsidiaries, totalled approximately RMB11,326 million at 31 December 2021 (2020: RMB9,979 million). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. SHARE CAPITAL

Shares	2021 RMB'000	2020 RMB'000
Authorised:		
2,400,000,000 (2020: 2,400,000,000) ordinary shares of US$0.0005 each	**9,260**	9,260
Issued and fully paid:		
1,370,203,717 (2020: 1,372,728,717) ordinary shares of US$0.0005 each	**5,308**	5,316

A summary of the movements in the Company's share capital is as follows:

	NOTES	NUMBER OF SHARES IN ISSUE	ISSUED CAPITAL RMB'000	SHARE PREMIUM ACCOUNT RMB'000	TREASURY SHARES RMB'000	TOTAL RMB'000
At 1 January 2020		1,366,552,580	5,316	2,995,605	(14,631)	2,986,290
Final 2019 dividend approved and paid	14	—	—	(124,861)	—	(124,861)
Other distributions	14	—	—	(130,033)	—	(130,033)
Vesting of awarded shares	36	1,489,960	—	21,531	3,450	24,981
At 31 December 2020 and 1 January 2021		**1,368,042,540***	**5,316**	**2,762,242**	**(11,181)**	**2,756,377**
Final 2020 dividend approved and paid	14	**—**	**—**	**(227,736)**	**—**	**(227,736)**
Exercise of share options	36	**1,470,200**	**5**	**37,905**	**—**	**37,910**
Vesting of awarded shares	36	**1,381,220**	**—**	**18,848**	**3,291**	**22,139**
Share repurchased		**(3,995,200)**	**(13)**	**(100,609)**	**(7,369)**	**(107,991)**
At 31 December 2021		**1,366,898,760***	**5,308**	**2,490,650**	**(15,259)**	**2,480,699**

* Excluding 3,304,957 (2020: 4,686,177) shares held by the share award scheme trust on behalf of the Company as at 31 December 2021.

During the year ended 31 December 2021, 1,470,200 (2020: nil) share options were exercised and 1,381,220 (2020: 1,489,960) awarded shares were vested.

Share-based compensation

Details of the Company's share-based compensation schemes and the related instruments issued under these schemes are included in note 36 to the financial statements.

36. SHARE-BASED COMPENSATION COSTS

The Company's share award arrangements

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

The total number of shares which may be issued upon exercise of all share options to be granted under the 2011 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 9 December 2011. The maximum number of shares issuable under share options to each eligible participant in the 2011 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period determined at the discretion of the board of directors and ends on a date which is no later than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

36. SHARE-BASED COMPENSATION COSTS (continued)

The Company's share award arrangements (continued)

(a) *(continued)*

The following share options were outstanding under the 2011 Share Option Scheme during the year:

	2021		2020	
	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE HK$ PER SHARE	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE HK$ PER SHARE
Outstanding at 1 January	**4,600,000**	**20.58**	4,600,000	20.58
Exercised during the year	**(1,470,200)**	**20.25**	—	—
Outstanding at 31 December	**3,129,800**	**20.73**	4,600,000	20.58
Exercisable at 31 December	**3,009,800**	**20.65**	3,560,000	20.50

During the year ended 31 December 2021, 1,470,200 (2020: nil) share options under 2011 Share Option Scheme were exercised.

The date of grant, exercise prices and exercise periods of the share options outstanding under the 2011 Share Option Scheme are as follows:

	NUMBER OF SHARE OPTIONS				
	AT 1 JANUARY 2021	EXERCISED DURING THE YEAR ENDED 31 DECEMBER 2021	AT 31 DECEMBER 2021	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS HK$ PER SHARE
Name or category of participant					
Executive directors					
Tao Zou	**4,000,000**	**(1,470,200)**	**2,529,800**	**21 April 2017**	**20.25**
Yuk Keung Ng	**600,000**	**—**	**600,000**	**23 November 2017**	**22.75**
In aggregate	**4,600,000**	**(1,470,200)**	**3,129,800**		

36. SHARE-BASED COMPENSATION COSTS (continued)

The Company's share award arrangements (continued)

(a) *(continued)*

The vesting periods of these share options varied from 1 to 5 years. The exercise period of the share options granted under the 2011 Share Option Scheme shall be any time after the end of the vesting period and before the tenth anniversary of the grant date.

The weighted average remaining contractual life for the Company's share options outstanding under the 2011 Share Option Scheme as at 31 December 2021 was 5.41 years (2020: 6.38 years).

The total expense in respect of the 2011 Share Option Scheme for the year ended 31 December 2021 was RMB1,979,000 (2020: RMB4,809,000).

At the end of the reporting period, the Company had 3,129,800 share options outstanding under the 2011 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 3,129,800 additional ordinary shares of the Company and additional share capital of RMB10,000 and share premium of RMB53,035,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 3,129,800 share options outstanding under the 2011 Share Option Scheme, which represented approximately 0.23% of the Company's shares in issue as at that date.

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

The total number of shares which may be issued upon exercise of all share options to be granted under the 2021 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 9 December 2021. The maximum number of shares issuable under share options to each eligible participant in the 2021 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period determined at the discretion of the board of directors and ends on a date which is no later than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options was granted under the 2021 Share Option Scheme since its adoption.

36. SHARE-BASED COMPENSATION COSTS (continued)

The Company's share award arrangements (continued)

(c) On 31 March 2008, the directors of the Company approved and adopted the Share Award Scheme in which selected employees of the Group are entitled to participate. Unless early terminated by the directors of the Company, the Share Award Scheme is valid and effective for a term of five years commencing from 31 March 2008. 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 shares of the Company as at the date of such grant.

The following awarded shares were outstanding under the Share Award Scheme during the year:

	2021 NUMBER OF AWARDED SHARES	2020 NUMBER OF AWARDED SHARES
At 1 January	**2,735,280**	3,462,200
Granted during the year	**4,282,800**	810,000
Forfeited during the year	**(582,100)**	(46,960)
Vested during the year	**(1,381,220)**	(1,489,960)
At 31 December	**5,054,760**	2,735,280

The date of grant and movements of the awarded shares outstanding under the Share Award Scheme adopted by the Company are as follows:

2021

	NUMBER OF AWARDED SHARES					
	AT 1 JANUARY	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	VESTED DURING THE YEAR	AT 31 DECEMBER	GRANT DATE
Executive directors						
Yuk Keung Ng	**240,000**	**—**	**—**	**(120,000)**	**120,000**	**23 November 2017**
	—	**600**	**—**	**—**	**600**	**5 July 2021**
Tao Zou	**600,000**	**—**	**—**	**(600,000)**	**—**	**21 April 2017**
	—	**600**	**—**	**—**	**600**	**5 July 2021**
Total	**840,000**	**1,200**	**—**	**(720,000)**	**121,200**	

36. SHARE-BASED COMPENSATION COSTS (continued)

The Company's share award arrangements (continued)

(c) *(continued)*

	NUMBER OF AWARDED SHARES					
	AT 1 JANUARY	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	VESTED DURING THE YEAR	AT 31 DECEMBER	GRANT DATE
Other employees						
	4,200	—	—	(4,200)	—	19 February 2016
	540,000	—	—	(270,000)	270,000	1 January 2017
	12,600	—	(700)	(6,300)	5,600	22 April 2017
	160,000	—	—	(80,000)	80,000	25 May 2017
	20,000	—	—	(10,000)	10,000	1 August 2017
	270,000	—	—	(90,000)	180,000	16 April 2018
	240,000	—	(80,000)	(40,000)	120,000	18 September 2019
	20,480	—	(1,920)	(5,120)	13,440	23 May 2020
	600,000	—	—	(150,000)	450,000	30 August 2020
	28,000	—	(4,480)	(5,600)	17,920	24 April 2020
	—	4,281,600	(495,000)	—	3,786,600	5 July 2021
	1,895,280	4,281,600	(582,100)	(661,220)	4,933,560	
Total	2,735,280	4,282,800	(582,100)	(1,381,220)	5,054,760	

36. SHARE-BASED COMPENSATION COSTS (continued)

The Company's share award arrangements (continued)

(c) *(continued)*

2020

	NUMBER OF AWARDED SHARES					
	AT 1 JANUARY	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	VESTED DURING THE YEAR	AT 31 DECEMBER	GRANT DATE
Executive directors						
Yuk Keung Ng	360,000	—	—	(120,000)	240,000	23 November 2017
Tao Zou	1,200,000	—	—	(600,000)	600,000	21 April 2017
Total	1,560,000	—	—	(720,000)	840,000	

	NUMBER OF AWARDED SHARES					
	AT 1 JANUARY	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	VESTED DURING THE YEAR	AT 31 DECEMBER	GRANT DATE
Other employees						
	500	—	—	(500)	—	19 March 2014
	12,000	—	—	(12,000)	—	31 March 2015
	10,800	—	(1,200)	(5,400)	4,200	19 February 2016
	810,000	—	—	(270,000)	540,000	1 January 2017
	18,900	—	—	(6,300)	12,600	22 April 2017
	240,000	—	—	(80,000)	160,000	25 May 2017
	60,000	—	(40,000)	(20,000)	—	24 July 2017
	30,000	—	—	(10,000)	20,000	1 August 2017
	360,000	—	—	(90,000)	270,000	16 April 2018
	360,000	—	—	(120,000)	240,000	18 September 2019
	—	32,000	(5,760)	(5,760)	20,480	23 May 2020
	—	750,000	—	(150,000)	600,000	30 August 2020
	—	28,000	—	—	28,000	24 April 2020
	1,902,200	810,000	(46,960)	(769,960)	1,895,280	
Total	3,462,200	810,000	(46,960)	(1,489,960)	2,735,280	

The fair value of the awarded shares was determined based on the market value of the Company's shares at the grant date. The weighted average fair value of the awarded shares granted during the year ended 31 December 2021 was RMB36.44 per share (2020: RMB23.89 per share).

The total expense recognised in respect of the Share Award Scheme adopted by the Company for the year ended 31 December 2021 was RMB25,170,000 (2020: RMB17,274,000).

36. SHARE-BASED COMPENSATION COSTS (continued)

The Company's share award arrangements (continued)

(c) *(continued)*

As at 31 December 2021, 1,749,803 (2020: 1,950,897) forfeited or unawarded shares were held by the share award scheme trust and would be granted in future.

At the date of approval of these financial statements, the Company had 4,784,760 awarded shares outstanding under the Share Award Scheme, which represented approximately 0.35% of the Company's shares in issue as at that date.

Seasun Holdings' share award arrangements

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

The following share options were outstanding under the Seasun Holdings Share Option Scheme during the year:

	2021		2020	
	NUMBER OF SHARE OPTIONS	**WEIGHTED AVERAGE EXERCISE PRICE RMB PER SHARE**	**NUMBER OF SHARE OPTIONS**	**WEIGHTED AVERAGE EXERCISE PRICE RMB PER SHARE**
Outstanding at 1 January	**22,277,500**	**4.30**	22,541,500	4.77
Granted during the year	**1,930,889**	**8.05**	—	—
Forfeited during the year	**(795,000)**	**7.30**	(264,000)	5.37
Cancelled during the year	**(350,000)**	**6.35**	—	—
Outstanding at 31 December	**23,063,389**	**4.49**	22,277,500	4.30
Exercisable at 31 December	**15,515,200**	**3.03**	9,160,000	1.83

There was no exercise of the options under the Seasun Holdings Share Option Scheme during the years ended 31 December 2021 and 2020.

36. SHARE-BASED COMPENSATION COSTS (continued)

Seasun Holdings' share award arrangements (continued)

(a) *(continued)*

The share options outstanding as at the end of the reporting period were granted during 2013 to 2021 and the vesting periods of these share options varied from 4 to 5 years. The exercise period of the share options granted under the Seasun Holdings Share Option Scheme shall be any time after the end of the vesting period and before the tenth anniversary of the grant date.

The exercise prices of the share options outstanding as at the end of the reporting period are from RMB1.00 per share to RMB2.44 per share or from US$0.90 per share to US$1.26 per share.

The weighted average fair value of the share options granted under the Seasun Holdings Share Option Scheme during the year ended 31 December 2021 was US$0.41 per share and no share options was granted during the year ended 31 December 2020.

The fair value of the share options of Seasun Holdings granted during the year was estimated by an external valuer on the grant date, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2021
Dividend yield (%)	**7**
Expected volatility (%)	**53–55**
Risk-free interest rate (%)	**0.28–1.28**
Expected forfeiture rate (%)	**6**
Weighted average share price (RMB per share)	**8.10**

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The total expense in respect of the Seasun Holdings Share Option Scheme for the year ended 31 December 2021 was RMB9,264,000 (2020: RMB16,209,000).

36. SHARE-BASED COMPENSATION COSTS (continued)

Seasun Holdings' share award arrangements (continued)

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

The following awarded shares were outstanding under the Seasun Holdings Share Award Scheme during the year:

	2021 NUMBER OF AWARDED SHARES	2020 NUMBER OF AWARDED SHARES
Outstanding at 1 January	**43,136,799**	43,162,049
Granted during the year	**7,289,662**	—
Forfeited during the year	**(60,000)**	(25,250)
Outstanding at 31 December	**50,366,461**	43,136,799

The date of grant and movements of the awarded shares outstanding under the Seasun Holdings Share Award Scheme adopted by Seasun Holdings are as follows:

2021

	NUMBER OF AWARDED SHARES		
	AT 1 JANUARY	AT 31 DECEMBER	GRANT DATE
Executive director			
Tao Zou	**18,123,462**	**18,123,462**	**22 April 2017**

36. SHARE-BASED COMPENSATION COSTS (continued)

Seasun Holdings' share award arrangements (continued)

(b) *(continued)*

	NUMBER OF AWARDED SHARES				
	AT 1 JANUARY	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	AT 31 DECEMBER	GRANT DATE
Other employees					
	21,088,501	**—**	**—**	**21,088,501**	**22 April 2017**
	1,400,000	**—**	**—**	**1,400,000**	**18 January 2018**
	574,836	**—**	**—**	**574,836**	**22 March 2018**
	1,050,000	**—**	**—**	**1,050,000**	**1 June 2018**
	900,000	**—**	**—**	**900,000**	**26 March 2019**
	—	**6,289,662**	**(50,000)**	**6,239,662**	**24 March 2021**
	—	**1,000,000**	**(10,000)**	**990,000**	**30 September 2021**
	25,013,337	**7,289,662**	**(60,000)**	**32,242,999**	
Total	**43,136,799**	**7,289,662**	**(60,000)**	**50,366,461**	

2020

	NUMBER OF AWARDED SHARES		
	AT 1 JANUARY	AT 31 DECEMBER	GRANT DATE
Executive director			
Tao Zou	18,123,462	18,123,462	22 April 2017

	NUMBER OF AWARDED SHARES			
	AT 1 JANUARY	FORFEITED DURING THE YEAR	AT 31 DECEMBER	GRANT DATE
Other employees				
	21,103,751	(15,250)	21,088,501	22 April 2017
	1,400,000	—	1,400,000	18 January 2018
	574,836	—	574,836	22 March 2018
	1,060,000	(10,000)	1,050,000	1 June 2018
	900,000	—	900,000	26 March 2019
	25,038,587	(25,250)	25,013,337	
Total	43,162,049	(25,250)	43,136,799	

36. SHARE-BASED COMPENSATION COSTS (continued)

Seasun Holdings' share award arrangements (continued)

(b) *(continued)*

The fair value of the awarded shares was estimated by an external valuer on the grant date, with reference to the fair values of Seasun Holdings' ordinary shares using a discounted cash flow method. The weighted average fair value of the awarded shares granted during the year ended 31 December 2021 was RMB8.10 per share and no awarded share was granted during the year ended 31 December 2020.

The total expense in respect of the Seasun Holdings Share Award Scheme for the year ended 31 December 2021 was RMB92,326,000 (2020: RMB83,046,000).

Kingsoft Office's share award arrangements

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

The following RSUs were outstanding under the Kingsoft Office Share Award Scheme during the year ended 31 December 2021:

	2021	
	NUMBER OF SHARE RSUS	**WEIGHTED AVERAGE EXERCISE PRICE RMB PER SHARE**
Outstanding at 1 January	**—**	**—**
Granted during the year	**838,300**	**45.26**
Forfeited during the year	**(8,900)**	**45.26**
Outstanding at 31 December	**829,400**	**45.26**
Exercisable at 31 December	**—**	**—**

There was no exercise of the RSUs under the Kingsoft Office Share Award Scheme during the year ended 31 December 2021.

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

36. SHARE-BASED COMPENSATION COSTS (continued)

Kingsoft Office's share award arrangements (continued)

(a) *(continued)*

The exercise price of the RSUs outstanding as at the end of the reporting period is RMB45.26 per share.

The weighted average fair value of the RSUs granted under the Kingsoft Office Share Award Scheme during the year ended 31 December 2021 was RMB328.33 per share.

The fair value of the RSUs of Kingsoft Office granted during the year was estimated by management on the grant date, using a binomial model, taking into account the terms and conditions upon which the RSUs were granted. The following table lists the inputs to the model used:

	2021
Dividend yield (%)	**0.15**
Expected volatility (%)	**46.65–47.91**
Risk-free interest rate (%)	**2.40–2.86**
Expected forfeiture rate (%)	**—**
Weighted average share price (RMB per share)	**263.58–394.89**

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the RSUs granted was incorporated into the measurement of fair value.

The total expense in respect of the Kingsoft Office Share Award Scheme for the year ended 31 December 2021 was RMB80,249,000.

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

36. SHARE-BASED COMPENSATION COSTS (continued)

Kingsoft Office's share award arrangements (continued)

(b) *(continued)*

The following awarded shares were outstanding under Other Share Award Scheme adopted by Beijing Kingsoft Office during the year:

	2021 NUMBER OF AWARDED SHARES	2020 NUMBER OF AWARDED SHARES
Outstanding as at 1 January	**5,430,831**	8,441,832
Granted during the year	**—**	183,000
Vested during the year	**(2,509,999)**	(3,011,001)
Forfeited during the year	**—**	(183,000)
Outstanding as at 31 December	**2,920,832**	5,430,831

The fair value of the awarded shares was determined based on the market value of Beijing Kingsoft Office's shares at the grant date. No awarded share was granted during the year ended 31 December 2021 and the weighted average fair value of the awarded shares granted during the year ended 31 December 2020 was RMB411 per share.

The total expense recognised in respect of Other Share Award Scheme adopted by Beijing Kingsoft Office for the year ended 31 December 2021 was RMB10,163,000 (2020: RMB58,034,000).

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

In accordance with the regulations in the PRC and the respective articles of association, the PRC subsidiaries of the Group are required to make an appropriation of retained profits equal to at least 10% of their respective after-tax profits, calculated in accordance with the PRC accounting standards and regulations. Such appropriations are classified in the consolidated statement of financial position as statutory reserves and start from the first period in which after-tax profits exceed all prior year accumulated losses. Appropriations to these reserves are not required after these reserves have reached 50% of the registered capital of the respective companies. In addition, the PRC subsidiaries may, subject to a shareholders' resolution, draw a discretionary reserve from their after-tax profits. The reserves shall be used to offset accumulated losses or to increase registered capital of the companies. Where the statutory reserves are converted into capital, the remaining statutory reserve balance shall be no less than 25% of the registered capital prior to the conversion.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiary, and the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent, which is recorded in "other capital reserve" in the consolidated statement of changes in equity of the financial statements.

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Beijing Kingsoft Office	**47%**	47%
Seasun Holdings	**28%**	28%

	2021 RMB'000	2020 RMB'000
Profit for the year allocated to non-controlling interests:		
Beijing Kingsoft Office	**478,569**	394,276
Seasun Holdings	**55,795**	111,636
Dividends paid to non-controlling interests of:		
Beijing Kingsoft Office	**130,647**	62,997
Seasun Holdings	**77,220**	163,558
Accumulated balances of non-controlling interests at the reporting date:		
Beijing Kingsoft Office	**3,620,032**	3,203,474
Seasun Holdings	**294,000**	286,302

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	BEIJING KINGSOFT OFFICE RMB'000	SEASUN HOLDINGS RMB'000
2021		
Revenue	**3,277,168**	**3,038,034**
Total expenses	**(2,252,634)**	**(2,841,434)**
Profit for the year	**1,024,534**	**196,600**
Total comprehensive income for the year	**1,012,036**	**172,920**
Current assets	**9,713,756**	**3,140,034**
Non-current assets	**700,096**	**371,004**
Current liabilities	**(2,387,404)**	**(2,356,631)**
Non-current liabilities	**(264,976)**	**(63,251)**
Net assets	**7,761,472**	**1,091,156**
Net cash flows from operating activities	**1,786,513**	**217,593**
Net cash flows used in investing activities	**(536,198)**	**(340,971)**
Net cash flows used in financing activities	**(249,631)**	**(57,872)**
Net decrease in cash and cash equivalents	**1,000,684**	**(181,250)**

	BEIJING KINGSOFT OFFICE RMB'000	SEASUN HOLDINGS RMB'000
2020		
Revenue	2,258,604	3,266,333
Total expenses	(1,408,258)	(2,872,975)
Profit for the year	850,346	393,358
Total comprehensive income for the year	843,147	367,005
Current assets	8,216,797	2,653,714
Non-current assets	518,376	441,139
Current liabilities	(1,643,239)	(1,979,591)
Non-current liabilities	(193,530)	(70,043)
Net assets	6,898,404	1,045,219
Net cash flows from operating activities	1,864,756	1,103,367
Net cash flows used in investing activities	(3,482,140)	(764,507)
Net cash flows used in financing activities	(154,492)	(1,000,678)
Net decrease in cash and cash equivalents	(1,771,876)	(661,818)

39. BUSINESS COMBINATION

Heima Proofreading Business

On 1 September 2021, the Group entered into a purchase agreement with a third party to acquire its proofreading business, including the transfer of related software copyrights and domain names and key employees (collectively the "Heima Proofreading Business") at an aggregate cash consideration of RMB60,000,000. The acquisition was made as part of the Group's strategy to expand its product portfolio in the application software market.

The acquisition of Heima Proofreading Business was accounted for as a business combination and the acquisition date was 29 September 2021.

The fair values of the identifiable assets and liabilities of Heima Proofreading Business as at the date of acquisition were as follows:

	NOTE	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets	20	56,000
Other current assets		4,000
Total identifiable net assets at fair value		60,000
Satisfied by cash		60,000

No material transaction costs were incurred in this acquisition.

An analysis of cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	60,000
Cash and cash equivalents acquired	—
Net outflow of cash and cash equivalents included in cash flows from investing activities	60,000

As the Heima Proofreading Business acquired is not a separate entity or segment and was integrated with the existing business of the Group after the acquisition date, it is impracticable to distinguish the operating result of Heima Proofreading Business from the existing business of the Group. Therefore, it is impractical to disclose the revenue and profit or loss of the business contributed to the Group since the acquisition, or the revenue and profit or loss of the Group assuming the business combination had taken place at the beginning of the year.

39 BUSINESS COMBINATION (continued)

Shuke

At 1 January 2020, the Group held 30% equity interests in Shuke, which were accounted for as an investment in an associate. On 14 September 2020, the Group acquired additional 38.86% equity interests in Shuke from two third parties for a total cash consideration of RMB153,063,000. After the acquisition, the Group accounted for its investment in 68.86% equity interests in Shuke as an investment in a subsidiary. The investment in Shuke was part of the Group's strategy to expand its product portfolio in the application software market.

The Group has elected to measure the non-controlling interests in Shuke at the non-controlling interests' proportionate share of Shuke's identifiable net assets.

The fair values of the identifiable assets and liabilities of Shuke as at the date of acquisition were as follows:

	NOTES	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets	20	47,901
Property, plant and equipment	16	1,029
Right-of-use assets	18	9,347
Deferred tax assets	34	139
Other non-current assets		1,230
Cash and cash equivalents		2,148
Financial assets at fair value through profit or loss		22,846
Inventories		78
Trade receivables		23,069
Prepayments and other receivables		18,624
Trade payables		(2,547)
Other payables, accruals and deferred revenue		(10,771)
Deferred tax liabilities	34	(7,065)
Lease liabilities	18	(9,347)
Total identifiable net assets at fair value		96,681
Non-controlling interests		(30,108)
Goodwill on acquisition	19	185,564
		252,137
Satisfied by:		
Cash		153,063
Fair value of equity interests previously held as an investment in an associate*		96,014
Fair value of financial assets at fair value through profit or loss**		3,060
		252,137

* As a result of the remeasurement of the previously held equity interests in Shuke from its carrying amount immediately before the acquisition of RMB14,673,000 to its fair value of RMB96,014,000, a gain of RMB81,341,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2020.

** Being the warrant and the redemption right held by the Group prior to the acquisition.

39 BUSINESS COMBINATION (continued)

Shuke (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB23,069,000 and RMB18,624,000, respectively. The gross contractual amounts of trade receivables and prepayments and other receivables were RMB23,069,000 and RMB18,624,000, respectively.

No material transaction costs were incurred in this acquisition.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

An analysis of cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(153,063)
Cash and cash equivalents acquired	2,148
Net outflow of cash and cash equivalents included in cash flows from investing activities	(150,915)

Since the acquisition, Shuke contributed RMB81,632,000 to the Group's revenue and RMB29,513,000 to the consolidated profit for the year ended 31 December 2020.

Had the acquisition taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2020 would have been RMB5,708,400,000 and RMB10,272,392,000, respectively.

40. DEEMED DISPOSAL OF A SUBSIDIARY

Deemed disposal of Kingsoft Cloud

As disclosed in note 13 to the financial statements, Kingsoft Cloud was deemed disposed of by the Group and has ceased to be a subsidiary of the Company since 8 May 2020 (New York time).

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB26,918,000 (2020: RMB475,474,000) and RMB26,918,000 (2020: RMB475,474,000), respectively, in respect of lease arrangements for buildings and equipment.

(b) Changes in liabilities arising from financing activities

2021

	LEASE LIABILITIES RMB'000	CONVERTIBLE BONDS RMB'000	DERIVATIVE FINANCIAL INSTRUMENT RMB'000	OTHER NON-CURRENT LIABILITIES RMB'000
At 1 January 2021	**222,517**	**2,196,595**	**—**	**—**
Changes from financing cash flows	**(36,438)**	**(16,073)**	**6,336**	**45,757**
New leases	**26,918**	**—**	**—**	**—**
Foreign exchange movements	**(120)**	**(64,376)**	**—**	**—**
Fair value change	**—**	**—**	**90**	**—**
Interest expense	**8,930**	**132,441**	**—**	**1,418**
Decrease arising from termination and modification	**(16,548)**	**—**	**—**	**—**
At 31 December 2021	**205,259**	**2,248,587**	**6,426**	**47,175**

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2020

	BANK LOANS RMB'000	LEASE LIABILITIES RMB'000	CONVERTIBLE BONDS RMB'000	REDEEMABLE CONVERTIBLE PREFERRED SHARES RMB'000
At 1 January 2020	697,566	116,049	—	3,583,019
Changes from financing cash flows	(538,093)	(70,973)	2,759,165	138,900
Decrease in receivable	—	—	—	(138,900)
Decrease/(increase) in other payables	2,339	—	(2,808)	—
Equity component of convertible bonds	—	—	(468,700)	—
New leases	—	475,474	—	—
Foreign exchange movements	7,448	(235)	(182,120)	32,997
Interest expense	5,091	17,389	91,058	169,700
Covid-19-related rent concessions from lessors	—	(118)	—	—
Increase arising from acquisition of a subsidiary	—	9,347	—	—
Decrease arising from termination and modification	—	(44,646)	—	—
Decrease arising from deemed disposal of a subsidiary	(174,351)	(279,770)	—	(3,785,716)
At 31 December 2020	—	222,517	2,196,595	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	**26,308**	18,734
Within investing activities	**1,284**	9,084
Within financing activities	**36,438**	70,973
	64,030	98,791

42. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Development of land and buildings	**142,208**	190,892
Purchase of property, plant and equipment	**154**	559
	142,362	191,451

As at 31 December 2021, the Group's capital commitments for the development of a piece of land in Zhuhai, the development of a piece of land in Wuhan and leasehold improvements were RMB111,706,000 (2020: RMB188,318,000), RMB23,221,000 (2020: nil) and RMB7,281,000 (2020: RMB2,574,000), respectively.

(b) The Group had no lease contracts that have not yet commenced as at 31 December 2021 (2020: nil).

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	NOTES	2021 RMB'000	2020 RMB'000
Provision of services to a company controlled by a director of the Company*	(i)	**7,665**	192,431
Purchases of products from a company controlled by a director of the Company	(ii)	**831**	2,686
Purchase of services from a company controlled by a director of the Company	(iii)	**14,488**	27,600
Licence fee from a company whose parent has significant influence on the Company	(iv)	**268,540**	407,634
Licence fee from an associate	(v)	**7,124**	9,945
Licence fee to a joint venture	(vi)	**116,696**	148,766
Provision of services to associates	(vii)	**22,239**	15,636
Provision of services to a joint venture	(viii)	**5,535**	3,008
Rental to a company controlled by a director of the Company*	(ix)	**38,916**	58,428
Purchases of cloud services from an associate	(x)	**154,287**	81,697
Interest income from loans to related parties	43(b)	**4,489**	1,428

* The amounts for the year ended 31 December 2020 included the transactions from the discontinued operation prior to the deemed disposal on 8 May 2020.

(i) In prior years, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group provides various services, mainly including cloud storage services and promotion services, to this related company and its affiliates at the prevailing fair market price in the same industry for similar transactions.

(ii) In prior years, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group purchased hardware products, including but not limited to smart phones and phone accessories at market price from affiliates of this related company.

(iii) During 2014 to 2021, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, affiliates of this related company provide various forms of promotion services to the Group through the internet platforms. The price is based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting similar transactions.

(iv) During 2015 to 2021, the Group entered into various licensing agreements with a company whose parent has significant influence on the Company to operate the Group's online games with this related company at the prevailing fair market price.

(v) In 2017, the Group entered into an exclusive licensing agreement with an associate to grant the associate an exclusive right to use certain office software.

(vi) In 2015 and 2016, the Group entered into the game joint development and operation agreement with a joint venture to jointly develop and operate the Group's online games at the prevailing fair market price.

(vii) During 2017 to 2021, the Group entered into agreements with associates to provide technology support and leasing services to them at the prevailing fair market price.

43. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(viii) During 2017 to 2021, the Group entered into agreements with joint ventures to provide technology support and leasing services to them at the prevailing fair market price.

(ix) During 2018 to 2019, the Group entered into lease agreements with a company controlled by a director of the Company at the prevailing market rent of similar properties and business nature in nearby locations. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities in respect with the lease agreements were RMB139,834,000 (2020: RMB185,082,000) and RMB154,376,000 (2020: RMB190,475,000), respectively.

(x) In 2020 and 2021, the Group entered into cloud service agreements with Kingsoft Cloud Group. Pursuant to the agreements, Kingsoft Cloud Group provides cloud services to the Group at market price. After 8 May 2020, Kingsoft Cloud has become an associate of the Group and the transactions with Kingsoft Cloud Group are disclosed as related party transactions thereafter.

(xi) During 2014 to 2021, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group jointly operates the Group's online games with an affiliate of this related company by ways of exclusive and non-exclusive licensing. The Company is entitled to receive licensing fee under the exclusive arrangements and the affiliate of this related company acted as a distribution platform to collect payments from players on behalf of the Group through the non-exclusive arrangements. The net amount remitted to the Group amounted to RMB6,900,000 (2020: RMB7,851,000), including the licensing fee collected on behalf of the Group after deduction of commission in accordance with the co-operation agreements, which is charged at the prevailing fair market price.

43. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

The Group had the following outstanding balances with related parties as at the end of the reporting period:

	NOTES	2021 RMB'000	2020 RMB'000
Due from related parties:			
Loans to non-controlling shareholders of Beijing Kingsoft Office	(i)	**—**	917
Loans to associates	(ii)	**504,088**	15,650
Loans to joint ventures	(iii)	**8,406**	8,124
Other receivables from a joint venture		**—**	815
Other receivables from associates		**38,334**	39,154
Other receivables from a company controlled by a director of the Company		**3,506**	474
	28	**554,334**	65,134
Trade receivables from associates	27	**31,257**	42,034
Trade receivables from a joint venture	27	**942**	—
Trade receivables from a company whose parent has significant influence on the Company	27	**116,700**	174,804
Trade receivables from a company controlled by a director of the Company	27	**11,789**	24,837
Due to related parties:			
Advance from a company controlled by a member of the key management personnel of the Company		**301**	301
Advance from an associate		**—**	34
Payables to an associate		**11,687**	29,208
	31	**11,988**	29,543
Trade payables to a company controlled by a director of the Company	30	**7,706**	50,310
Trade payables to a company whose parent has significant influence on the Company	30	**3,436**	11
Trade payables to a joint venture	30	**62,031**	63,164
Trade payables to associates	30	**39,544**	18,411
Lease liabilities to a company controlled by a director of the Company	(a)(ix)	**154,376**	190,475

(i) In 2015 and 2016, the Group entered into loan agreements with certain non-controlling shareholders of Beijing Kingsoft Office, pursuant to which, the Group has provided loans of RMB3,350,000 and RMB26,080,000, respectively, with an interest rate of 4.75% per annum to the non-controlling shareholders for the subscription of shares of Beijing Kingsoft Office. The loans were secured by the shares of Beijing Kingsoft Office held by the non-controlling shareholders. The term of the above loans is one year and can be automatically extended for the succeeding one year upon expiration if certain conditions have been satisfied. The outstanding balances included accumulated unpaid principal and interest receivable of RMB901,000 and RMB16,000, respectively, as at 31 December 2020. All outstanding principal and interest were fully repaid during the year. The interest income from non-controlling shareholders of Beijing Kingsoft Office during the year was approximately RMB10,000 (2020: RMB795,000).

43. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

(ii) In 2021, the Group entered into a one-year loan agreement with an associate, pursuant to which, the Group has provided a loan of RMB500,000,000 to this associate with an interest rate of 4.65% per annum. The outstanding balance included accumulated unpaid principal and interest receivable of RMB500,000,000 and RMB4,088,000, respectively, as at 31 December 2021. The interest income from the associate during the year was approximately RMB3,857,000.

In 2019 and 2020, the Group entered into two loan agreements with another associate, pursuant to which, the Group provided loans of RMB5,000,000 and RMB10,000,000 to this associate, respectively, with interest rates of 4.35% and 4.35% per annum, respectively. The outstanding balance included accumulated unpaid principal and interest receivable of RMB15,000,000 and RMB650,000, respectively, as at 31 December 2020. The associate was disposed of in 2021. The interest income from the associate during the period before disposal was approximately RMB363,000 (2020: RMB509,000).

In 2019 and 2020, the Group entered into loan agreements with another associate, pursuant to which, the Group provided loans with total principal of US$2,325,000 (equivalent to RMB16,261,000) with an interest rate of 3.32% per annum. The outstanding balances from the associate, including accumulated unpaid principal and interest receivable, were fully impaired in 2020.

(iii) In 2019, the Group entered into two loan agreements with a joint venture, pursuant to which, the Group shall provide loans to this joint venture up to a total amount of RMB8,400,000 with interest rates ranging from 4.35% to 4.90% per annum, and the joint venture withdrew RMB7,200,000 up to 31 December 2020. The outstanding balances from the joint venture, including accumulated unpaid principal and interest receivable, were fully impaired in 2020.

In 2020, the Group entered into a loan agreement with another joint venture, pursuant to which, the Group provided a loan of RMB8,000,000 to this joint venture, with interest rates of 3.85% per annum. The outstanding balances included accumulated unpaid principal and interest receivable of RMB8,000,000 and RMB406,000, respectively, as at 31 December 2021. The interest income from the joint venture during the year was approximately RMB259,000 (2020: RMB124,000).

(c) Compensation of key management personnel of the Group

Other than the directors' remuneration disclosed in note 10 to the financial statements, the compensation of other key management personnel of the Group is as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**1,120**	1,185
Pension plan contributions	**89**	15
Share-based compensation costs	**42,029**	42,819
Total compensation paid to key management personnel	**43,238**	44,019

(d) Since 2016, the Group has guaranteed the non-revolving banking facilities granted to Kingsoft Cloud Group amounting to RMB400,000,000 within 5 years after first withdraw was made. After 8 May 2020, Kingsoft Cloud became an associate of the Group and the guarantee is disclosed as a related party transaction thereafter. As at 31 December 2020, the facilities not yet drawn by Kingsoft Cloud Group and the outstanding bank loans of Kingsoft Cloud under the facilities were RMB64,863,000 and RMB74,351,000, respectively. During the year ended 31 December 2021, the guarantee is released after the banking facilities were terminated.

The related party transactions in respect of items provision of services to, purchases of products from, purchase of services from and jointly operates the Group's online games with a company controlled by a director of the Company in note43(a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

FINANCIAL ASSETS	MANDATORILY DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS RMB'000	EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPRE-HENSIVE INCOME RMB'000	FINANCIAL ASSETS AT AMORTISED COST RMB'000	TOTAL RMB'000
Financial assets at fair value through profit or loss	3,129,174	—	—	3,129,174
Equity investments at fair value through other comprehensive income	—	8,418	—	8,418
Financial assets included in other non-current assets	—	—	7,238	7,238
Trade receivables	—	—	839,268	839,268
Financial assets included in prepayments, other receivables and other assets	—	—	817,229	817,229
Restricted cash	—	—	9,382	9,382
Cash and bank deposits	—	—	16,190,138	16,190,138
Total	3,129,174	8,418	17,863,255	21,000,847

FINANCIAL LIABILITIES	HELD FOR TRADING RMB'000	FINANCIAL LIABILITIES AT AMORTISED COST RMB'000	TOTAL RMB'000
Trade payables	—	423,400	423,400
Financial liabilities included in other payables and accruals	—	524,761	524,761
Derivative financial instrument	6,426	—	6,426
Other non-current liabilities	—	47,175	47,175
Lease liabilities	—	205,259	205,259
Liability component of convertible bonds	—	2,248,587	2,248,587
Total	6,426	3,449,182	3,455,608

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2020

FINANCIAL ASSETS	MANDATORILY DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS RMB'000	EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPRE-HENSIVE INCOME RMB'000	FINANCIAL ASSETS AT AMORTISED COST RMB'000	TOTAL RMB'000
Financial assets at fair value through profit or loss	4,109,506	—	—	4,109,506
Equity investments at fair value through other comprehensive income	—	10,725	—	10,725
Financial assets included in other non-current assets	4,584	—	—	4,584
Trade receivables	—	—	772,485	772,485
Financial assets included in prepayments, other receivables and other assets	—	—	836,515	836,515
Restricted cash			13,079	13,079
Cash and bank deposits	—	—	14,049,069	14,049,069
Total	4,114,090	10,725	15,671,148	19,795,963

FINANCIAL LIABILITIES	HELD FOR TRADING RMB'000	FINANCIAL LIABILITIES AT AMORTISED COST RMB'000	TOTAL RMB'000
Trade payables	—	290,855	290,855
Financial liabilities included in other payables and accruals	—	862,332	862,332
Lease liabilities	—	222,517	222,517
Liability component of convertible bonds	—	2,196,595	2,196,595
Total	—	3,572,299	3,572,299

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	CARRYING AMOUNTS		FAIR VALUES	
	2021 RMB'000	**2020 RMB'000**	**2021 RMB'000**	**2020 RMB'000**
FINANCIAL ASSETS				
Loan receivables	**7,238**	4,584	**6,596**	3,988
Equity investments designated at fair value through other comprehensive income	**8,418**	10,725	**8,418**	10,725
Financial assets at fair value through profit or loss	**3,129,174**	4,109,506	**3,129,174**	4,109,506
	3,144,830	4,124,815	**3,144,188**	4,124,219
FINANCIAL LIABILITIES				
Derivative financial instrument	**6,426**	—	**6,426**	—
Other non-current liabilities	**47,175**	—	**50,897**	—
Liability component of convertible bonds	**2,248,587**	2,196,595	**2,326,172**	2,461,287
	2,302,188	2,196,595	**2,383,495**	2,461,287

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

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

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

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

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2021

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

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2020

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Equity investments designated at fair value through other comprehensive income	—	—	10,725	10,725
Financial assets at fair value through profit or loss	—	—	4,109,506	4,109,506
	—	—	4,120,231	4,120,231

The movements in fair value measurements in Level 3 during the year are as follows:

	2021 RMB'000	2020 RMB'000
Equity investments designated at fair value through other comprehensive income/financial assets at fair value through profit or loss:		
At 1 January	**4,120,231**	146,521
Disposals	**(1,109,280)**	—
Additions	**18,230**	4,053,102
Deemed disposal of a subsidiary	**—**	(9,072)
Total gains/(losses) recognised in profit or loss	**121,243**	(53,367)
Total losses recognised in other comprehensive income	**(7,472)**	(13,893)
Others	**(5,360)**	(3,060)
At 31 December	**3,137,592**	4,120,231

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

Below is a summary of significant unobservable input to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUT	SENSITIVITY OF FAIR VALUE TO THE INPUT
Financial assets at fair value through profit or loss	Black-Scholes Model	Fair value per share	5% increase (decrease) in fair value per share would result in increase (decrease) in fair value by RMB3,359,000 (2020: RMB3,168,000) RMB(198,000) (2020: RMB3,100,000)

Liabilities measured at fair value:

As at 31 December 2021

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

The Group did not have any financial liabilities measured at fair value as at 31 December 2020.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

The movements of liabilities in fair value measurements in Level 3 during the year are as follows:

	2021 RMB'000
Other financial liabilities at fair value through profit or loss:	
At 1 January	—
Additions	6,336
Total losses recognised in profit or loss	90
At 31 December	6,426

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: nil).

Assets for which fair values are disclosed:

As at 31 December 2021

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Loans receivable	—	6,596	—	6,596

As at 31 December 2020

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Loans receivable	—	3,988	—	3,988

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2021

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Other non-current liabilities	—	—	50,897	50,897
Liability component of convertible bonds	—	—	2,326,172	2,326,172

As at 31 December 2020

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Liability component of convertible bonds	—	—	2,461,287	2,461,287

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise convertible bonds, cash and bank deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations and payment of dividends. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from revenue derived from overseas markets by operating units in currencies other than the units' functional currencies and monetary assets denominated in currencies other than the functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) for the year:

	INCREASE/ (DECREASE) IN PROFIT BEFORE TAX RMB'000
2021	
If RMB strengthens 5% against HK$	**34,146**
If RMB weakens 5% against HK$	**(34,146)**
If RMB strengthens 5% against US$	**2,600**
If RMB weakens 5% against US$	**(2,600)**

	INCREASE/ (DECREASE) IN PROFIT BEFORE TAX RMB'000
2020	
If RMB strengthens 5% against HK$	42,374
If RMB weakens 5% against HK$	(42,374)
If RMB strengthens 5% against US$	(15,938)
If RMB weakens 5% against US$	15,938

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 27 to the financial statements.

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

As at 31 December 2021

	12-MONTH ECLS	LIFETIME ECLS		
	STAGE 1 RMB'000	STAGE 2 RMB'000	SIMPLIFIED APPROACH RMB'000	TOTAL RMB'000
Trade receivables*	**—**	**—**	**884,875**	**884,875**
Financial assets included in prepayments, other receivables and other assets				
— Normal**	**817,229**	**—**	**—**	**817,229**
— Doubtful**	**—**	**—**	**—**	**—**
Financial assets included in other non-current assets				
— Normal**	**7,238**	**—**	**—**	**7,238**
Cash and bank deposits				
— Not yet past due	**16,190,138**	**—**	**—**	**16,190,138**
Restricted cash				
— Not yet past due	**9,382**	**—**	**—**	**9,382**
	17,023,987	**—**	**884,875**	**17,908,862**

As at 31 December 2020

	12-MONTH ECLS	LIFETIME ECLS		
	STAGE 1 RMB'000	STAGE 2 RMB'000	SIMPLIFIED APPROACH RMB'000	TOTAL RMB'000
Trade receivables*	—	—	801,835	801,835
Financial assets included in prepayments, other receivables and other assets				
— Normal**	835,799	—	—	835,799
— Doubtful**	—	8,004	—	8,004
Financial assets included in other non-current assets				
— Normal**	4,584	—	—	4,584
Cash and bank deposits				
— Not yet past due	14,049,069	—	—	14,049,069
Restricted cash				
— Not yet past due	13,079	—	—	13,079
Guarantees given to a bank in connection with facilities granted to an associate				
— Facilities not yet drawn by an associate	64,863	—	—	64,863
— Facilities drawn by an associate	—	—	—	—
— Not yet past due	74,351	—	—	74,351
	15,041,745	8,004	801,835	15,851,584

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 27 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The principal approach used by the Group to manage liquidity risk arising from financial liabilities is to maintain an adequate level of cash and bank deposits with different banks.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021				
	ON DEMAND RMB'000	LESS THAN 3 MONTHS RMB'000	3 TO LESS THAN 12 MONTHS RMB'000	1 TO 5 YEARS RMB'000	TOTAL RMB'000
Convertible bonds	**—**	**—**	**15,841**	**2,714,514**	**2,730,355**
Trade payables	**—**	**296,772**	**112,867**	**13,761**	**423,400**
Other payables and accruals	**461,905**	**16,341**	**20,663**	**25,852**	**524,761**
Lease liabilities	**17,221**	**28,079**	**32,056**	**141,387**	**218,743**
Other non-current liabilities	**—**	**—**	**—**	**72,500**	**72,500**
	479,126	**341,192**	**181,427**	**2,968,014**	**3,969,759**

	2020				
	ON DEMAND RMB'000	LESS THAN 3 MONTHS RMB'000	3 TO LESS THAN 12 MONTHS RMB'000	1 TO 5 YEARS RMB'000	TOTAL RMB'000
Convertible bonds	—	—	16,307	2,810,636	2,826,943
Trade payables	—	226,356	44,696	19,803	290,855
Other payables and accruals	800,301	7,710	24,794	29,527	862,332
Lease liabilities	—	23,387	27,390	180,877	231,654
Guarantees given to a bank in connection with facilities granted to and drawn by an associate	74,351	—	—	—	74,351
	874,652	257,453	113,187	3,040,843	4,286,135

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using the asset-liability ratio, which represents total liabilities divided by total assets.

	2021 RMB'000	**2020 RMB'000**
Total liabilities	**(7,742,922)**	(6,816,285)
Total assets	**36,535,112**	35,044,195
Asset-liability ratio	**21%**	19%

47. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

48. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**651**	1,101
Right-of-use assets	**760**	1,369
Investments in subsidiaries	**715,088**	504,432
Investments in associates	**3,245,688**	3,329,180
Total non-current assets	**3,962,187**	3,836,082
CURRENT ASSETS		
Prepayments, other receivables and other assets	**3,350**	23,472
Due from subsidiaries	**2,216,834**	1,247,907
Cash and bank deposits	**2,397,227**	4,312,590
Total current assets	**4,617,411**	5,583,969
CURRENT LIABILITIES		
Other payables and accruals	**21,029**	26,434
Due to an associate	**10,863**	34
Lease liabilities	**625**	654
Due to subsidiaries	**982,326**	1,348,843
Income tax payable	**12,346**	12,346
Total current liabilities	**1,027,189**	1,388,311
NET CURRENT ASSETS	**3,590,222**	4,195,658
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,552,409**	8,031,740
NON-CURRENT LIABILITIES		
Lease liabilities	**215**	825
Liability component of convertible bonds	**2,248,587**	2,196,595
Total non-current liabilities	**2,248,802**	2,197,420
Net assets	**5,303,607**	5,834,320
EQUITY		
Issued capital	**5,308**	5,316
Share premium account	**2,490,650**	2,762,242
Treasury shares	**(15,259)**	(11,181)
Equity component of convertible bonds	**468,700**	468,700
Other reserves	**2,354,208**	2,609,243
TOTAL EQUITY	**5,303,607**	5,834,320

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	SHARE PREMIUM ACCOUNT RMB'000	TREASURY SHARES RMB'000	EQUITY COMPONENT OF CONVERTIBLE BONDS RMB'000	SHARE-BASED COMPENSATION RESERVE RMB'000	FOREIGN CURRENCY TRANSLATION RESERVE RMB'000	RETAINED PROFITS RMB'000	OTHER CAPITAL RESERVE RMB'000	TOTAL RMB'000
BALANCE AT 1 JANUARY 2020	2,995,605	(14,631)	—	230,752#	331,510#	641,696#	28,531#	4,213,463
Total comprehensive income/(loss) for the year	—	—	—	—	(400,252)	1,778,455	—	1,378,203
Final 2019 dividend declared	(124,861)	—	—	—	—	—	—	(124,861)
Other distributions	(130,033)	—	—	—	—	—	—	(130,033)
Issue of convertible bonds	—	—	468,700	—	—	—	—	468,700
Share-based compensation costs	—	—	—	23,532	—	—	—	23,532
Vesting of awarded shares	21,531	3,450	—	(24,981)	—	—	—	—
AT 31 DECEMBER 2020 AND 1 JANUARY 2021	**2,762,242**	**(11,181)**	**468,700**	**229,303#**	**(68,742)#**	**2,420,151#**	**28,531#**	**5,829,004**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(154,010)**	**(97,238)**	**—**	**(251,248)**
Share-based compensation costs	**—**	**—**	**—**	**31,829**	**—**	**—**	**—**	**31,829**
Final 2020 dividend declared	**(227,736)**	**—**	**—**	**—**	**—**	**—**	**—**	**(227,736)**
Exercise of share options	**37,905**	**—**	**—**	**(13,477)**	**—**	**—**	**—**	**24,428**
Vesting of awarded shares	**18,848**	**3,291**	**—**	**(22,139)**	**—**	**—**	**—**	**—**
Shares repurchased	**(100,609)**	**(7,369)**	**—**	**—**	**—**	**—**	**—**	**(107,978)**
At 31 December 2021	**2,490,650**	**(15,259)**	**468,700**	**225,516#**	**(222,752)#**	**2,322,913#**	**28,531#**	**5,298,299**

These reserve accounts comprise other reserves of RMB2,354,208,000 (2020: RMB2,609,243,000) in the statement of financial position of the Company.

The Company operates two share option schemes and a share award scheme as part of the benefits to its employees during the year ended 31 December 2021. The share-based compensation reserve comprises the fair value of share options and awarded shares granted which are yet to be exercised or vested, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will be transferred to the share premium account and treasury shares when the related share options are exercised or the related awarded shares are vested.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2022.

TERMS AND GLOSSARIES

"2011 Share Option Scheme"	the share option scheme adopted by the Company on 9 December 2011
"2020 Convertible Bonds"	the convertible bonds issued by the Company on 29 April 2020
"2021 Share Option Scheme"	the share option scheme adopted by the Company on 9 December 2021
"AI"	artificial intelligence
"Articles of Association"	the articles of association of the Company
"Beijing Digital Entertainment"	Beijing Kingsoft Digital Entertainment Technology Co., Ltd.* (北京金山數字娛樂科技有限公司)
"Board"	the board of directors of the Company
"Code"	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
"Cheetah Mobile"	Cheetah Mobile Inc., an associated corporation of the Company and was listed on NYSE in May 2014
"Chengdu Digital Entertainment"	Chengdu Kingsoft Digital Entertainment Technology Co., Ltd.* (成都金山數字娛樂科技有限公司)
"Chengdu Interactive Entertainment"	Chengdu Kingsoft Interactive Entertainment Co., Ltd.* (成都金山互動娛樂科技有限公司)
"Chengdu Seasun Shiyou"	Chengdu Seasun Shiyou Technology Co., Ltd.* (成都西山居世遊科技有限公司)
"Class A Cheetah Shares"	the class A ordinary shares of Cheetah Mobile, par value US$0.000025 per share
"Company" or "Kingsoft"	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Guangzhou Network"	Guangzhou Kingsoft Network Co., Ltd.* (廣州金山網絡科技有限公司)
"Guangzhou Seasun Shiyou"	Guangzhou Seasun Shiyou Technology Co., Ltd.* (廣州西山居世遊網絡科技有限公司)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"IAS"	International Accounting Standard issued by the International Accounting Standards Board
"IFRSs"	International Financial Reporting Standards
"Kingsoft Cloud"	Kingsoft Cloud Holdings Limited, a subsidiary of the Company until its separate listing on NASDAQ in May 2020
"Kingsoft Cloud Group"	Kingsoft Cloud and its subsidiaries
"Kingsoft Office"	Beijing Kingsoft Office Software, Inc., a subsidiary of the Company and was listed on the SSE STAR Market in November 2019
"Kingsoft Office Group"	Kingsoft office and its subsidiaries
"Kingsoft Office Share Award Scheme"	the share award scheme approved by the shareholders and directors of Kingsoft Office on 2 June 2021
"Kingsoft Qijian"	Beijing Kingsoft Qijian Digital Technology Co., Ltd.* (北京金山奇劍數碼科技有限公司)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"NYSE"	New York Stock Exchange
"PRC", "China" or "Mainland China"	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, the Macau Special Administrative Region and Taiwan
"R&D"	research and development
"Reporting Period"	the year ended 31 December 2021
"RMB" or "Renminbi"	the lawful currency of the PRC
"Seasun Holdings"	Seasun Holdings Limited, a subsidiary of the Company
"Seasun Holdings Share Award Schemes"	the share award schemes approved by the shareholders and directors of Seasun Holdings on 21 March 2017 including the general share award scheme, the special share award scheme (A) and the special share award scheme (B)
"Seasun Holdings Share Option Scheme"	the share option scheme approved by the shareholders of the Company and Seasun Holdings on 27 June 2013
"SFO"	the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong

"Share Award Scheme"	the share award scheme of the Company adopted by the Board on 31 March 2008
"SSE STAR Market"	the science and technology innovation board of the Shanghai Stock Exchange
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America
"Xiaomi"	Xiaomi Corporation (Stock Code: 1810), a limited liability company organized under the laws of Cayman Islands and listed on the Stock Exchange
"Xiaomi Group"	Xiaomi and its subsidiaries
"Zhuhai Cloud Technology"	Zhuhai Kingsoft Cloud Technology Co., Ltd.* (珠海金山雲科技有限公司)
"Zhuhai Seasun Shiyou"	Zhuhai Seasun Shiyou Technology Co., Ltd.* (珠海西山居世遊科技有限公司)
"Zhuhai Software"	Zhuhai Kingsoft Software Co., Ltd.* (珠海金山軟件有限公司)
"%"	percent