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Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

(Convertible Bonds Code: 40210)

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (“**Board**”) of directors (the “**Directors**”) of Kingsoft Corporation Limited (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023. The results have been audited by Ernst & Young, the auditor of the Company in accordance with Hong Kong Standards on Auditing. In addition, the results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Year-on-year Change %
	2023	2022	
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)	
Revenue	8,533,611	7,636,743	12
Operating profit	2,226,882	1,868,682	19
Operating profit before share-based compensation costs	2,540,756	2,129,476	19
Profit/(loss) attributable to owners of the parent*	483,457	(6,049,409)	Not applicable
	<i>RMB</i>	<i>RMB</i> (Restated)	
Basic earnings/(loss) per share	0.36	(4.43)	Not applicable
Diluted earnings/(loss) per share	0.34	(4.45)	Not applicable

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

DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.14 per share for the year ended 31 December 2023 (2022: HK\$0.13 per share). The final dividend, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the “AGM”) of the Company, is expected to be paid on 19 June 2024.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		1,983,123	1,551,294
Investment properties		169,831	190,911
Right-of-use assets		376,936	470,245
Goodwill		185,564	185,564
Other intangible assets		93,393	109,992
Investments in joint ventures		461,220	141,165
Investments in associates		4,475,829	5,347,967
Equity investments designated at fair value through other comprehensive income		18,468	18,273
Financial assets at fair value through profit or loss		406,196	211,353
Deferred tax assets		106,920	93,316
Other non-current assets		24,018	28,044
Total non-current assets		8,301,498	8,348,124
CURRENT ASSETS			
Inventories		15,626	18,335
Trade receivables	10	785,231	860,597
Prepayments, other receivables and other assets		2,224,334	1,331,934
Financial assets at fair value through profit or loss		3,591,493	3,125,099
Restricted cash		5,337	2,456
Cash and bank deposits		20,271,193	18,201,410
Total current assets		26,893,214	23,539,831

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023**

		As at 31 December	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
			<i>(Restated)</i>
CURRENT LIABILITIES			
Trade payables	11	533,499	452,672
Other payables and accruals		1,617,145	1,347,722
Lease liabilities		37,512	100,538
Contract liabilities		2,429,120	2,186,742
Income tax payable		263,162	210,903
Liability component of convertible bonds	12	—	2,589,698
		<hr/>	<hr/>
Total current liabilities		4,880,438	6,888,275
		<hr/>	<hr/>
NET CURRENT ASSETS		22,012,776	16,651,556
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		30,314,274	24,999,680
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Contract liabilities		574,547	308,723
Deferred tax liabilities		294,448	355,785
Lease liabilities		29,496	104,962
Liability component of convertible bonds	12	2,770,192	—
Other non-current liabilities		65,506	67,128
Derivative financial instrument		6,828	6,615
		<hr/>	<hr/>
Total non-current liabilities		3,741,017	843,213
		<hr/>	<hr/>
NET ASSETS		26,573,257	24,156,467
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EQUITY			
Equity attributable to owners of the parent			
Issued capital		5,292	5,281
Share premium account		2,187,981	2,213,361
Treasury shares		(306,558)	(29,059)
Equity component of convertible bonds	12	468,700	468,700
Other reserves		18,933,618	16,843,213
		<hr/>	<hr/>
		21,289,033	19,501,496
Non-controlling interests		5,284,224	4,654,971
		<hr/>	<hr/>
TOTAL EQUITY		26,573,257	24,156,467
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> <i>(Restated)</i>
Revenue			
Office software and services		4,556,513	3,890,588
Online games and others		3,977,098	3,746,155
		8,533,611	7,636,743
Cost of revenue		(1,503,268)	(1,459,742)
Gross profit			
		7,030,343	6,177,001
Research and development costs		(2,683,596)	(2,552,754)
Selling and distribution expenses		(1,470,493)	(1,242,518)
Administrative expenses		(661,431)	(618,956)
Share-based compensation costs	6	(313,874)	(260,794)
Other income		374,586	395,156
Other expenses		(48,653)	(28,453)
Operating profit			
		2,226,882	1,868,682
Other losses, net	5	(32,160)	(6,499,855)
Finance income		629,199	449,005
Finance costs		(168,890)	(157,438)
Share of profits and losses of:			
Joint ventures		(19,945)	(19,634)
Associates		(1,146,234)	(1,362,103)
Profit/(loss) before tax			
	4	1,488,852	(5,721,343)
Income tax credit/(expense)	7	(273,664)	379,456
Profit/(loss) for the year			
		1,215,188	(5,341,887)
Attributable to:			
Owners of the parent		483,457	(6,049,409)
Non-controlling interests		731,731	707,522
		1,215,188	(5,341,887)
		<i>RMB</i>	<i>RMB</i> <i>(Restated)</i>
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic		0.36	(4.43)
Diluted		0.34	(4.45)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> <i>(Restated)</i>
PROFIT/(LOSS) FOR THE YEAR	<u>1,215,188</u>	<u>(5,341,887)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation into presentation currency	(29,429)	(340,558)
Reclassification to profit and loss from liquidation and disposal of subsidiaries	(5,715)	373
Reclassification to profit and loss from deemed disposal of associates	(5,450)	(592)
Share of other comprehensive income of associates	<u>71,296</u>	<u>362,430</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>30,702</u>	<u>21,653</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences of the Company on translation into presentation currency	70,114	467,097
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	195	(145)
Share of other comprehensive income/(loss) of an associate	<u>(30,529)</u>	<u>11,750</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>39,780</u>	<u>478,702</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>70,482</u>	<u>500,355</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>1,285,670</u>	<u>(4,841,532)</u>
Attributable to:		
Owners of the parent	542,660	(5,579,092)
Non-controlling interests	<u>743,010</u>	<u>737,560</u>
	<u>1,285,670</u>	<u>(4,841,532)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

Attributable to owners of the parent

	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Equity component of convertible bonds RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Other capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022	5,281	2,213,361	(29,059)	468,700	845,472	741,669	4,310,015	41,542	235,383	10,668,902	19,501,266	4,653,724	24,154,990
Effect of adoption of amendments to IAS 12	—	—	—	—	—	—	—	—	—	230	230	1,247	1,477
At 1 January 2023 (restated)	5,281	2,213,361	(29,059)	468,700	845,472	741,669	4,310,015	41,542	235,383	10,669,132	19,501,496	4,654,971	24,156,467
Profit for the year	—	—	—	—	—	—	—	—	—	483,457	483,457	731,731	1,215,188
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	—	—	—	—	—	—	—	195	—	—	195	—	195
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	29,406	—	29,406	11,279	40,685
Reclassification to profit and loss from liquidation of subsidiaries	—	—	—	—	—	—	—	—	(5,715)	—	(5,715)	—	(5,715)
Reclassification to profit and loss from deemed disposal of associates	—	—	—	—	—	—	—	—	(5,450)	—	(5,450)	—	(5,450)
Share of other comprehensive income/(loss) of associates	—	—	—	—	—	—	—	(30,529)	71,296	—	40,767	—	40,767
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	—	(30,334)	89,537	483,457	542,660	743,010	1,285,670
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(333,324)	(333,324)
Final 2022 dividend declared	—	(162,831)	—	—	—	—	—	—	—	—	(162,831)	—	(162,831)
Share-based compensation costs	—	—	—	—	—	211,953	—	—	—	—	211,953	112,792	324,745
Exercise of share options	2	18,585	—	—	—	(6,636)	—	—	—	—	11,951	—	11,951
Vesting and settlement of share-based awards	9	118,866	1,476	—	—	(120,351)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(64,060)	75,702	—	—	—	11,642	10,659	22,301
Share of reserves of associates	—	—	—	—	—	—	4,924	—	—	—	4,924	—	4,924
Shares repurchased for share award scheme	—	—	(55,429)	—	—	—	—	—	—	—	(55,429)	—	(55,429)
Shares repurchased	—	—	(223,546)	—	—	—	—	—	—	—	(223,546)	—	(223,546)
Profit appropriation	—	—	—	—	248,475	—	—	—	—	(248,475)	—	—	—
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	1,446,213	—	—	—	1,446,213	96,116	1,542,329
Liquidation of a subsidiary	—	—	—	—	—	—	26,795	—	—	(26,795)	—	—	—
At 31 December 2023	5,292	2,187,981	(306,558)	468,700	1,093,947*	762,575*	5,863,649*	11,208*	324,920*	10,877,319*	21,289,033	5,284,224	26,573,257

* These reserve accounts comprise the consolidated other reserves of RMB18,933,618,000 (2022: RMB16,843,213,000 (restated)) in the consolidated statement of financial position.

Attributable to owners of the parent

	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Equity component of convertible bonds RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Other capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 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
Effect of adoption of amendments to IAS12	—	—	—	—	—	—	—	—	—	1,445	1,445	931	2,376
At 1 January 2022 (restated)	5,308	2,490,650	(15,259)	468,700	634,314	637,036	3,828,458	29,937	(223,329)	16,929,699	24,785,514	4,009,052	28,794,566
Loss for the year (restated)	—	—	—	—	—	—	—	—	—	(6,049,409)	(6,049,409)	707,522	(5,341,887)
Other comprehensive income/(loss) for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	(145)	—	—	(145)	—	(145)
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	96,607	—	96,607	29,932	126,539
Reclassification to profit and loss from disposal of a subsidiary	—	—	—	—	—	—	—	—	267	—	267	106	373
Reclassification to profit and loss from deemed disposal of associates	—	—	—	—	—	—	—	—	(592)	—	(592)	—	(592)
Share of other comprehensive income of associates	—	—	—	—	—	—	—	11,750	362,430	—	374,180	—	374,180
Total comprehensive income/(loss) for the year (restated)	—	—	—	—	—	—	—	11,605	458,712	(6,049,409)	(5,579,092)	737,560	(4,841,532)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(230,554)	(230,554)
Final 2021 dividend declared	—	(139,925)	—	—	—	—	—	—	—	—	(139,925)	—	(139,925)
Share-based compensation costs	—	—	—	—	—	172,328	—	—	—	—	172,328	91,075	263,403
Vesting and settlement of share-based awards	—	11,012	1,948	—	—	(12,960)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(54,735)	56,293	—	—	—	1,558	3,510	5,068
Share of reserves of associates	—	—	—	—	—	—	432,213	—	—	—	432,213	—	432,213
Shares repurchased for share award scheme	—	—	(23,117)	—	—	—	—	—	—	—	(23,117)	—	(23,117)
Shares repurchased and cancelled	(27)	(148,376)	7,369	—	—	—	—	—	—	—	(141,034)	—	(141,034)
Profit appropriation	—	—	—	—	217,158	—	—	—	—	(217,158)	—	—	—
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	(6,949)	—	—	—	(6,949)	56,949	50,000
Partial disposal of a subsidiary	—	—	—	—	(6,000)	—	—	—	—	6,000	—	(12,621)	(12,621)
At 31 December 2022 (restated)	5,281	2,213,361	(29,059)	468,700	845,472*	741,669*	4,310,015*	41,542*	235,383*	10,669,132*	19,501,496	4,654,971	24,156,467

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	3,488,746	2,573,519
Net cash flows (used in)/from investing activities	(6,476,034)	4,421,589
Net cash flows from/(used in) financing activities	655,863	(619,041)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(2,331,425)	6,376,067
Cash and cash equivalents at beginning of the year	11,018,882	4,553,428
Effect of foreign exchange rate changes, net	19,915	89,387
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	8,707,372	11,018,882
Non-pledged time deposits with original maturity of over three months when acquired	11,563,821	7,182,528
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Cash and bank deposits as stated in the condensed consolidated statement of financial position	20,271,193	18,201,410
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NOTES TO FINANCIAL STATEMENTS

1. Corporate information

The Company was incorporated under the Companies Act of the British Virgin Islands on 20 March 1998. On 15 November 2005, the Company was redomiciled to the Cayman Islands under the Company Law (2004 revision) of the Cayman Islands. The Company's shares (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 October 2007.

The Group is principally engaged in the following activities:

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

2. Basis of preparation and significant accounting policies

Basis of preparation

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

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

Significant accounting policies

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

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

Significant accounting policies (continued)

Other than as explained below regarding the impact of amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are applied by the Group retrospectively to transactions related to leases at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits at that date. Accordingly, the Group restated comparative information and recognised a deferred tax asset for deductible temporary differences associated with lease liabilities and a deferred tax liability for taxable temporary differences associated with right-of-use assets, and the impact to the consolidated statement of financial position as at 31 December 2022 is the decrease in deferred tax assets of RMB94,000 and decrease in deferred tax liabilities of RMB1,571,000. Besides, the impact to the consolidated statement of the profit or loss is the decrease in tax credit and increase in the loss for the year for year ended 31 December 2022 by RMB899,000.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Operating segments information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- (a) the office software and services segment engages in the design, research and development and sales and marketing of the office software products and services of WPS Office; and
- (b) the entertainment software and others segment engages in the research and development of games, and the provision of PC games and mobile games services.

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

Year ended 31 December 2023	Office software and services RMB'000	Entertainment Software and others RMB'000	Total RMB'000
Segment revenue:			
Sales	<u>4,556,513</u>	<u>3,977,098</u>	<u>8,533,611</u>
Segment results	1,130,220	1,092,294	2,222,514
<i>Reconciliation:</i>			
Other losses, net			(32,160)
Finance income			629,199
Finance costs (other than interest on lease liabilities)			(164,522)
Share of profits and losses of:			
Joint ventures			(19,945)
Associates			<u>(1,146,234)</u>
Profit before tax			<u><u>1,488,852</u></u>

3. Operating segments information (continued)

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

4. Profit/(loss) before tax

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

	2023	2022
	RMB'000	RMB'000
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	2,786,571	2,624,130
Social insurance costs and staff welfare	409,172	367,743
Share-based compensation costs	313,874	260,794
Pension plan contributions*	255,834	234,072
	3,765,451	3,486,739
Loss/(gain) on disposal of items of property, plant and equipment	8,696	(42)
Gain on disposal of items of other intangible assets	—	(9,338)
Lease payments not included in the measurement of lease liabilities	13,806	19,487
Cost of inventories sold	4,525	4,397
Cost of services provided	1,175,797	1,183,227
Depreciation of property, plant and equipment	149,858	154,267
Depreciation of investment properties	6,081	9,360
Depreciation of right-of-use assets	52,343	73,750
Amortisation of other intangible assets	31,290	35,417
Impairment of trade and other receivables**	13,779	25,468
Donations**	9,776	1,391

* At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: nil).

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

5. Other losses, net

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal of subsidiaries	—	23,698
Loss on disposal of a joint venture	—	(4,892)
Loss on deemed disposal of associates	(67,635)	(1,691)
Gain on deemed disposal of a joint venture	—	2,570
Loss on partial disposal of a subsidiary	—	(126)
Gain on liquidation of subsidiaries	5,715	—
Impairment of investments in associates	(7,079)	(6,526,228)
Impairment of loans to a joint venture	—	(8,636)
Impairment of loan receivables	—	(16,955)
Foreign exchange differences, net	(67,196)	(54,603)
Fair value gains on financial instruments at fair value through profit or loss, net	104,035	94,808
Others	—	(7,800)
	<u>(32,160)</u>	<u>(6,499,855)</u>

6. Share-based compensation costs

(a) Share option schemes

2011 Share Option Scheme

The Company operates the 2011 share option scheme (the “**2011 Scheme**”) for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Scheme include the Group’s executive directors (exclusive of any non-executive director) and other employees of the Group. The 2011 Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The following share options were outstanding under the 2011 Scheme during the years ended 31 December 2023 and 2022, and their weighted average exercise prices (“**WAEP**”) are also listed as below:

	2023	2023	2022	2022
	Number of	WAEP HK\$	Number of	WAEP HK\$
	share options	per share	share options	per share
Outstanding at 1 January	3,129,800	20.73	3,129,800	20.73
Exercised during the year	(600,000)	22.75	—	—
	<u>2,529,800</u>	20.25	<u>3,129,800</u>	20.73
Outstanding at 31 December	<u>2,529,800</u>	20.25	<u>3,129,800</u>	20.73
Exercisable at 31 December	<u>2,529,800</u>	20.25	<u>3,129,800</u>	20.73

2021 Share Option Scheme

The Company operates the 2021 share option scheme (the “**2021 Scheme**”) for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2021 Scheme include the directors and other employees of the Group or any of the Group’s invested entities. The 2021 Scheme became effective on 9 December 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The following share options were outstanding under the 2021 Scheme during the years ended 31 December 2023 and 2022, and their WAEP are also listed as below:

	2023	2023	2022	2022
	Number of	WAEP HK\$	Number of	WAEP HK\$
	share options	per share	share options	per share
Outstanding at 1 January	5,500,000	31.69	—	—
Granted during the year	—	—	5,500,000	31.69
	<u>5,500,000</u>	31.69	<u>5,500,000</u>	31.69
Outstanding at 31 December	<u>5,500,000</u>	31.69	<u>5,500,000</u>	31.69
Exercisable at 31 December	<u>1,100,000</u>	31.69	<u>—</u>	—

6. Share-based compensation costs (continued)

(b) Share Award Schemes

On 31 March 2008, the directors of the Company approved and adopted the Share Award Scheme in which selected employees of the Group are entitled to participate. Unless early terminated by the directors of the Company, the Share Award Scheme is valid and effective for a term of five years commencing from 31 March 2008. In prior years, the directors of the Company resolved to have several extensions to the termination date of the Share Award Scheme and on 5 July 2021, the directors of the Company resolved to further extend the termination date of the Share Award Scheme to 30 March 2027. The directors will not grant any awarded shares which would result in the total number of shares (but not counting those which have lapsed or have been forfeited), in aggregate, over 10% of the issued capital of the Company as at the date of such grant.

The following awarded shares were outstanding under the Share Award Scheme during the years ended 31 December 2023 and 2022:

	2023	2022
	Number of Awarded shares	Number of Awarded shares
Outstanding at 1 January	5,999,660	5,054,760
Granted during the year	2,079,400	2,626,000
Forfeited during the year	(637,340)	(866,540)
Vested during the year	(3,259,500)	(814,560)
Outstanding as at 31 December	<u>4,182,220</u>	<u>5,999,660</u>

7. Income tax

The People's Republic of China (the "PRC") corporate income tax represents the tax charged on the estimated assessable profits of entities within the Group established in the Chinese Mainland 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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

7. Income tax (continued)

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> <i>(Restated)</i>
Current — Chinese Mainland	318,810	236,824
Current — Hong Kong	13,336	11,613
Current — Elsewhere	16,459	12,221
Deferred	(74,941)	(640,114)
	<hr/>	<hr/>
Total tax charge/(credit) for the year	<u>273,664</u>	<u>(379,456)</u>

8. Dividends

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Proposed final dividend (note (a)): HK\$0.14 (2022: HK\$0.13) per share based on issued share capital as at year end	173,244	158,202
Less: dividend for shares held by the trust as at year end	(1,870)	(436)
	<hr/>	<hr/>
	<u>171,374</u>	<u>157,766</u>

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

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,358,755,716 (2022: 1,364,079,868) in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings arising from the share option schemes and the award share schemes adopted by the Group's subsidiaries. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per share amounts presented for the year of 2023 in respect of the convertible bonds outstanding as the impact was anti-dilutive.

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	2023	2022
	RMB'000	<i>RMB'000</i>
		<i>(Restated)</i>
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation:	<u>483,457</u>	<u>(6,049,409)</u>
Decrease in earnings/increase in loss adjusted for the share option schemes and the share award schemes adopted by the Group's subsidiaries	<u>(25,823)</u>	<u>(28,114)</u>
	<u>457,634</u>	<u>(6,077,523)</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue less shares held for the share award schemes during the year used in the basic earnings/(loss) per share calculation	1,358,755,716	1,364,079,868
Effect of dilution — weighted average number of ordinary shares:		
Share options	642,852	—
Awarded shares	<u>2,784,992</u>	<u>—</u>
	<u>1,362,183,560</u>	<u>1,364,079,868</u>

10. Trade receivables

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	288,350	402,450
31–60 days	118,685	124,859
61–90 days	55,889	91,232
91–365 days	210,024	179,385
1 to 2 years	85,695	43,127
Over 2 years	26,588	19,544
	<u>785,231</u>	<u>860,597</u>

11. Trade payables

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	127,357	157,696
31–60 days	64,024	61,916
61–90 days	39,441	71,054
91–365 days	247,416	124,545
Over 1 year	55,261	37,461
	<u>533,499</u>	<u>452,672</u>

12. Convertible bonds

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

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

In accordance with the terms and conditions of the 2020 Convertible Bonds, the aggregate payment of the special dividend in relation to the spin-off and separate listing of Kingsoft Cloud, the 2019 final dividend and the 2020 final dividend distributed by the Company resulted in adjustments (the “**Adjustments**”) to the conversion price of the 2020 Convertible Bonds. The Adjustments became effective on 8 June 2021, and the respective conversion price of the 2020 Convertible Bonds was adjusted to HK\$35.32 per share. Assuming full conversion of the 2020 Convertible Bonds at the adjusted conversion price of HK\$35.32 per share and no further issue of shares, the 2020 Convertible Bonds will be convertible into approximately 87,768,969 shares of the Company, representing an increase of 1,088,900 shares from the original 86,680,069 shares.

There was no conversion or redemption of the 2020 Convertible Bonds during the year ended 31 December 2023.

OPERATIONAL HIGHLIGHTS

	In December 2023	In December 2022	In September 2023	Year-on-year Change %	Quarter-on-quarter Change %
Office Software					
Monthly Active Devices of the key products* (Million)	<u>598</u>	<u>573</u>	<u>589</u>	4	2
			As at 31 December 2023	As at 31 December 2022	Year-on-year Change %
Accumulated paying subscribers** (Million)			<u>35.49</u>	<u>29.97</u>	18

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

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

FINANCIAL HIGHLIGHTS

	Three months ended		
	31 December 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Unaudited) (Restated)	30 September 2023 RMB'000 (Unaudited)
Revenue			
Office software and services	1,285,691	1,090,168	1,098,325
Online games and others	1,024,444	1,022,281	961,354
	<u>2,310,135</u>	<u>2,112,449</u>	<u>2,059,679</u>
Cost of revenue	<u>(413,885)</u>	<u>(371,609)</u>	<u>(382,825)</u>
Gross profit	1,896,250	1,740,840	1,676,854
Research and development costs	(684,925)	(660,562)	(671,960)
Selling and distribution expenses	(377,226)	(334,842)	(441,064)
Administrative expenses	(171,134)	(162,478)	(187,138)
Share-based compensation costs	(77,332)	(60,190)	(72,819)
Other income	129,410	111,636	69,151
Other expenses	(249)	(15,671)	3,049
	<u>714,794</u>	<u>618,733</u>	<u>376,073</u>
Other gains/(losses), net	8,386	(41,997)	18,100
Finance income	179,126	117,679	176,045
Finance costs	(43,350)	(41,997)	(43,066)
Share of profits and losses of:			
Joint ventures	(9,675)	(13,042)	(4,517)
Associates	(285,768)	(255,516)	(306,903)
	<u>563,513</u>	<u>383,860</u>	<u>215,732</u>
Income tax expense	(125,957)	(144,348)	(43,825)
	<u>437,556</u>	<u>239,512</u>	<u>171,907</u>
Profit for the period	437,556	239,512	171,907
Attributable to:			
Owners of the parent	205,435	47,569	28,492
Non-controlling interests	232,121	191,943	143,415
	<u>437,556</u>	<u>239,512</u>	<u>171,907</u>
	RMB (Unaudited)	RMB (Unaudited) (Restated)	RMB (Unaudited)
Earnings per share attributable to ordinary equity holders of the parent			
Basic	<u>0.15</u>	<u>0.03</u>	<u>0.02</u>
Diluted	<u>0.15</u>	<u>0.03</u>	<u>0.02</u>

FINANCIAL HIGHLIGHTS (CONTINUED)

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Restated)</i>
Revenue		
Office software and services	4,556,513	3,890,588
Online games and others	<u>3,977,098</u>	<u>3,746,155</u>
	8,533,611	7,636,743
Cost of revenue	<u>(1,503,268)</u>	<u>(1,459,742)</u>
Gross profit	7,030,343	6,177,001
Research and development costs	(2,683,596)	(2,552,754)
Selling and distribution expenses	(1,470,493)	(1,242,518)
Administrative expenses	(661,431)	(618,956)
Share-based compensation costs	(313,874)	(260,794)
Other income	374,586	395,156
Other expenses	<u>(48,653)</u>	<u>(28,453)</u>
Operating profit	2,226,882	1,868,682
Other losses, net	(32,160)	(6,499,855)
Finance income	629,199	449,005
Finance costs	(168,890)	(157,438)
Share of profits and losses of:		
Joint ventures	(19,945)	(19,634)
Associates	<u>(1,146,234)</u>	<u>(1,362,103)</u>
Profit/(loss) before tax	1,488,852	(5,721,343)
Income tax credit/(expense)	<u>(273,664)</u>	<u>379,456</u>
Profit/(loss) for the year	<u>1,215,188</u>	<u>(5,341,887)</u>
Attributable to:		
Owners of the parent	483,457	(6,049,409)
Non-controlling interests	<u>731,731</u>	<u>707,522</u>
	<u>1,215,188</u>	<u>(5,341,887)</u>
	<i>RMB</i>	<i>RMB</i> <i>(Restated)</i>
Earnings/(loss) per share attributable to ordinary equity holders of the parent		
Basic	<u>0.36</u>	<u>(4.43)</u>
Diluted	<u>0.34</u>	<u>(4.45)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Fourth Quarter of 2023 Compared with Fourth Quarter of 2022 and Third Quarter of 2023

Revenue

Revenue for the fourth quarter of 2023 increased 9% year-on-year and 12% quarter-on-quarter to RMB2,310.1 million. Revenue from the office software and services, and online games and others represented 56% and 44% of the Group's total revenue for the fourth quarter of 2023, respectively.

Revenue from the office software and services business for the fourth quarter of 2023 increased 18% year-on-year and 17% quarter-on-quarter to RMB1,285.7 million. The increases were mainly due to the growth of both domestic individual office subscription business and institutional subscription business of Beijing Kingsoft Office Software, Inc. (“**Kingsoft Office**”) and its subsidiaries (collectively, “**Kingsoft Office Group**”). The growth of domestic individual office subscription business was mainly attributable to the increases in both the paying ratio and the average revenue per paying user (“**ARPPU**”), resulting from enriched membership benefits and upgraded membership system. The growth of institutional subscription business mainly benefited from the increase in cost reduction and efficiency improvement and digital transformation needs of government and enterprises, as well as our optimization of products and services to improve the intelligent office experience and accelerate order conversion.

Revenue from the online games and others business for the fourth quarter of 2023 kept flat year-on-year and increased 7% quarter-on-quarter to RMB1,024.4 million. The quarter-on-quarter increase was primarily driven by the revenue contribution from World of Sword Origin (劍俠世界: 起源) released in Chinese Mainland in September, partially offset by decreased revenue from certain existing games.

Cost of Revenue and Gross Profit

Cost of revenue for the fourth quarter of 2023 increased 11% year-on-year and 8% quarter-on-quarter to RMB413.9 million. The increases were mainly due to higher server and bandwidth costs along with the business expansion of Kingsoft Office Group.

Gross profit for the fourth quarter of 2023 increased 9% year-on-year and 13% quarter-on-quarter to RMB1,896.3 million. The Group's gross profit margin kept flat year-on-year and increased by one percentage point quarter-on-quarter to 82%.

Research and Development (“**R&D**”) Costs

R&D costs for the fourth quarter of 2023 increased 4% year-on-year and 2% quarter-on-quarter to RMB684.9 million. The increases were mainly due to increased headcount and personnel-related expenses of Kingsoft Office Group, reflecting our continuous efforts to improve products and services.

Selling and Distribution Expenses

Selling and distribution expenses for the fourth quarter of 2023 increased 13% year-on-year and decreased 14% quarter-on-quarter to RMB377.2 million. The fluctuations mainly resulted from changes in promotional spending of online games business in corresponding quarters.

Administrative Expenses

Administrative expenses for the fourth quarter of 2023 increased 5% year-on-year and decreased 9% quarter-on-quarter to RMB171.1 million. The quarter-on-quarter decrease was mainly due to decreased personnel-related expenses.

Share-based Compensation Costs

Share-based compensation costs for the fourth quarter of 2023 increased 28% year-on-year and 6% quarter-on-quarter to RMB77.3 million. The increases were mainly due to the grants of awarded shares to the selected employees of certain subsidiaries of the Company.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the fourth quarter of 2023 increased 17% year-on-year and 76% quarter-to-quarter to RMB792.1 million.

Other Gains/(Losses), net

Net other gains for the fourth quarter of 2023 were RMB8.4 million, compared with losses of RMB42.0 million for the fourth quarter of 2022, and gains of RMB18.1 million for the third quarter of 2023, respectively.

Share of Profits and Losses of Associates

We recorded share of losses of associates of RMB285.8 million for the fourth quarter of 2023, compared with losses of RMB255.5 million and RMB306.9 million for the fourth quarter of 2022 and the third quarter of 2023, respectively.

Income Tax Expense

Income tax expense for the fourth quarter of 2023 decreased 13% year-on-year and increased 187% quarter-to-quarter to RMB126.0 million.

Profit Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent was RMB205.4 million for the fourth quarter of 2023, compared with profit of RMB47.6 million and RMB28.5 million for the fourth quarter of 2022 and the third quarter of 2023, respectively.

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

Profit attributable to owners of the parent before share-based compensation costs, 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 to better understand the Group's overall operating performance. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our profit or any other operating performance measure that is calculated in accordance with IFRSs. In addition, our profit attributable to owners of the parent before share-based compensation costs may not be comparable to similarly titled measures utilized by other companies.

Profit attributable to owners of the parent before share-based compensation costs was RMB257.0 million for the fourth quarter of 2023, compared with profit of RMB82.6 million and RMB68.8 million for the fourth quarter of 2022 and the third quarter of 2023, respectively. The net profit margin excluding the effect of share-based compensation costs was 11%, 4% and 3% for the three months ended 31 December 2023, 31 December 2022 and 30 September 2023, respectively.

Year 2023 Compared with Year 2022

Revenue

Revenue for the year of 2023 increased 12% year-on-year to RMB8,533.6 million. Revenue from the office software and services, and online games and others represented 53% and 47% of the Group's total revenue for the year of 2023, respectively.

Revenue from the office software and services business for the year of 2023 increased 17% year-on-year to RMB4,556.5 million. The increase was mainly due to the growth of domestic individual office subscription business and institutional subscription business, partially offset by the decrease in institutional licensing business of Kingsoft Office Group. The growth of domestic individual office subscription business was primarily due to the increases in both the paying ratio and the ARPPU, which was driven by our continuous optimization of user experience and the upgrade of the membership system. The growth of institutional subscription business was mainly driven by the increase in the demands of government and enterprises for cost reduction, efficiency improvement, and digital transformation, as well as our optimization of products and services to improve the intelligent office experience and accelerate order conversion. The decrease in institutional licensing business was mainly due to the impact of the localization industry adjustment and a reduction in purchase orders on localization solutions.

Revenue from the online games and others business for the year of 2023 increased 6% year-on-year to RMB3,977.1 million. The year-on-year increase was primarily attributed to the remarkable resilience of flagship game JX3 Online, which introduced new gameplay and content updates, and revenue contribution from new titles like Snowbreak: Containment Zone (塵白禁區) and World of Sword Origin, partially offset by the decline in revenue from certain existing games.

Cost of Revenue and Gross Profit

Cost of revenue for the year of 2023 increased 3% year-on-year to RMB1,503.3 million. The year-on-year increase was primarily due to greater server and bandwidth cost along with the business growth of Kingsoft Office Group, partially offset by decreased channel costs of online games.

Gross profit for the year of 2023 increased 14% year-on-year to RMB7,030.3 million. The Group's gross profit margin increased by one percentage point year-on-year to 82%.

R&D Costs

R&D costs for the year of 2023 increased 5% year-on-year to RMB2,683.6 million. The increase was mainly attributed to increased headcount as well as personnel-related expenses of Kingsoft Office Group, reflecting our continuous efforts in refining artificial intelligence (“AI”) and collaboration products and services.

Selling and Distribution Expenses

Selling and distribution expenses for the year of 2023 increased 18% year-on-year to RMB1,470.5 million. The increase was mainly due to higher marketing expenditures.

Administrative Expenses

Administrative expenses for the year of 2023 increased 7% year-on-year to RMB661.4 million. The increase was mainly due to personnel-related expenses of Kingsoft Office Group.

Share-based Compensation Costs

Share-based compensation costs for the year of 2023 increased 20% year-on-year to RMB313.9 million. The increase was primarily due to the grants of awarded shares to the selected employees of certain subsidiaries of the Company.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the year of 2023 increased 19% year-on-year to RMB2,540.8 million.

Other Losses, net

Net other losses for 2023 were RMB32.2 million, compared with losses of RMB6,499.9 million for the last year. The losses in 2022 primarily resulted from the provision for impairment on the investment in Kingsoft Cloud.

Share of Profits and Losses of Associates

Share of losses of associates for 2023 were RMB1,146.2 million, compared with losses of RMB1,362.1 million for the last year.

Income Tax Credit/(Expense)

Income tax expense for the year of 2023 was RMB273.7 million, compared with income tax credit of RMB379.5 million for the last year. The income tax credit for the year of 2022 was mainly attributable to the deferred tax effect of the impairment provision recognized for Kingsoft Cloud.

Profit/(Loss) Attributable to Owners of the Parent

For the reasons described above, profit attributable to owners of the parent was RMB483.5 million for the year of 2023, compared with loss of RMB6,049.4 million for the last year.

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

Profit attributable to owners of the parent before share-based compensation costs was RMB684.5 million for the year of 2023, compared with loss of RMB5,879.7 million for the last year.

The net profit/(loss) margin excluding the effect of share-based compensation costs was 8% and (77)% for the year 2023 and 2022, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of 2023. As at 31 December 2023, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB20,271.2 million and RMB5.3 million, respectively, which totally represented 58% of the Group's total assets.

As at 31 December 2023, the Group's gearing ratio, representing total liabilities divided by total assets, was 24%, which kept flat with that of 31 December 2022.

Note:

The cash resources which the Group considered in cash management including but not limited to cash and bank deposits, restricted cash and financial assets at fair value through profit or loss. As at 31 December 2023, the aggregate amount of cash resources of the Group was RMB23,849.1 million.

Foreign Currency Risk Management

As at 31 December 2023, RMB4,168.9 million of the Group's financial assets were held in deposits denominated in non-RMB currencies. As there are no cost-effective hedges against the fluctuation of RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuation in connection with our deposits and investments.

Net Cash Generated from Operating Activities

Net cash generated from the operating activities reflects the Group's profit/(loss) for the year, as the case may be, as adjusted for non-cash items, such as share of losses of associates, finance income, and share-based compensation costs, as well as the effect of changes in certain items of statement of financial position, such as contract liabilities, other payables and accruals.

Net cash generated from operating activities was RMB3,488.7 million and RMB2,573.5 million for the years ended 31 December 2023 and 31 December 2022, respectively.

Capital Expenditures

Capital expenditures represent cash payments for fixed assets, investment properties and intangible assets. Cash used for capital expenditures was RMB474.0 million and RMB508.7 million for the years ended 31 December 2023 and 31 December 2022, respectively.

BUSINESS REVIEW AND OUTLOOK

Mr. Jun LEI, Chairman of the Company, commented: “In 2023, the Group’s overall performance maintained solid growth despite challenges. We actively promoted our core businesses to lay a solid foundation for sustainable development in the future. Focusing on the strategy of ‘multi-screen, cloud, content, collaboration, AI’, Kingsoft Office Group continued to invest in R&D of AI and collaboration, and strengthened the competitiveness of its products through technological innovation, product iteration, performance enhancement and other initiatives. In terms of online games business, we adhered to the original intention of creating prime games and insisted on long-term operation. As developing wuxia games, we are also making incremental progress in exploring new game genres.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added: “In 2023, the Group’s businesses demonstrated growth resilience, with the Group’s total revenue of RMB8,533.6 million, representing a year-on-year increase of 12%. The office software and services business maintained solid operations, with annual revenue of RMB4,556.5 million, representing a year-on-year increase of 17%, driven by the growth of domestic individual and institutional subscription businesses. Revenue from online games and others business amounted to RMB3,977.1 million, representing a year-on-year increase of 6%, mainly driven by the strong growth of JX3 Online. Operating profit of the Group amounted to RMB2,226.9 million in 2023, increasing by 19% year-on-year. These results reflected our efforts to adhere to the technology-driven business, continuously invest in products and technologies, and enhance user experience.

Kingsoft Office Group has released WPS AI, an intelligent office application powered by large language models, focusing on the development of three strategic directions: AI Generated Content (content creation), Copilot (intelligent assistant), and Insight (knowledge insight). WPS AI officially launched public beta testing in the Chinese Mainland in the fourth quarter, laying a solid foundation for further commercialization. We have also upgraded the WPS Office to improve user experience. In addition, we continued to improve the end-to-cloud integration experience, and enhanced user activity in the cloud. While adhering to long-term membership strategy, we have upgraded the membership benefits structure, launched the super membership system to meet the needs of different users through a flexible combination of benefits.

For institutional customers, we have upgraded WPS 365, new productive forces in office, to provide content creation, office collaboration, open ecosystem and digital asset management capabilities. We continued to promote the end-to-cloud integration and collaboration process, and focused on the business scenarios of government and premium customers of state-owned and private enterprises. We deepened product capabilities to serve industries such as finance, transportation, energy, publishing, healthcare, consumer retail, high-end manufacturing and the Internet, incubated secure and efficient solutions that can be applied across the industry, and continued to replicate typical cases for widespread adoption. Meanwhile, we have been continuously collaborating with premium customers to explore feasible solutions for the implementation of WPS AI in government and enterprise office scenarios to advance its application in various industries and office settings. In the field of public cloud service, we encouraged customers to use cloud and collaboration applications, enabling them to manage their digital assets, and expanded market reach with channel partners. By highlighting the features of our products, we attracted enterprise customers and increased their user engagement and payment retention.

We have closely monitored the localization industry policy changes and customer demand, and taken the initiative to tap local government market in advance. Under the localization industry, starting from the replacement needs of the customers such as finance, energy and operators, we promoted the adoption of the new license mode and deepened their cloud and collaboration office process.

We put users first and officially shut down our domestic third-party advertising business in December 2023. In terms of overseas business, based on our solid foundation in the mobile sector, we continued to cultivate our user base on desktop platforms. Looking ahead, Kingsoft Office Group will continue to focus on AI and collaboration, further polish the products, and provide high-quality AI collaborative office products and services to individual and institutional users.

In 2023, the online games business saw steady growth. The flagship game JX3 Online demonstrated resilience and strong vitality. It has been in operation for fourteen years and achieved a record high in annual revenue. JX3 Online continued to iterate and release new expansion packs with upgraded graphics, providing players with more diverse and enriched gaming experience. World of Sword Origin was successively launched in Vietnam and Chinese Mainland, attracting dedicated players with its classic gameplay and nostalgic appeal, which also contributed to the global reach of traditional Chinese culture. The global release of the anime shooter game, Snowbreak: Containment Zone, expanded the user base of anime and overseas markets. The sci-fi mech game Mecha BREAK (解限機) made its debut at The Game Awards at the end of the year, gaining widespread attention from the international market for its art design and innovative gameplay, eagerly awaited by global players. Looking forward to 2024, the release of JX3 Ultimate (劍網3無界) will offer players brand new experience across multiple platforms. We will continue to expand into new genres, refine sci-fi mech game Mecha BREAK and continuously optimize anime game Snowbreak: Containment Zone.”

Mr. Jun LEI concluded, “In 2023, our core businesses have steadily advanced. In 2024, Kingsoft Office Group will firmly seize the opportunities of digital economic development and continuously explore the business opportunities of digital office services. We will continue to carry out product innovation and user experience optimization around ‘multi-screen, cloud, content, collaboration, AI’ to continuously improve service quality and provide individual and institutional users with more efficient and intelligent office solutions. At the same time, we will deepen our presence in the field of wuxia games and make progress in the new genres of sci-fi mech games, bringing players all-new gaming experience. Looking ahead, we will continue to leverage technology, embrace AI and seize new opportunities to pursue high-quality and sustainable development.”

OTHER INFORMATION

Employee and Remuneration Policies

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

As at 31 December 2023, the Group employed approximately 7,199 full-time employees (2022: 7,116) inclusive of all its staff in China and overseas offices, most of whom are based at the Company's offices in Beijing, Zhuhai and Wuhan. The staff costs of the Group including Directors' and senior management's emoluments in 2023 and 2022 were approximately RMB3,765.5 million and RMB3,486.7 million, respectively.

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

In September 2023, the Company repurchased 1,446,600 of its own ordinary shares on the Stock Exchange at a price range from HK\$27.55 to HK\$29.05. In October 2023, the Company repurchased 800,000 of its ordinary shares on the Stock Exchange at a price range from HK\$26.3 to HK\$27.85. In November 2023, the Company repurchased 3,140,200 of its ordinary shares on the Stock Exchange at a price range from HK\$24.6 to HK\$29.1. In December 2023, the Company repurchased 4,103,200 of its ordinary shares on the Stock Exchange at a price range from HK\$22.2 to HK\$25. During the year ended 31 December 2023, the Company repurchased a total of 9,490,000 of its own ordinary shares on the Stock Exchange at a total cost of approximately HK\$244.53 million. The Company considered that it is in the best interest of the shareholders of the Company to return some surplus funds to them which will in turn enhance shareholders' value.

Code of Conduct Regarding Directors' Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to govern securities transactions by Directors. Further to the specific enquiries made by the Company to all Directors, they have confirmed their compliance with the Model Code during their terms of services for the year ended 31 December 2023.

Closure of Register of Members

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

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 16 May 2024
Closure of the register of members of the Company	Friday, 17 May 2024 to Wednesday, 22 May 2024 (both dates inclusive)
Record date	Wednesday, 22 May 2024

(ii) *For determining entitlement to the final dividend*

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 3 June 2024
Closure of the register of members of the Company	Tuesday, 4 June 2024 to Friday, 7 June 2024 (both dates inclusive)
Record date	Friday, 7 June 2024

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

Review by Audit Committee

The Audit Committee of the Company has been established since 2007 with responsibility of assisting the Board in providing an independent review of the financial statements and internal control system. It acts in accordance with its terms of reference which clearly defines its membership, authority, duties and frequency of meetings. It meets regularly with our management, external auditor and internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters. During the year ended 31 December 2023, our Audit Committee comprised of three independent non-executive Directors, namely Ms. Wenjie WU (chairman of the Audit Committee), Mr. Shun Tak WONG, and Mr. Zuotao CHEN.

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

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2023, and is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Code on Corporate Governance Practices

The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report (the “**Code**”) contained in Appendix C1 to the Listing Rules, except for the code provision D.1.2 of the Code.

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.

Forward Looking Statements

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

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

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

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

By Order of the Board
Kingsoft Corporation Limited
Jun Lei
Chairman

Hong Kong, 20 March 2024

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