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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 2021

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 2021. 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 %
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	
Revenue	6,371,406	5,594,243	14
Operating profit	1,360,583	1,855,134	(27)
Operating profit before share-based compensation costs	1,579,734	2,034,506	(22)
Profit attributable to owners of the parent	395,332	10,045,043	(96)
	<i>RMB</i>	<i>RMB</i>	
Basic earnings per share			
— For profit for the year	0.29	7.35	(96)
— For profit from continuing operations	0.29	0.94	(69)
Diluted earnings per share			
— For profit for the year	0.28	7.32	(96)
— For profit from continuing operations	0.28	0.92	(70)

DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.12 per share for the year ended 31 December 2021 (2020: HK\$0.20 per share). The final dividend, subject to the approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company, is expected to be paid on 21 June 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		As at 31 December	
		2021	2020
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,258,503	1,184,902
Investment properties		157,111	64,003
Right-of-use assets		488,728	504,971
Goodwill		185,564	185,564
Other intangible assets		121,859	67,175
Investments in joint ventures		146,121	180,920
Investments in associates		12,130,558	12,752,057
Equity investments designated at fair value through other comprehensive income		8,418	10,725
Financial assets at fair value through profit or loss		226,969	198,953
Deferred tax assets		124,674	116,981
Other non-current assets		35,098	46,301
Total non-current assets		14,883,603	15,312,552
CURRENT ASSETS			
Inventories		18,577	19,085
Trade receivables	10	839,268	772,485
Prepayments, other receivables and other assets		1,691,939	967,372
Financial assets at fair value through profit or loss		2,902,205	3,910,553
Restricted cash		9,382	13,079
Cash and bank deposits		16,190,138	14,049,069
Total current assets		21,651,509	19,731,643

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021**

		As at 31 December	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	11	423,400	290,855
Other payables and accruals		1,426,585	1,158,305
Lease liabilities		50,804	52,758
Contract liabilities		2,003,324	1,475,907
Income tax payable		192,071	265,823
		<hr/>	<hr/>
Total current liabilities		4,096,184	3,243,648
		<hr/>	<hr/>
NET CURRENT ASSETS		17,555,325	16,487,995
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		32,438,928	31,800,547
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Contract liabilities		143,807	98,190
Deferred tax liabilities		1,029,633	1,059,090
Lease liabilities		154,455	169,759
Liability component of convertible bonds	12	2,248,587	2,196,595
Other non-current liabilities		63,830	49,003
Derivative financial instrument		6,426	—
		<hr/>	<hr/>
Total non-current liabilities		3,646,738	3,572,637
		<hr/>	<hr/>
NET ASSETS		28,792,190	28,227,910
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
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	12	468,700	468,700
Other reserves		21,834,670	21,439,482
		<hr/>	<hr/>
Non-controlling interests		4,008,121	3,563,351
		<hr/>	<hr/>
TOTAL EQUITY		28,792,190	28,227,910
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December	
	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
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)
		5,214,289	4,676,962
Gross profit			
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	6	(219,151)	(179,372)
Other income		391,203	310,789
Other expenses		(62,779)	(4,887)
		1,360,583	1,855,134
Operating profit			
Other gains, net	5	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)
		1,143,128	2,069,360
Profit before tax from continuing operations	4		
Income tax expense	7	(190,285)	(270,924)
		952,843	1,798,436
Profit for the year from continuing operations			
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		—	8,446,504
		952,843	10,244,940
Profit for the year			
Attributable to:			
Owners of the parent		395,332	10,045,043
Non-controlling interests		557,511	199,897
		952,843	10,244,940
		952,843	10,244,940

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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	<u>(95,844)</u>	<u>(324,056)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>27,913</u>	<u>(126,277)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences 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	<u>40,576</u>	<u>8,419</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>(115,741)</u>	<u>567,558</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(87,828)</u>	<u>441,281</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>865,015</u></u>	<u><u>10,686,221</u></u>
Attributable to:		
Owners of the parent	315,977	10,515,256
Non-controlling interests	<u>549,038</u>	<u>170,965</u>
	<u><u>865,015</u></u>	<u><u>10,686,221</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Equity component of convertible bonds RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Other capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	5,316	2,762,242	(11,181)	468,700	443,939	543,532	3,842,751	(8,332)	(105,705)	16,723,297	24,664,559	3,563,351	28,227,910
Profit for the year	—	—	—	—	—	—	—	—	—	395,332	395,332	557,511	952,843
Other comprehensive income/(loss) for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	(2,307)	—	—	(2,307)	—	(2,307)
Exchange differences translation into presentation currency	—	—	—	—	—	—	—	—	(44,016)	—	(44,016)	(8,473)	(52,489)
Reclassification adjustments for partial disposal and deemed disposal of associates	—	—	—	—	—	—	—	—	22,236	—	22,236	—	22,236
Share of other comprehensive income/(loss) of associates	—	—	—	—	—	—	—	40,576	(95,844)	—	(55,268)	—	(55,268)
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	—	38,269	(117,624)	395,332	315,977	549,038	865,015
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(207,867)	(207,867)
Final 2020 dividend declared	—	(227,736)	—	—	—	—	—	—	—	—	(227,736)	—	(227,736)
Share-based compensation costs	—	—	—	—	—	139,276	—	—	—	—	139,276	84,322	223,598
Exercise of share options	5	37,905	—	—	—	(13,477)	—	—	—	—	24,433	—	24,433
Vesting and settlement of share-based awards	—	18,848	3,291	—	—	(22,139)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(10,156)	5,895	—	—	—	(4,261)	(1,688)	(5,949)
Share of reserves of associates	—	—	—	—	—	—	777	—	—	—	777	—	777
Share repurchased	(13)	(100,609)	(7,369)	—	—	—	—	—	—	—	(107,991)	—	(107,991)
Profit appropriation	—	—	—	—	190,375	—	—	—	—	(190,375)	—	—	—
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	(20,965)	—	—	—	(20,965)	20,965	—
At 31 December 2021	<u>5,308</u>	<u>2,490,650</u>	<u>(15,259)</u>	<u>468,700</u>	<u>634,314</u>	<u>637,036</u>	<u>3,828,458</u>	<u>29,937</u>	<u>(223,329)</u>	<u>16,928,254</u>	<u>24,784,069</u>	<u>4,008,121</u>	<u>28,792,190</u>

* 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.

	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 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 of foreign operations	—	—	—	—	—	—	—	—	(247,018)	—	(247,018)	(28,932)	(275,950)
Reclassification adjustments for deemed disposal of a subsidiary	—	—	—	—	—	—	—	—	64,475	—	64,475	—	64,475
Reclassification adjustments for partial disposal and deemed disposal of 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	—	(124,861)	—	—	—	—	—	—	—	—	(124,861)	—	(124,861)
Other distributions	—	(130,033)	—	—	—	—	—	—	—	—	(130,033)	—	(130,033)
Issue of convertible bonds	—	—	—	468,700	—	—	—	—	—	—	468,700	—	468,700
Share-based compensation costs	—	—	—	—	—	158,323	—	—	—	—	158,323	84,590	242,913
Vesting and settlement of awarded shares	—	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	—	—	—	—	—	—	—	—	—	—	—	30,108	30,108
Deemed disposal of a subsidiary	—	—	—	—	(7,571)	(96,782)	(195,714)	—	—	300,067	—	1,693,847	1,693,847
At 31 December 2020	<u>5,316</u>	<u>2,762,242</u>	<u>(11,181)</u>	<u>468,700</u>	<u>443,939</u>	<u>543,532</u>	<u>3,842,751</u>	<u>(8,332)</u>	<u>(105,705)</u>	<u>16,723,297</u>	<u>24,664,559</u>	<u>3,563,351</u>	<u>28,227,910</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	2,220,098	2,991,073
Net cash flows used in investing activities	(1,605,298)	(7,574,945)
Net cash flows (used in) /from financing activities	(479,605)	1,876,271
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	135,195	(2,707,601)
Cash and cash equivalents at beginning of the year	4,455,271	7,329,845
Effect of foreign exchange rate changes, net	(37,038)	(166,973)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	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
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Cash and bank deposits as stated in the consolidated statement of financial position	16,190,138	14,049,069
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NOTES TO FINANCIAL STATEMENTS

1. Corporate information

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

The Group is principally engaged in the following activities:

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

2. Basis of preparation and significant accounting policies

Basis of preparation

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

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

Significant accounting policies

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

Amendments to IFRS 9, IAS 39
IFRS 7, IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform — Phase 2

*COVID-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

None of the above amendments to IFRSs has had a significant financial effect on the Group.

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

3. Operating segments information

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit 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 <i>RMB'000</i>	Entertainment software and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales	3,264,794	3,106,612	6,371,406
Segment results	896,850	454,803	1,351,653
<i>Reconciliation:</i>			
Other gains, net			842,402
Finance income			416,250
Finance costs (other than interest on lease liabilities)			(133,859)
Share of profits and losses of:			
Joint ventures			(31,673)
Associates			(1,301,645)
Profit before tax from continuing operations			<u>1,143,128</u>

3. Operating segments information (continued)

Year ended 31 December 2020	Office software and services <i>RMB'000</i>	Entertainment software and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales	2,257,177	3,337,066	5,594,243
Segment results	735,832	1,107,937	1,843,769
<i>Reconciliation:</i>			
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			<u><u>2,069,360</u></u>

4. Profit before tax from continuing operations

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

	2021	2020
	RMB'000	RMB'000
Employee benefit expenses (including directors' remuneration):		
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	126,997	111,297
Depreciation of right-of-use assets	56,460	58,274
Depreciation of investment properties	1,533	1,517
Amortisation of other intangible assets	27,445	12,620
Impairment of trade and other receivables**	46,324	2,293
Donations**	10,018	1,672

* 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.

5. Other gains, net

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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 partial disposal of an associate	3,276	—
Gain on previously held equity investment remeasured at acquisition date fair value	—	81,341
Impairment of investments in joint ventures	—	(48,098)
Impairment of investments in an associate	—	(3,932)
Impairment of loans to a joint venture	—	(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

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 2021 and 2020, and their weighted average exercise prices (“**WAEP**”) are also listed as below:

	2021	2021	2020	2020
	Number of	WAEP HK\$	Number of	WAEP HK\$
	share options	per share	share options	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	—	—
	<u>3,129,800</u>	20.73	<u>4,600,000</u>	20.58
Outstanding at 31 December				
	<u>3,009,800</u>	20.65	<u>3,560,000</u>	20.50
Exercisable at 31 December				

New Share Option Scheme

The Company operates the New Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the New Share Option Scheme include the directors and other employees of the Group or any of the Group’s invested entities. The New 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. No share options were granted under the New Share Option Scheme since its adoption.

(b) Share Award Scheme

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

6. Share-based compensation costs (continued)

(b) Share Award Scheme (continued)

The following awarded shares were outstanding under the Share Award Scheme during the years ended 31 December 2021 and 2020:

	2021 Number of Awarded Shares	2020 Number of Awarded Shares
Outstanding 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	<u>(1,381,220)</u>	<u>(1,489,960)</u>
Outstanding as at 31 December	<u><u>5,054,760</u></u>	<u><u>2,735,280</u></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. 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 holiday 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 is 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.

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

8. Dividends

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>(364)</u>	<u>(789)</u>
	<u>134,069</u>	<u>230,269</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 per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amounts 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 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 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 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 2021 in respect of the convertible bonds outstanding as the impact was anti-dilutive.

9. 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	2020
	RMB'000	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	(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

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 provisions, is as follows:

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	210,511	105,679
31–60 days	69,504	60,335
61–90 days	31,134	60,342
91–365 days	97,903	44,696
Over 1 year	14,348	19,803
	<u>423,400</u>	<u>290,855</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 Shares from 9 June 2020 to 3:00 p.m. on 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 early redemption 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 Holdings Limited (“**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 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 of 2021.

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)	<u>544</u>	<u>477</u>	<u>526</u>	14	3
			As at 31 December 2021	As at 31 December 2020	Year-on-year Change %
Accumulated paying subscribers** (Million)			<u>25.37</u>	<u>19.62</u>	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.

FINANCIAL HIGHLIGHTS

	Three months ended		
	31 December 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited)	30 September 2021 RMB'000 (Unaudited)
Revenue			
Office software and services	903,901	756,473	803,683
Online games and others	918,209	849,037	706,480
	1,822,110	1,605,510	1,510,163
Cost of revenue	(372,524)	(258,643)	(269,192)
Gross profit	1,449,586	1,346,867	1,240,971
Research and development costs	(684,258)	(426,767)	(620,838)
Selling and distribution expenses	(307,777)	(277,508)	(242,577)
Administrative expenses	(155,461)	(141,665)	(133,607)
Share-based compensation costs	(73,094)	(80,750)	(73,663)
Other income	108,399	137,122	126,222
Other expenses	(5,996)	2,468	(9,209)
Operating profit	331,399	559,767	287,299
Other gains/(losses), net	27,676	(111,436)	733,941
Finance income	114,868	112,753	108,633
Finance costs	(35,545)	(35,984)	(36,073)
Share of profits and losses of:			
Joint ventures	(9,507)	(39,009)	(6,329)
Associates	(579,869)	(20,695)	(286,079)
Profit/(loss) before tax	(150,978)	465,396	801,392
Income tax expense	(52,685)	(113,986)	(97,440)
Profit/(loss) for the period	(203,663)	351,410	703,952
Attributable to:			
Owners of the parent	(335,102)	220,562	565,198
Non-controlling interests	131,439	130,848	138,754
	(203,663)	351,410	703,952
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic	(0.24)	0.16	0.41
Diluted	(0.25)	0.16	0.41

FINANCIAL HIGHLIGHTS (CONTINUED)

	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
	<u>6,371,406</u>	<u>5,594,243</u>
Cost of revenue	(1,157,117)	(917,281)
	<u>5,214,289</u>	<u>4,676,962</u>
Gross profit		
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)
	<u>1,360,583</u>	<u>1,855,134</u>
Operating profit		
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)
	<u>1,143,128</u>	<u>2,069,360</u>
Profit before tax from continuing operations		
Income tax expense	(190,285)	(270,924)
	<u>952,843</u>	<u>1,798,436</u>
Profit for the year from continuing operations		
DISCONTINUED OPERATION		
Profit for the year from a discontinued operation	—	8,446,504
	<u>952,843</u>	<u>10,244,940</u>
Profit for the year		
Attributable to:		
Owners of the parent	395,332	10,045,043
Non-controlling interests	557,511	199,897
	<u>952,843</u>	<u>10,244,940</u>

FINANCIAL HIGHLIGHTS (CONTINUED)

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

MANAGEMENT DISCUSSION AND ANALYSIS

Fourth Quarter of 2021 Compared with Fourth Quarter of 2020 and Third Quarter of 2021

Revenue

Revenue for the fourth quarter of 2021 increased 13% year-on-year and 21% quarter-on-quarter to RMB1,822.1 million. Revenue from the office software and services, and online games and others represented 50% and 50% of the Group's total revenue for the fourth quarter of 2021, respectively.

Revenue from the office software and services business for the fourth quarter of 2021 increased 19% year-on-year and 12% quarter-on-quarter to RMB903.9 million. The year-on-year increase was mainly due to the continued growth of individual and institutional subscription business of Beijing Kingsoft Office Software, Inc. (“**Kingsoft Office**”) and its subsidiaries (collectively, “**Kingsoft Office Group**”). The fast growth of individual subscription business was mainly driven by continuous expansion of paying users. The sustainable growth of institutional subscription business was largely driven by emerging demands for data management of enterprise-level users and the digitalization of industries. The quarter-on-quarter increase was mainly due to the sustainable growth of individual subscription business, as well as institutional licensing business.

Revenue from the online games and others business for the fourth quarter of 2021 increased 8% year-on-year and 30% quarter-on-quarter to RMB918.2 million. The year-on-year increase was mainly due to the successful launch of several mobile games which broadened our games portfolio, partially offset by decreased revenue from existing games. The quarter-on-quarter increase was mainly due to revenue contribution from newly launched mobile games, and revenue growth from JX Online III.

Cost of Revenue and Gross Profit

Cost of revenue for the fourth quarter of 2021 increased 44% year-on-year and 38% quarter-on-quarter to RMB372.5 million. The increases were mainly due to an increase in purchasing costs of services and products, and greater channel costs along with the business growth of Kingsoft Office Group.

Gross profit for the fourth quarter of 2021 increased 8% year-on-year and 17% quarter-on-quarter to RMB1,449.6 million. The Group's gross profit margin decreased by four percentage points year-on-year and two percentage points quarter-on-quarter to 80%.

Research and Development (“R&D”) Costs

R&D costs for the fourth quarter of 2021 increased 60% year-on-year and 10% quarter-on-quarter to RMB684.3 million. The increases were mainly attributable to increased headcount as well as personnel-related expenses as the result of the continuously increased investment in products and services R&D.

Selling and Distribution Expenses

Selling and distribution expenses for the fourth quarter of 2021 increased 11% year-on-year and 27% quarter-on-quarter to RMB307.8 million. The increases were primarily due to an increase in marketing and promotional spending of online games business.

Administrative Expenses

Administrative expenses for the fourth quarter of 2021 increased 10% year-on-year and 16% quarter-on-quarter to RMB155.5 million. The increases were largely due to increased personnel-related expenses.

Share-based Compensation Costs

Share-based compensation costs for the fourth quarter of 2021 decreased 9% year-on-year and 1% quarter-on-quarter to RMB73.1 million.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the fourth quarter of 2021 decreased 37% year-on-year and increased 12% quarter-to-quarter to RMB404.5 million.

Other Gains/(Losses), net

Net other gains for the fourth quarter of 2021 were RMB27.7 million, compared with net other losses for the fourth quarter of 2020 were RMB111.4 million, and net other gains of RMB733.9 million in the third quarter of 2021. The losses in the fourth quarter of 2020 were mainly due to the recognition of a loss on deemed disposal of Kingsoft Cloud as a result of the dilution impact of the exercise of its employee options. The gains in the third quarter of 2021 were mainly due to that we recognized a gain on deemed disposal of Kingsoft Cloud as a result of the dilution impact of issue of new shares of it.

Share of Profits and Losses of Associates

We recorded share of losses of associates of RMB579.9 million for the fourth quarter of 2021, compared with share of losses of RMB20.7 million and RMB286.1 million for the fourth quarter of 2020 and the third quarter of 2021. The losses in the fourth and third quarter of 2021 were mainly due to the losses recognized in Kingsoft Cloud and Cheetah Mobile Inc. (“**Cheetah Mobile**”). The losses in the fourth quarter of 2020 were mainly 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 fourth quarter of 2021 decreased 54% year-on-year and 46% quarter-to-quarter to RMB52.7 million. The year-on-year decrease was mainly due to lower taxable profits. The quarter-on-quarter decrease was primarily due to the decrease of deferred tax expense.

Profit/(Loss) Attributable to Owners of the Parent

As a result of the reasons discussed above, loss attributable to owners of the parent was RMB335.1 million for the fourth quarter of 2021, compared with profit of RMB220.6 million and RMB565.2 million for the fourth quarter of 2020 and the third quarter of 2021, respectively.

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

Profit/(loss) attributable to owners of the parent before share-based compensation costs, which is defined as profit/(loss) attributable to owners of the parent excluding the effect of share-based compensation costs attributable to owners of the parent, is a measure supplementary to the consolidated financial statements presented in accordance with IFRSs.

We believe that the profit/(loss) attributable to owners of the parent before share-based compensation costs will enhance investors' overall understanding of the Company's operating performance. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our profit/(loss) or any other operating performance measure that is calculated in accordance with IFRSs. In addition, our profit/(loss) attributable to owners of the parent before share-based compensation costs may not be comparable to similarly titled measures utilized by other companies.

Loss attributable to owners of the parent before share-based compensation costs for the fourth quarter of 2021 was RMB292.4 million, compared with profit of RMB265.7 million in the corresponding period last year, and profit of RMB611.2 million in the third quarter of 2021. The net profit/(loss) margin excluding the effect of share-based compensation costs was (16%), 17% and 40% for the three months ended 31 December 2021, 31 December 2020 and 30 September 2021, respectively.

Year 2021 Compared with Year 2020

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 (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.

BUSINESS REVIEW AND OUTLOOK

Mr. Jun LEI, Chairman of the Company commented, “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, artificial intelligence (“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.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added, “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. ”

Mr. Jun LEI concluded, “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.”

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 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. 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.

Purchase, Redemption or Sale 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.

Code of Conduct Regarding Directors' Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the 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 2021.

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, 19 May 2022
Closure of the register of members of the Company	Friday, 20 May 2022 to Wednesday, 25 May 2022 (both dates inclusive)
Record date	Wednesday, 25 May 2022

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 6 June 2022
Closure of the register of members of the Company	Tuesday, 7 June 2022 to Friday, 10 June 2022 (both dates inclusive)
Record date	Friday, 10 June 2022

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

Review by Audit Committee

The Audit Committee of the Company has been established since 2007 with responsibility of assisting the Board in providing an independent review of the financial statements and internal control system. It acts in accordance with its terms of reference which clearly defines its membership, authority, duties and frequency of meetings. It meets regularly with our management, external auditor and internal audit personnel to discuss accounting principles and practices adopted by the Group and internal control and financial reporting matters. During the year ended 31 December 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.

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 2021, and is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Code on Corporate Governance Practices

The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 14 to the Listing Rules, except for the code provision A.6.7 and C.1.2 of the Code.

The code provision A.6.7 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 C.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, 23 March 2022

As at the date of this announcement, the Executive Directors are Messrs. Tao ZOU and Yuk Keung NG; the Non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the Independent Non-executive Directors are Messrs. Shun Tak WONG, David Yuen Kwan TANG and Ms. Wenjie WU.