



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

# KINGSOFT CORPORATION LIMITED

## 2021 INTERIM REPORT



剑侠情缘网络版叁



剑侠情缘手游



WPS Office

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# CORPORATE INFORMATION

## Legal Name of the Company

Kingsoft Corporation Limited

## Stock Code

03888

## Date of Listing

9 October 2007

## Principal Place of Business in Beijing

Building D

Xiaomi Campus

No. 33 Xierqi Middle Road

Haidian District

Beijing 100085

PRC

## Principal Place of Business in Hong Kong

Suite 3208, 32/F, Tower 5

The Gateway, Harbour City

Tsim Sha Tsui, Kowloon

Hong Kong

## Registered Office

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

## Executive Directors

Mr. Tao ZOU

Mr. Yuk Keung NG

## Non-executive Directors

Mr. Jun LEI (Chairman)

Mr. Pak Kwan KAU

Mr. Chi Ping LAU

## Independent Non-executive Directors

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

## Audit Committee

Ms. Wenjie WU (Chairman)

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

## Remuneration Committee

Mr. Shun Tak WONG (Chairman)

Mr. Jun LEI

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

## Nomination Committee

Mr. Shun Tak WONG (Chairman)

Mr. Chi Ping LAU

Ms. Wenjie WU

## Environmental, Social and Governance Committee

Mr. David Yuen Kwan TANG (Chairman)

Mr. Yuk Keung NG

Mr. Shun Tak WONG

Ms. Wenjie WU

## CORPORATE INFORMATION (continued)

### **Board Secretary/Company Secretary**

Mr. Yuk Keung NG

Ms. Hongyu LV

### **Authorised Representatives**

Mr. Tao ZOU

Mr. Yuk Keung NG

### **Principal Share Registrar and Transfer Office**

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

### **Hong Kong Branch Share Registrar and Transfer Office**

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17/F. Hopewell Centre

183 Queen's Road East

Hong Kong

### **Auditor**

Ernst & Young, Registered Public Interest Entity Auditor

Certified Public Accountants

22th Floor, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

### **Legal Advisor on Hong Kong law**

Baker & McKenzie

14th Floor, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

### **Principal Bankers**

China CITIC Bank Co., Ltd.

China Merchants Bank Co., Ltd.

Bank of Beijing Co., Ltd.

Bank of Communications Co., Ltd.

Industrial and Commercial Bank of China (Asia) Limited

### **Investor and Media Relations**

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# OPERATIONAL HIGHLIGHTS

	In June 2021	In June 2020	In March 2021	Year-on-year Change %	Quarter-on- quarter Change %
<b>Office Software</b>					
MAU of the key products* (Million)	501	454	494	10	1
			As at 30 June 2021	As at 30 June 2020	Year-on-year Change %
Accumulated paying subscribers** (Million)			21.88	16.81	30
			As at 30 June 2021	As at 30 June 2020	Year-on-year Change %
Total number of documents uploaded in the cloud platform*** (Billion)			108.5	69.1	57

\* MAU of the key products are defined as the aggregate MAU of both WPS Office and Kingsoft Powerword across all platforms.

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

\*\*\* Total number of documents uploaded in the cloud platform do not include the repetitive editing process and historical versions.

# FINANCIAL HIGHLIGHTS

	For the three months ended		
	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)	31 March 2021 RMB'000 (Unaudited)
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>			
Online games and others	693,308	884,007	788,615
Office software and services	786,218	536,111	770,992
	<b>1,479,526</b>	1,420,118	1,559,607
Cost of revenue	<b>(271,659)</b>	(217,922)	(243,742)
	<b>1,207,867</b>	1,202,196	1,315,865
<b>Gross profit</b>			
Research and development costs	<b>(531,911)</b>	(390,265)	(491,002)
Selling and distribution expenses	<b>(310,073)</b>	(192,909)	(204,527)
Administrative expenses	<b>(133,330)</b>	(101,418)	(147,618)
Share-based compensation costs	<b>(40,664)</b>	(36,559)	(31,730)
Other income	<b>65,856</b>	65,979	90,726
Other expenses	<b>(27,921)</b>	1,705	(19,653)
	<b>229,824</b>	548,729	512,061
<b>Operating profit</b>			
Other gains/(losses), net	<b>47,793</b>	(104,743)	32,992
Finance income	<b>102,719</b>	110,400	90,030
Finance costs	<b>(36,013)</b>	(28,387)	(35,158)
Share of profits and losses of:			
Joint ventures	<b>(6,737)</b>	3,764	(9,100)
Associates	<b>(210,777)</b>	(172,697)	(224,920)
	<b>126,809</b>	357,066	365,905
<b>Profit before tax from continuing operations</b>			
Income tax credit/(expense)	<b>25,971</b>	(83,121)	(66,131)
	<b>152,780</b>	273,945	299,774
<b>Profit for the period from continuing operations</b>			
<b>DISCONTINUED OPERATION</b>			
Profit for the period from a discontinued operation	—	8,927,436	—
	<b>152,780</b>	9,201,381	299,774
<b>Profit for the period</b>			
<b>Attributable to:</b>			
Owners of the parent	<b>48,664</b>	9,151,331	116,572
Non-controlling interests	<b>104,116</b>	50,050	183,202
	<b>152,780</b>	9,201,381	299,774

## FINANCIAL HIGHLIGHTS (continued)

	For the three months ended		
	30 June 2021 RMB (Unaudited)	30 June 2020 RMB (Unaudited)	31 March 2021 RMB (Unaudited)
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic			
— For profit for the period	<b>0.04</b>	6.69	0.09
— For profit from continuing operations	<b>0.04</b>	0.10	0.09
Diluted			
— For profit for the period	<b>0.03</b>	6.67	0.08
— For profit from continuing operations	<b>0.03</b>	0.10	0.08

## FINANCIAL HIGHLIGHTS (continued)

	For the six months ended	
	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
<b>CONTINUING OPERATIONS</b>		
<b>Revenue</b>		
Online games and others	1,481,923	1,677,743
Office software and services	1,557,210	913,700
	<b>3,039,133</b>	2,591,443
Cost of revenue	(515,401)	(419,099)
	<b>2,523,732</b>	2,172,344
<b>Gross profit</b>		
Research and development costs	(1,022,913)	(745,289)
Selling and distribution expenses	(514,600)	(339,654)
Administrative expenses	(280,948)	(194,671)
Share-based compensation costs	(72,394)	(67,479)
Other income	156,582	112,860
Other expenses	(47,574)	(4,223)
	<b>741,885</b>	933,888
<b>Operating profit</b>		
Other gains/(losses), net	80,785	(101,425)
Finance income	192,749	208,089
Finance costs	(71,171)	(34,129)
Share of profits and losses of:		
Joint ventures	(15,837)	11,121
Associates	(435,697)	(236,706)
	<b>492,714</b>	780,838
<b>Profit before tax from continuing operations</b>		
Income tax expense	(40,160)	(147,176)
	<b>452,554</b>	633,662
<b>Profit for the period from continuing operations</b>		
<b>DISCONTINUED OPERATION</b>		
Profit for the period from a discontinued operation	—	8,446,504
	<b>452,554</b>	9,080,166
<b>Profit for the period</b>		
<b>Attributable to:</b>		
Owners of the parent	165,236	9,157,588
Non-controlling interests	287,318	(77,422)
	<b>452,554</b>	9,080,166

## FINANCIAL HIGHLIGHTS (continued)

	For the six months ended	
	30 June 2021 RMB (Unaudited)	30 June 2020 RMB (Unaudited)
<b>Earnings per share attributable to ordinary equity holders of the parent</b>		
Basic		
— For profit for the period	<b>0.12</b>	6.70
— For profit from continuing operations	<b>0.12</b>	0.29
Diluted		
— For profit for the period	<b>0.12</b>	6.67
— For profit from continuing operations	<b>0.12</b>	0.28

## BUSINESS REVIEW AND OUTLOOK

Mr. Jun LEI, Chairman of the Company, commented, “We maintained a steady performance in all businesses in the first half of 2021. Kingsoft Office Group seized the opportunity for digital transformation and will continue to pursue the strategy of “multi-screen, cloud, content, AI and collaboration”. In the online games business, we continued to focus our strategy on premium games, increase our investment in R&D, and continuously expand new game genres.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added, “In the first half of 2021, our total revenue came in at RMB3,039.1 million, up 17% year-on-year, and our office software and services business recorded a strong year-on-year growth of 70%. With the robust revenue growth of office software and services business, our total revenue in the second quarter was RMB1,479.5 million, up 4% year-on-year.

Kingsoft Office Group achieved outstanding performance during the second quarter. As the localization project has entered a mature period and customer demand increased significantly, Kingsoft Office Group continued to witness a strong revenue growth from localization project during the quarter. With the enhanced synergy between the subsidiary, Beijing Suwell Technology Co., Ltd. (北京數科網維技術有限責任公司), and Kingsoft Office Group, the fixed-layout document format standards have been increasingly adopted by the market, thus further optimizing the localization business ecosystem. As a premium service provider of cloud and collaboration office solutions, we effectively promoted the cloud office migration and penetration in the government and enterprise market and it brought us strong year-on-year revenue growth for the sustainable licensing business. Kingsoft Office Group has also continued to develop the micro, small and medium-sized enterprise market. As of 30 June 2021, over 1 million micro, small and medium-sized enterprises covering 19 industries are registered users of WPS+. Kingsoft Office Group organized the 2021 Office Application Developer Conference in July and launched Document Open Platform, our first product enabling global office application developers to facilitate a digital office as well as digital transformation in the government and enterprise market in China.

Meanwhile, Kingsoft Office Group has continued to optimize the user experience and improve its customer loyalty through the application of cloud and collaboration services. We continued to enhance the penetration within the public cloud market and promote the growth of the subscription services business. During the quarter, Kingsoft Office Group launched various new functions for the WPS membership services and further optimized the user experience. In April, Kingsoft Office Group organized a content ecosystem conference in Wuhan and strived to promote the transformation of our core WPS products from office tools to office services.

In the first half of 2021, Kingsoft Office Group began the transformation of internet advertising business. We took the initiative to further adjust the advertising strategy to reduce interruptions from advertisements to users and enhance users’ cross-platform collaboration experience. During the second quarter of 2021, the internet advertising and promotion services business maintained a steady year-on-year growth with the increase in user base, while its proportion in office software and services business revenue continued to decline.

In the second quarter, the online games business continued to enhance the IP value of the JX series and expand the development of new game genres. In April, the JX I Pocket mobile game was successfully released in Vietnam. Among all Role Playing Games, the JX I Pocket mobile game ranked first on both iOS and Android download charts in the first month of its debut. In May, the First-Person Shooting game Bullet Angel was first released in Southeast Asia and got recommended by Google Play. In June, War of the Visions: Final Fantasy Brave Exvius, the latest game of the Final Fantasy Brave Exvius series developed by SQUARE ENIX, was released in China and was recommended by Apple Store.

In the coming quarters, the online games business will continue to focus on the long-term development of classic IPs and promote the launch of new games. We will celebrate the 12th anniversary of JX Online III PC game and launch a new expansion pack to further strengthen the longevity and vitality of our core IP. In addition, the JX World III mobile game will be launched within this year with a comprehensive upgrade in its visual design and gameplay.”

Mr. Jun LEI concluded, “In the first half of 2021, we achieved a stable performance of our core businesses. Looking forward to the coming quarters, we will continue to invest in R&D and technological innovation, enhance technological capabilities, and develop new products and services. We will strive to bring the best experience to our users and customers. We are committed to the sustainable growth of our business, bringing long-term value in terms of returns to our shareholders and achieving a win-win situation for our partners.”

# MANAGEMENT DISCUSSION AND ANALYSIS

## Second Quarter of 2021 Compared with Second Quarter of 2020 and First Quarter of 2021

### *Revenue*

Revenue for the second quarter of 2021 increased 4% year-on-year and decreased 5% quarter-on-quarter to RMB1,479.5 million. Revenue from the online games and others, and office software and services represented 47% and 53% of the Group's total revenue for the second quarter of 2021, respectively.

Revenue from the online games and others business for the second quarter of 2021 decreased 22% year-on-year and 12% quarter-on-quarter to RMB693.3 million. The year-on-year decrease was mainly due to declined revenue from JX Online III as a large-scale expansion pack successfully launched and a relatively high base following the increase caused by the pandemic in the second quarter of 2020. The quarter-on-quarter decrease was largely due to decreased revenue from existing games, partially offset by the revenue contribution from new launched mobile games.

Revenue from the office software and services business for the second quarter of 2021 increased 47% year-on-year and 2% quarter-on-quarter to RMB786.2 million. The year-on-year increase was largely due to both strong growth of licensing business and sustainable growth of subscription services business. The revenue growth of licensing business was driven primarily by increasing demand for localization, as well as cloud and collaboration services from government and enterprises. The increase in subscription services business was mainly due to growing demand for cloud and collaboration services and enhancement of user stickiness from personal users.

### *Cost of Revenue and Gross Profit*

Cost of revenue for the second quarter of 2021 increased 25% year-on-year and 11% quarter-on-quarter to RMB271.7 million. The increases were mainly due to greater server and bandwidth costs, as well as purchasing costs of services and products, in line with the expanding business of Kingsoft Office Group.

Gross profit for the second quarter of 2021 kept flat year-on-year and decreased 8% quarter-on-quarter to RMB1,207.9 million. The Group's gross profit margin decreased by three percentage points year-on-year and two percentage points quarter-on-quarter to 82%.

### *R&D Costs*

R&D costs for the second quarter of 2021 increased 36% year-on-year and 8% quarter-on-quarter to RMB531.9 million. The increases were mainly attributable to increased personnel-related expenses.

### *Selling and Distribution Expenses*

Selling and distribution expenses for the second quarter of 2021 increased 61% year-on-year and 52% quarter-on-quarter to RMB310.1 million. The increases were mainly due to higher personnel-related expenses and an increase in marketing and promotional spending.

### *Administrative Expenses*

Administrative expenses for the second quarter of 2021 increased 31% year-on-year and decreased 10% quarter-on-quarter to RMB133.3 million. The year-on-year increase was primarily due to an increase in personnel-related expenses. The quarter-on-quarter decrease was primarily attributable to a decrease in professional service fees.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## *Share-based Compensation Costs*

Share-based compensation costs for the second quarter of 2021 increased 11% year-on-year and 28% quarter-on-quarter to RMB40.7 million. The increases were primarily reflected the new grants in awarded shares to the selected employees of certain subsidiaries of the Company in the second quarter of 2021.

## *Operating Profit before Share-based Compensation Costs*

Operating profit before share-based compensation costs for the second quarter of 2021 decreased 54% year-on-year and 50% quarter-on-quarter to RMB270.5 million.

## *Other Gains/(Losses), net*

Net other gains for the second quarter of 2021 were RMB47.8 million, compared with losses of RMB104.7 million in the corresponding period of last year, and gains of RMB33.0 million in the first quarter of 2021. The gains in the second quarter of 2021 were mainly due to fair value gains on financial instruments at fair value through profit or loss. The losses in the second quarter of 2020 were primarily due to loss on deemed disposal of an associate and impairment provisions of certain investee companies.

## *Share of Profits and Losses of Associates*

We recorded share of losses of associates of RMB210.8 million for the second quarter of 2021, compared with share of losses of RMB172.7 million for the second quarter of 2020 and share of losses of RMB224.9 million for the first quarter of 2021. The losses in the second quarter of 2021 were mainly due to the losses recognized in Kingsoft Cloud and Cheetah Mobile. The losses in the second quarter of 2020 and the first quarter of 2021 were mainly due to the losses recognized in Kingsoft Cloud in these quarters.

## *Income Tax Credit/(Expense)*

Income tax credit for the second quarter of 2021 was RMB26.0 million, compared with income tax expense of RMB83.1 million for the second quarter of 2020 and RMB66.1 million for the first quarter of 2021. The significant decreases were mainly attributable to the combined effects in the second quarter of 2021: i) the recognition of tax credits as certain subsidiaries were qualified as national key software enterprises for the year 2020; ii) the decrease in profits of online games business; iii) the specific deferred tax effects.

## *Profit Attributable to Owners of the Parent*

As a result of the reasons discussed above, profit attributable to owners of the parent (including that from continuing operations and a discontinued operation) was RMB48.7 million for the three months ended 30 June 2021, compared with profit of RMB9,151.3 million and profit of RMB116.6 million for the three months ended 30 June 2020 and 31 March 2021, respectively.

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

Profit attributable to owners of the parent before share-based compensation costs is profit attributable to owners of the parent excluding the effect of share-based compensation costs attributable to owners of the parent.

We believe that the profit attributable to owners of the parent before share-based compensation costs will enable the 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.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Profit attributable to owners of the parent before share-based compensation costs (including that from continuing operations and a discontinued operation) was RMB71.8 million for the three months ended 30 June 2021, compared with profit of RMB9,193.7 million and profit of RMB139.6 million for the three months ended 30 June 2020 and 31 March 2021, respectively. The net profit margin excluding the effect of share-based compensation costs was 5%, 500% and 9% for the three months ended 30 June 2021, 30 June 2020 and 31 March 2021, respectively.

## First Half of 2021 Compared with First Half of 2020

### *Revenue*

Revenue for the first half of 2021 increased 17% year-on-year to RMB3,039.1 million. Revenue from the online games and others and office software and services represented 49% and 51% of the Group's total revenue for the first half of 2021.

Revenue from the online games and others business for the first half of 2021 decreased 12% year-on-year to RMB1,481.9 million. The decrease was mainly due to the decreased revenue from JX Online III, as well as natural declining life cycles of existing mobile games.

Revenue from office software and services business for the first half of 2021 increased 70% year-on-year to RMB1,557.2 million. The remarkable year-on-year increase was largely due to both robust growth of licensing business and sustainable growth of subscription services business. The revenue growth of licensing business was driven primarily by increasing demand for localization, as well as cloud and collaboration services from government and enterprises. The increase in subscription services business was mainly due to growing demand for cloud and collaboration services and enhancement of user stickiness from personal users.

### *Cost of Revenue and Gross Profit*

Cost of revenue for the first half of 2021 increased 23% year-on-year to RMB515.4 million. The year-on-year increase was primarily due to higher server and bandwidth costs, as well as purchasing costs of services and products, in line with the expanding business of Kingsoft Office Group.

Gross profit for the first half of 2021 increased 16% year-on-year to RMB2,523.7 million. The Group's gross profit margin decreased by one percentage point year-on-year to 83%.

### *R&D Costs*

R&D costs for the first half of 2021 increased 37% year-on-year to RMB1,022.9 million. The increase was primarily related to increased personnel-related expenses.

### *Selling and Distribution Expenses*

Selling and distribution expenses for the first half of 2021 increased 52% year-on-year to RMB514.6 million. The increase was primarily due to increased personnel-related expenses and promotional spending.

### *Administrative Expenses*

Administrative expenses for the first half of 2021 increased 44% year-on-year to RMB280.9 million. The year-on-year increase was mainly due to the increased personnel-related expenses.

### *Share-based Compensation Costs*

Share-based compensation costs for the first half of 2021 increased 7% year-on-year to RMB72.4 million.

### *Operating Profit before Share-based Compensation Costs*

Operating profit before share-based compensation costs for the first half of 2021 decreased 19% to RMB814.3 million.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## *Other Gains/(Losses), net*

Net other gains for the first half of 2021 was RMB80.8 million, compared with losses of RMB101.4 million in the same period of last year. The gains in the first half of 2021 were mainly due to fair value gains on financial instruments at fair value through profit or loss. The losses in the first half of 2020 were mainly due to loss on deemed disposal of an associate and impairment provisions for investee companies.

## *Finance Costs*

Finance costs for the first half of 2021 increased 109% to RMB71.2 million. The increase was mainly due to the convertible bonds issued at the end of April 2020 with the interest rate of an equivalent market interest rate for a similar bond in the accounting treatment, instead of the actual yield to maturity, which would not result in cash outflow.

## *Share of Profits and Losses of Associates*

We recorded share of losses of associates of RMB435.7 million for the first half of 2021, compared with share of losses of RMB236.7 million for the first half of 2020. The losses were mainly due to the losses recognized in Kingsoft Cloud and Cheetah Mobile.

## *Income Tax Expense*

Income tax expense was RMB40.2 million and RMB147.2 million for the first half of 2021 and 2020, respectively.

## *Profit Attributable to Owners of the Parent*

As a result of the reasons discussed above, profit attributable to owners of the parent (including that from continuing operations and a discontinued operation) was RMB165.2 million for the first half of 2021, compared with profit of RMB9,157.6 million in the same period 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 for the first half of 2021 (including that from continuing operations and a discontinued operation) was RMB211.4 million, compared with profit of RMB9,248.9 million in the prior year period. The net profit margin excluding the effect of share-based compensation costs was 7% and 211% for the six months ended 30 June 2021 and 30 June 2020, respectively.

## *Liquidity and Financial Resource*

The Group had a strong cash position towards the end of the reporting period. As at 30 June 2021, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB15,247.2 million and RMB3.4 million, respectively, which totally represented 43% of the Group's total assets.

As at 30 June 2021, the Group's gearing ratio, which represents total liabilities divided by total assets, was 19%, 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 or loss. As at 30 June 2021, the aggregate amount of cash resources of the Group was RMB18,442.6 million.

## *Foreign Currency Risk Management*

As at 30 June 2021, RMB3,089.3 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.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## Net Cash Generated from Operating Activities

Net cash generated from our operating activities reflected our profit for the six months period, 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 RMB869.0 million and RMB1,308.1 million for the six months ended 30 June 2021 and 30 June 2020, respectively.

## Capital Expenditures

Capital expenditures represent cash payments for acquisition of business, fix assets and intangible assets. Cash used for capital expenditures (including that from continuing operations and a discontinued operation) was RMB120.8 million and RMB404.4 million for the six months ended 30 June 2021 and 30 June 2020, respectively.

## Material Investment

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

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

Name	Particulars of issued shares held	Principal activities	% of	
			Ownership interest	Voting power
Kingsoft Cloud*	Ordinary shares	Investment holding	40	40

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

As at 30 June 2021, the fair value of the equity interest of Kingsoft Cloud held by the Group was approximately RMB20,797.5 million (31 December 2020: RMB26,961.9 million) which was estimated based on the market price of Kingsoft Cloud.

Net loss from Kingsoft Cloud for the first half of 2021 was RMB841.4 million.

Except Kingsoft Cloud, there was no other individual investment with a carrying value of 5% or more of the Group's total assets as at 30 June 2021.

## Future Plans for Material Investments and Capital Assets

As of 30 June 2021, we did not have other specific plans for material investments and capital assets. However, in view of the challenging environment ahead, the Group will continue to explore new business opportunities that will complement and enhance its existing business.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In the first half of 2021, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## OTHER INFORMATION

### Change of Directors' Information Under Rule 13.51B (1) of the Listing Rules

Below is the change of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules (as amended from time to time) since the date of the Company's 2020 annual report:

NAME OF DIRECTOR	DETAILS OF CHANGES
Mr. Chi Ping LAU	In February 2015, Mr. LAU was appointed as a director of DiDi Global Inc. (NYSE: DIDI), a company listed on the NYSE on 30 June 2021.
Mr. David Yuen Kwan TANG	On 26 July 2020, Mr. TANG was appointed as a partner and chief value officer of Kaiyun Motors. On the same day, he ceased to serve as the managing director of Nokia Growth Partner.

### Directors' Interests in Securities

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of the SFO which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

#### Interest in the shares and underlying shares of the Company:

Name of Director	Capacity	Number of shares interested	% of issued share capital (Note 1)	Nature of Shares interested
Jun LEI	Interest of controlled corporation	210,116,248	15.31	Long position
	Other	100,000,000	7.28	Long position
	Total	310,116,248 (Note 2)	22.59	Long position
Pak Kwan KAU	Interest of controlled corporation	100,000,000 (Note 3)	7.28	Long position
Tao ZOU	Beneficial owner	5,881,307	0.43	Long position
Yuk Keung NG	Beneficial owner	1,098,000	0.08	Long position

Notes:

- % of issued share capital was calculated on basis of the total number of issued shares of the Company as at 30 June 2021, which was 1,372,728,717.
- As at 30 June 2021, among these 310,116,248 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; (ii) 35,298,057 shares are held by a wholly-owned subsidiary of Xiaomi Corporation, a company controlled by Mr. Jun LEI under the SFO; and (iii) 100,000,000 shares are deemed to be interested by Mr. Jun LEI under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI votes with these shares.
- These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

## OTHER INFORMATION (continued)

### *Interest in the shares and underlying shares of an associated corporation of the Company:*

Seasun Holdings (Note 1)

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued share capital in class (Note 2)</b>	<b>Nature of Shares interested</b>
Tao ZOU	Beneficial owner	18,123,462	1.97	Long position

Notes:

1. Seasun Holdings is a non-wholly owned subsidiary of the Company.
2. % of issued share capital in class was calculated on basis of the issued ordinary shares of Seasun Holdings as at 30 June 2021, which was 920,289,438.

Cheetah Mobile (Note 1)

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued share capital in class (Note 2)</b>	<b>Nature of Shares interested</b>
Jun LEI (Note 3)	Interest of controlled corporation	14,285,714	3.21	Long Position
David Yuen Kwan TANG	Beneficial owner	140,000	0.03	Long Position
Yuk Keung NG	Beneficial owner	1,200	0.00	Long Position

Notes:

1. The Company held 48.08% ownership interest and 26.40% voting power of Cheetah Mobile as at 30 June 2021, which is listed on the NYSE.
2. % of issued share capital in class was calculated on basis of the issued Class A Cheetah Shares as at 30 June 2021, which was 445,604,900.
3. These shares are held by Xiaomi Corporation, a company owned as to more than 30% voting power by Mr. Jun LEI under the SFO.

Save as disclosed above, none of the Directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2021.

## Share Option Schemes

### *2011 Share Option Scheme*

The Company operates the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Share Option Scheme include the Company's Directors, excluding any independent non-executive Directors, and other employees of the Group. The 2011 Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

## OTHER INFORMATION (continued)

The following share options were outstanding under the 2011 Share Option Scheme during the six months ended 30 June 2021.

NAME OR CATEGORY OF PARTICIPANT	NUMBER OF SHARE OPTIONS					DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS HK\$ PER SHARE
	AT 1 JANUARY 2021	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	FORFEITED DURING THE PERIOD	AT 30 JUNE 2021		
<b>Executive Directors</b>							
Tao ZOU	4,000,000	—	—	—	4,000,000	21 April 2017	20.25
Yuk Keung NG	600,000	—	—	—	600,000	23 November 2017	22.75
	4,600,000	—	—	—	4,600,000		

### Seasun Holdings Share Option Scheme

On 27 June 2013, the shareholders of the Company and Seasun Holdings, approved and adopted the Seasun Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Seasun Holdings, its subsidiaries or its invested entities are entitled to participate. The Seasun Holdings Share Option Scheme will remain in force for 10 years from 27 June 2013. The Seasun Holdings Share Option Scheme was amended on 26 December 2016, and amended and refreshed on 24 May 2017. More details regarding the Seasun Holdings Share Option Scheme are set out in note 14 to the financial statements.

### Share Award Schemes

#### Share Award Scheme

The Share Award Scheme was adopted by the Board on 31 March 2008 and amended on 5 July 2021. As approved by the Board from time to time, the term of the Share Award Scheme has been extended to 30 March 2027.

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

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

## OTHER INFORMATION (continued)

### *Seasun Holdings Share Award Schemes*

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

### *Kingsoft Office Share Award Scheme*

On 2 June 2021, the shareholders of Kingsoft Office approved and adopted the Kingsoft Office Share Award Scheme, for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Kingsoft Office Group are entitled to participate.

More details regarding the share award schemes are set out in note 14 to the financial statements.

## Substantial Shareholders

As at 30 June 2021, as far as the Directors are aware of, the following, other than the Directors or chief executive of the Company, had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the issued capital of the Company:

### *Interest in the shares and underlying shares of the Company*

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued share capital (Note 1)</b>	<b>Nature of Shares held</b>
Color Link Management Limited (Note 2)	Beneficial owner	174,818,191	12.74	Long position
Topclick Holdings Limited (Note 3)	Beneficial owner	100,000,000	7.28	Long position
Tencent Holdings Limited (Note 4)	Interest of controlled corporation	106,784,515	7.78	Long position
JPMorgan Chase & Co.	Interest of controlled corporation	14,339,475	1.04	Long position
	Interest of controlled corporation	15,808,928	1.15	Short position
	Investment manager	78,295,200	5.70	Long position
	Person having a security interest in shares	9,279,897	0.68	Long position
	Approved lending agent	6,533,301	0.48	Long position
	Approved lending agent	6,533,301	0.48	Lending pool

## OTHER INFORMATION (continued)

Notes:

1. % of issued share capital was calculated on basis of the total number of issued shares of the Company as at 30 June 2021, which was 1,372,728,717.
2. Mr. Jun LEI is deemed to be interested in Color Link Management Limited's interest in the Company pursuant to Part XV of the SFO because Color Link Management Limited is wholly owned by Mr. Jun LEI.
3. These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.
4. These shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited, MIH TC Holdings Limited and Naspers Limited, its beneficial owners, are deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.

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

### Employee and Remuneration Policies

As at 30 June 2021, the Group had 6,300 full-time employees (30 June 2020: 5,543), inclusive of all its staff in Mainland China and overseas offices, most of whom are based in Beijing and Zhuhai, the PRC. The number of employees employed by the Group varies from time to time depending on business needs. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards and share options may be granted to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the six months ended 30 June 2021 was RMB1,358.1 million (for the six months ended 30 June 2020: RMB911.8 million).

### Directors' Remuneration

Please refer to note 18 to the financial statements for details of the Directors' remuneration.

### Purchase, Sale and Redemption of the Company's Listed Securities

None of the Company and its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2021.

### Convertible Bonds and Adjustment to the Conversion Price

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

## OTHER INFORMATION (continued)

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

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

The actual use of the net proceeds raised from the issue of the 2020 Convertible Bonds as at 30 June 2021 and the expected timeline for use of unutilized proceeds is set out as follows:

<b>PROPOSED USE OF PROCEEDS</b>	<b>ACTUAL USE OF PROCEEDS AS AT 30 JUNE 2021 (HK\$ MILLION)</b>	<b>UNUTILIZED PROCEEDS (HK\$ MILLION)</b>	<b>EXPECTED TIMELINE FOR USE OF UNUTILIZED PROCEEDS</b>
Strategic investments and acquisitions	154.81	2,245.18	By 2023
General corporate purposes	535.56	98.39	By 2025

## OTHER INFORMATION (continued)

As at 30 June 2021, no 2020 Convertible Bonds had been converted into new shares of the Company, and the outstanding 2020 Convertible Bonds at an aggregate principal amount of HK\$3,100,000,000 are convertible into 87,768,969 shares upon full conversion. The following table summarizes the potential effects on the shareholding structure of the Company as a result of the full conversion of the 2020 Convertible Bonds, on the assumptions that there will be no other change to the share capital of the Company from 30 June 2021 to the date of full conversion of the 2020 Convertible Bonds, save for the conversion of the 2020 Convertible Bonds:

Name of Shareholders	As at 30 June 2021		Assuming the 2020 Convertible Bonds are fully converted at the adjusted conversion price of HK\$35.32 per share	
	Number of Shares	% of total issued Shares	Number of Shares	% of the enlarged issued Shares
Mr. Jun LEI (Note 1)	210,116,248	15.31	210,116,248	14.39
Mr. Pak Kwan KAU (Note 2)	100,000,000	7.28	100,000,000	6.85
Mr. Tao ZOU (Note 3)	5,881,307	0.43	5,881,307	0.40
Mr. Yuk Keung NG (Note 4)	1,098,000	0.08	1,098,000	0.08
Tencent Holdings Limited (Note 5)	106,784,515	7.78	106,784,515	7.31
Holders of the 2020 Convertible Bonds (Note 6)	0	0.00	87,768,969	6.01
Other public shareholders	948,848,647	69.12	948,848,647	64.97
<b>Total Issued Shares</b>	<b>1,372,728,717</b>	<b>100.00</b>	<b>1,460,497,686</b>	<b>100.00</b>

- As at 30 June 2021, among these 210,116,248 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; (ii) 35,298,057 shares are held by a wholly-owned subsidiary of Xiaomi Corporation, a company controlled by Mr. Jun LEI under the SFO. In addition, pursuant to Part XV of the SFO, Mr. Jun LEI is deemed to be interested in Mr. Pak Kwan KAU's interest of 100,000,000 shares (see Note 2 below) pursuant to a voting consent agreement and its supplemental agreement entered into between Mr. Jun LEI and Mr. Pak Kwan KAU whereby Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.
- These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.
- Mr. Tao ZOU is a Director of the Company.
- Mr. Yuk Keung NG is a Director of the Company.
- These shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited is deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.
- Assuming that the holders of the 2020 Convertible Bonds do not hold any shares of the Company as at 30 June 2021.
- Any discrepancies between total and sum of percentage listed therein are due to rounding.

The Group had a strong cash position towards the end of reporting period. As at 30 June 2021, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB15,247.2 million and RMB3.4 million, respectively, which totally represented 43% of the Group's total assets. As at 30 June 2021, the Group's gearing ratio, which represents total liabilities divided by total assets, was 19%, compared with 19% as at 31 December 2020. As the reasons discussed above, even though the holders hold the 2020 Convertible Bonds to maturity, the Company is fully capable of redeeming in cash.

## **OTHER INFORMATION (continued)**

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

Details of dilutive effect on the basic earnings per share as at 30 June 2021 are set out in note 15 to the financial statements.

### **Review by Audit Committee**

The Audit Committee of the Company has been established since year 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. The Audit Committee is comprised of three independent non-executive Directors, namely Ms. Wenjie WU (chairman), Mr. Shun Tak WONG and Mr. David Yuen Kwan TANG.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2021.

### **Compliance with Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

### **Corporate Governance Code**

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 the CG Code contained in Appendix 14 to the Listing Rules except for the code provisions A.6.7 and C.1.2 of the CG Code.

The code provision A.6.7 of the CG Code is regarding the attendance of independent non-executive directors and other non-executive directors at general meetings. Non-executive Director Mr. Chi Ping LAU and independent non-executive Director Mr. Shun Tak WONG did not attend the annual general meeting of the Company held on 26 May 2021 due to pre-arranged engagements. The code provision C.1.2 of the CG 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 among 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.

## OTHER INFORMATION (continued)

### Appreciation

On behalf of the Board, I would like to express our sincere thanks to our shareholders and investors for their continuous support and confidence in us. I would like to thank our employees for their hard work and valuable contributions which are the core elements of the Company's success.

By Order of the Board  
**Kingsoft Corporation Limited**

**Jun Lei**  
*Chairman*

Hong Kong, 24 August 2021

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	NOTES	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
		2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
<b>CONTINUING OPERATIONS</b>					
<b>REVENUE</b>	4	<b>1,479,526</b>	1,420,118	<b>3,039,133</b>	2,591,443
Cost of revenue		<b>(271,659)</b>	(217,922)	<b>(515,401)</b>	(419,099)
Gross profit		<b>1,207,867</b>	1,202,196	<b>2,523,732</b>	2,172,344
Research and development costs		<b>(531,911)</b>	(390,265)	<b>(1,022,913)</b>	(745,289)
Selling and distribution expenses		<b>(310,073)</b>	(192,909)	<b>(514,600)</b>	(339,654)
Administrative expenses		<b>(133,330)</b>	(101,418)	<b>(280,948)</b>	(194,671)
Share-based compensation costs		<b>(40,664)</b>	(36,559)	<b>(72,394)</b>	(67,479)
Other income	4	<b>65,856</b>	65,979	<b>156,582</b>	112,860
Other expenses		<b>(27,921)</b>	1,705	<b>(47,574)</b>	(4,223)
Operating profit		<b>229,824</b>	548,729	<b>741,885</b>	933,888
Other gains/(losses), net	5	<b>47,793</b>	(104,743)	<b>80,785</b>	(101,425)
Finance income		<b>102,719</b>	110,400	<b>192,749</b>	208,089
Finance costs		<b>(36,013)</b>	(28,387)	<b>(71,171)</b>	(34,129)
Share of profits and losses of:					
Joint ventures		<b>(6,737)</b>	3,764	<b>(15,837)</b>	11,121
Associates		<b>(210,777)</b>	(172,697)	<b>(435,697)</b>	(236,706)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	6	<b>126,809</b>	357,066	<b>492,714</b>	780,838
Income tax credit/(expense)	7	<b>25,971</b>	(83,121)	<b>(40,160)</b>	(147,176)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>152,780</b>	273,945	<b>452,554</b>	633,662
<b>DISCONTINUED OPERATION</b>					
Profit for the period from a discontinued operation	8	—	8,927,436	—	8,446,504
<b>PROFIT FOR THE PERIOD</b>		<b>152,780</b>	9,201,381	<b>452,554</b>	9,080,166
Attributable to:					
Owners of the parent		<b>48,664</b>	9,151,331	<b>165,236</b>	9,157,588
Non-controlling interests		<b>104,116</b>	50,050	<b>287,318</b>	(77,422)
		<b>152,780</b>	9,201,381	<b>452,554</b>	9,080,166

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2021

	NOTES	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
		2021 RMB (UNAUDITED)	2020 RMB (UNAUDITED)	2021 RMB (UNAUDITED)	2020 RMB (UNAUDITED)
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9				
Basic					
— For profit for the period		<b>0.04</b>	6.69	<b>0.12</b>	6.70
— For profit from continuing operations		<b>0.04</b>	0.10	<b>0.12</b>	0.29
Diluted					
— For profit for the period		<b>0.03</b>	6.67	<b>0.12</b>	6.67
— For profit from continuing operations		<b>0.03</b>	0.10	<b>0.12</b>	0.28

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
<b>PROFIT FOR THE PERIOD</b>	<b>152,780</b>	9,201,381	<b>452,554</b>	9,080,166
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation into presentation currency	<b>64,482</b>	(14,022)	<b>36,007</b>	(83,082)
Reclassification adjustments for deemed disposal of a subsidiary	—	64,475	—	64,475
Reclassification adjustments for deemed disposal of associates	<b>501</b>	—	<b>1,188</b>	—
Share of other comprehensive income/(loss) of associates	<b>(87,692)</b>	2,084	<b>(45,203)</b>	26,987
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>(22,709)</b>	52,537	<b>(8,008)</b>	8,380
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	<b>(87,346)</b>	(3,533)	<b>(63,492)</b>	76,449
Equity investments designated at fair value through other comprehensive income:				
Changes in fair value, net of tax	—	457,340	—	816,507
Share of other comprehensive income of associates	<b>3,233</b>	17,738	<b>24,290</b>	11,731
<b>Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods</b>	<b>(84,113)</b>	471,545	<b>(39,202)</b>	904,687
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>(106,822)</b>	524,082	<b>(47,210)</b>	913,067
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>45,958</b>	9,725,463	<b>405,344</b>	9,993,233
<b>Attributable to:</b>				
Owners of the parent	<b>(54,311)</b>	9,669,404	<b>121,250</b>	10,086,254
Non-controlling interests	<b>100,269</b>	56,059	<b>284,094</b>	(93,021)
	<b>45,958</b>	9,725,463	<b>405,344</b>	9,993,233

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		<b>30 JUNE 2021 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2020 RMB'000 (AUDITED)</b>
	<b>NOTES</b>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,220,587</b>	1,184,902
Investment properties		<b>63,236</b>	64,003
Right-of-use assets		<b>462,823</b>	504,971
Goodwill		<b>185,564</b>	185,564
Other intangible assets		<b>64,487</b>	67,175
Investments in joint ventures		<b>165,278</b>	180,920
Investments in associates		<b>12,288,932</b>	12,752,057
Equity investment designated at fair value through other comprehensive income		<b>10,725</b>	10,725
Financial assets at fair value through profit or loss		<b>216,573</b>	198,953
Deferred tax assets		<b>99,174</b>	116,981
Other non-current assets		<b>51,025</b>	46,301
<b>Total non-current assets</b>		<b>14,828,404</b>	15,312,552
<b>CURRENT ASSETS</b>			
Inventories		<b>18,901</b>	19,085
Trade receivables	10	<b>732,528</b>	772,485
Prepayments, other receivables and other assets		<b>1,018,748</b>	967,372
Financial assets at fair value through profit or loss		<b>3,224,393</b>	3,910,553
Restricted cash	11	<b>3,403</b>	13,079
Cash and bank deposits	11	<b>15,247,156</b>	14,049,069
<b>Total current assets</b>		<b>20,245,129</b>	19,731,643
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>313,419</b>	290,855
Other payables and accruals		<b>1,334,331</b>	1,328,005
Lease liabilities		<b>41,762</b>	52,758
Deferred revenue		<b>1,461,648</b>	1,306,207
Income tax payable		<b>149,921</b>	265,823
<b>Total current liabilities</b>		<b>3,301,081</b>	3,243,648
<b>NET CURRENT ASSETS</b>		<b>16,944,048</b>	16,487,995
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>31,772,452</b>	31,800,547

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2021

	NOTES	30 JUNE 2021 RMB'000 (UNAUDITED)	31 DECEMBER 2020 RMB'000 (AUDITED)
<b>NON-CURRENT LIABILITIES</b>			
Deferred revenue		131,278	147,193
Deferred tax liabilities		979,789	1,059,090
Lease liabilities		166,492	169,759
Liability component of convertible bonds	15	2,229,266	2,196,595
Total non-current liabilities		3,506,825	3,572,637
<b>NET ASSETS</b>			
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	13	5,316	5,316
Share premium account	13	2,540,693	2,762,242
Treasury shares	13	(10,091)	(11,181)
Equity component of convertible bonds	15	468,700	468,700
Other reserves		21,597,526	21,439,482
		24,602,144	24,664,559
<b>Non-controlling interests</b>		<b>3,663,483</b>	<b>3,563,351</b>
<b>TOTAL EQUITY</b>		<b>28,265,627</b>	<b>28,227,910</b>

Tao ZOU  
Director

Yuk Keung NG  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	ATTRIBUTABLE TO OWNERS OF THE PARENT												
	ISSUED CAPITAL RMB'000 (UNAUDITED)	SHARE PREMIUM ACCOUNT RMB'000 (UNAUDITED)	TREASURY SHARES RMB'000 (UNAUDITED)	EQUITY COMPONENT OF CONVERTIBLE BONDS RMB'000 (UNAUDITED)	STATUTORY RESERVES RMB'000 (UNAUDITED)	SHARE-BASED COMPENSATION RESERVE RMB'000 (UNAUDITED)	OTHER CAPITAL RESERVE RMB'000 (UNAUDITED)	FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RMB'000 (UNAUDITED)	FOREIGN CURRENCY TRANSLATION RESERVE RMB'000 (UNAUDITED)	RETAINED PROFITS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)	NON-CONTROLLING INTERESTS RMB'000 (UNAUDITED)	TOTAL EQUITY RMB'000 (UNAUDITED)
<b>At 1 January 2021</b>	5,316	2,762,242	(11,181)	468,700	443,939 <sup>#</sup>	543,532 <sup>#</sup>	3,842,751 <sup>#</sup>	(8,332) <sup>#</sup>	(105,705) <sup>#</sup>	16,723,297 <sup>#</sup>	24,664,559	3,563,351	28,227,910
Profit for the period	—	—	—	—	—	—	—	—	165,236	165,236	—	287,318	452,554
Other comprehensive income(loss) for the period:													
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	(24,261)	—	(24,261)	(3,224)	(27,485)
Reclassification adjustments for deemed disposal of associates	—	—	—	—	—	—	—	—	1,188	—	1,188	—	1,188
Share of other comprehensive income(loss) of associates	—	—	—	—	—	—	—	24,290	(45,203)	—	(20,913)	—	(20,913)
Total comprehensive income(loss) for the period	—	—	—	—	—	—	—	24,290	(68,276)	165,236	121,250	284,094	405,344
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(207,867)	(207,867)
Final 2020 dividend declared	—	(227,736)	—	—	—	—	—	—	—	—	(227,736)	—	(227,736)
Share-based compensation costs (note 14)	—	—	—	—	—	46,899	—	—	—	—	46,899	26,244	73,143
Vesting and settlement of share based awards	—	6,187	1,090	—	—	(7,277)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(1,102)	(3,159)	—	—	—	(4,261)	(1,688)	(5,949)
Share of reserves of associates	—	—	—	—	—	—	782	—	—	—	782	—	782
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	651	—	—	—	651	(651)	—
<b>At 30 June 2021</b>	5,316	2,540,693	(10,091)	468,700	443,939 <sup>#</sup>	582,052 <sup>#</sup>	3,841,025 <sup>#</sup>	15,958 <sup>#</sup>	(173,981) <sup>#</sup>	16,888,533 <sup>#</sup>	24,602,144	3,663,483	28,265,627

# These reserve accounts comprise the consolidated other reserves of RMB21,597,526,000 (31 December 2020: RMB21,439,482,000) in the interim condensed consolidated statement of financial position.

	ATTRIBUTABLE TO OWNERS OF THE PARENT												
	ISSUED CAPITAL RMB'000 (UNAUDITED)	SHARE PREMIUM ACCOUNT RMB'000 (UNAUDITED)	TREASURY SHARES RMB'000 (UNAUDITED)	EQUITY COMPONENT OF CONVERTIBLE BONDS RMB'000 (UNAUDITED)	STATUTORY RESERVES RMB'000 (UNAUDITED)	SHARE-BASED COMPENSATION RESERVE RMB'000 (UNAUDITED)	OTHER CAPITAL RESERVE RMB'000 (UNAUDITED)	FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RMB'000 (UNAUDITED)	FOREIGN CURRENCY TRANSLATION RESERVE RMB'000 (UNAUDITED)	RETAINED PROFITS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)	NON-CONTROLLING INTERESTS RMB'000 (UNAUDITED)	TOTAL EQUITY RMB'000 (UNAUDITED)
<b>At 1 January 2020</b>	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(loss) for the period	—	—	—	—	—	—	—	—	—	9,157,588	9,157,588	(77,422)	9,080,166
Other comprehensive income(loss) for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	816,507	—	—	816,507	—	816,507
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	8,966	—	8,966	(15,599)	(6,633)
Reclassification adjustments for deemed disposal of a subsidiary (note 8)	—	—	—	—	—	—	—	—	64,475	—	64,475	—	64,475
Share of other comprehensive income of associates	—	—	—	—	—	—	—	11,731	26,987	—	38,718	—	38,718
Total comprehensive income(loss) for the period	—	—	—	—	—	—	—	828,238	100,428	9,157,588	10,086,254	(93,021)	9,993,233
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(155,057)	(155,057)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	—	—	—	—	—	—	—	465,906	—	(465,906)	—	—	—
Final 2019 dividend declared	—	(124,861)	—	—	—	—	—	—	—	—	(124,861)	—	(124,861)
Distribution in specie	—	(130,033)	—	—	—	—	—	—	—	—	(130,033)	—	(130,033)
Issue of convertible bonds (note 15)	—	—	—	468,700	—	—	—	—	—	—	468,700	—	468,700
Share-based compensation costs (note 14)	—	—	—	—	—	91,920	—	—	—	—	91,920	37,582	129,502
Vesting and settlement of share-based awards	—	6,933	1,088	—	—	(24,004)	17,949	—	—	—	1,966	1,590	3,556
Share of reserves of associates	—	—	—	—	—	—	28,781	—	—	—	28,781	—	28,781
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	(5,619)	—	—	—	(5,619)	(26,351)	(31,970)
Deemed disposal of a subsidiary (note 8)	—	—	—	—	(7,571)	(96,782)	(195,714)	—	—	300,067	—	1,693,847	1,693,847
<b>At 30 June 2020</b>	5,316	2,747,644	(13,543)	468,700	341,416	527,725	3,854,217	221,217	492,320	15,569,244	24,214,256	3,270,823	27,485,079

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax			
From continuing operations		<b>492,714</b>	780,838
From a discontinued operation		—	9,523,089
Adjustments for:			
Gain on disposal of property, plant and equipment		<b>(94)</b>	(99)
Depreciation of property, plant and equipment	6	<b>59,362</b>	327,896
Depreciation of investment properties	6	<b>766</b>	750
Depreciation of right-of-use assets	6	<b>28,237</b>	44,609
Amortisation of other intangible assets	6	<b>15,839</b>	11,199
Finance costs	6	<b>71,171</b>	203,233
Finance income		<b>(192,749)</b>	(219,073)
Fair value (gains)/losses on financial instruments at fair value through profit or loss, net	5	<b>(77,974)</b>	20,268
Share-based compensation costs		<b>72,394</b>	128,943
Impairment of trade and other receivables	6	<b>45,426</b>	15,508
Share of losses/(profits) of joint ventures		<b>15,837</b>	(9,672)
Share of losses of associates		<b>435,697</b>	254,351
Foreign exchange differences, net	5	<b>(14,305)</b>	31,082
Gain on deemed disposal of a joint venture	5	<b>(3,033)</b>	—
Loss on deemed disposal of associates	5	<b>10,488</b>	40,045
Gain on deemed disposal of a subsidiary	8	—	(10,166,559)
Impairment of loans to an associate	5	—	38,517
Gain on distribution in specie	5	—	(3,688)
Loss on exchange for equity investments designated at fair value through other comprehensive income	5	—	676
Impairment of investments in an associate	5	—	3,932
Compensation to a shareholder of a joint venture	5	<b>4,039</b>	—
		<b>963,815</b>	1,025,845
Decrease/(increase) in trade receivables		<b>9,527</b>	(601,096)
(Increase)/decrease in prepayments, other receivables and other assets		<b>(6,516)</b>	5,125
(Increase)/decrease in other non-current assets		<b>(4,724)</b>	5,188
Decrease/(increase) in inventories		<b>180</b>	(2,389)
Increase in trade payables		<b>44,635</b>	643,835
Increase in deferred revenue		<b>139,411</b>	295,472
Decrease in other payables and accruals		<b>(119,602)</b>	(10,582)
Cash generated from operations		<b>1,026,726</b>	1,361,398
Interest received		<b>59,937</b>	74,961
Income tax paid		<b>(217,682)</b>	(128,301)
Net cash flows from operating activities		<b>868,981</b>	1,308,058

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2021

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
NOTES		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>98,022</b>	134,066
Purchases of property, plant and equipment	<b>(114,078)</b>	(401,382)
Purchases of other intangible assets	<b>(6,742)</b>	(4,024)
Increase in time deposits with original maturity of over three months when acquired	<b>(885,790)</b>	(4,421,306)
Investments in joint ventures	<b>(14,200)</b>	(41,100)
Investments in associates	—	(174,910)
Repurchase of financial assets at fair value through profit or loss	<b>772,542</b>	—
Disposal of property, plant and equipment	<b>378</b>	65
Decrease/(increase) in other loans	<b>899</b>	(9,490)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	—	412,111
Receipt of government grants for property, plant and equipment	—	1,020
Acquisition of a subsidiary, net of cash acquired	—	201
Dividends received from an associate	<b>13,000</b>	—
Deemed disposal of a subsidiary	8	(1,771,891)
Advance from disposal of an associate	<b>27,000</b>	—
Net cash flows used in investing activities	<b>(108,969)</b>	(6,276,640)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2021

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of convertible bonds	15	—	2,767,564
Cash settlement of share options issued by a subsidiary		(5,949)	(924)
Repayment of bank loans		—	(530,663)
Decrease in restricted cash		9,699	—
Principal portion of lease payments		(2,277)	(42,319)
Dividends paid	16	(227,736)	(113,987)
Dividends paid to non-controlling interests		(172,604)	(118,027)
Interest paid		(13,647)	(7,429)
Net cash flows (used in)/from financing activities		(412,514)	1,954,215
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>347,498</b>	(3,014,367)
Cash and cash equivalents at beginning of the period		4,455,271	7,329,845
Effect of foreign exchange rate changes, net		(10,938)	5,350
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>4,791,831</b>	4,320,828
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	11	2,569,190	1,293,192
Deposits with original maturity of less than three months when acquired	11	2,222,641	3,027,636
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>4,791,831</b>	4,320,828

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 1. CORPORATE INFORMATION

Kingsoft Corporation Limited (the "Company") was incorporated under the Companies Act of the British Virgin Islands on 20 March 1998. On 15 November 2005, the Company was redomiciled to the Cayman Islands under the Company Law (2004 revision) of the Cayman Islands. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Suite 3208, 32/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares have been listed on the Stock Exchange of Hong Kong Limited since 9 October 2007.

During the six months ended 30 June 2021, the Company and its subsidiaries (together, the "Group") were involved in the following principal activities:

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

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020. The interim condensed consolidated statement of profit or loss for the three months ended 30 June 2021 and 2020 included in page 24 of the interim financial information is only for reference.

### 2.2. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

*Interest Rate Benchmark Reform — Phase 2*

Amendment to IFRS 16

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. Changes in accounting policies and disclosures (continued)

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions in the period ended 30 June 2021.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

### 3. OPERATING SEGMENTS

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 entertainment software and others segment engages in the research and development of games, and the provision of online games, mobile games and casual game services; and
- (b) 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.

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. 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/(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.

	<b>ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)</b>	<b>OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)</b>	<b>TOTAL RMB'000 (UNAUDITED)</b>
<b>For the six months ended 30 June 2021</b>			
<b>Segment revenue</b> (note 4)			
Sales	<b>1,481,923</b>	<b>1,557,210</b>	<b>3,039,133</b>
<b>Segment results</b>	<b>236,842</b>	<b>499,518</b>	<b>736,360</b>
<i>Reconciliation:</i>			
Other gains, net			<b>80,785</b>
Finance income			<b>192,749</b>
Finance costs (other than interest on lease liabilities)			<b>(65,646)</b>
Share of losses of:			
Joint ventures			<b>(15,837)</b>
Associates			<b>(435,697)</b>
Profit before tax from continuing operations			<b>492,714</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 3. OPERATING SEGMENTS (continued)

	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
<b>For the six months ended 30 June 2020</b>			
<b>Segment revenue</b> (note 4)			
Sales	1,677,743	913,700	2,591,443
<b>Segment results</b>			
	668,715	260,077	928,792
<i>Reconciliation:</i>			
Other losses, net			(101,425)
Finance income			208,089
Finance costs (other than interest on lease liabilities)			(29,033)
Share of profits and losses of:			
Joint ventures			11,121
Associates			(236,706)
Profit before tax from continuing operations			780,838

### Geographical information

#### (a) Revenue of continuing operations

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
Mainland China	2,874,043	2,487,178
Hong Kong	144,996	96,991
Other countries and regions	20,094	7,274
Total	3,039,133	2,591,443

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

#### (b) Non-current assets

	30 JUNE 2021 RMB'000 (UNAUDITED)	31 DECEMBER 2020 RMB'000 (AUDITED)
China	2,040,950	2,045,089
Other countries and regions	2,719	3,243
Total	2,043,669	2,048,332

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 4. REVENUE AND OTHER INCOME

An analysis of revenue of continuing operations is as follows:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
Revenue from contracts with customers	3,025,259	2,579,844
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	13,874	11,599
	<b>3,039,133</b>	2,591,443

### Disaggregated revenue information

For the six months ended 30 June 2021

SEGMENTS	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
<b>Types of goods or services</b>			
Game services	1,177,979	—	1,177,979
Sales and subscription of software and related services	—	1,372,124	1,372,124
Royalties	243,735	—	243,735
Online marketing services	—	184,824	184,824
Others	46,597	—	46,597
Total revenue from contracts with customers	<b>1,468,311</b>	<b>1,556,948</b>	<b>3,025,259</b>
<b>Geographical markets</b>			
Mainland China	1,353,273	1,506,896	2,860,169
Hong Kong	110,386	34,610	144,996
Other countries	4,652	15,442	20,094
Total revenue from contracts with customers	<b>1,468,311</b>	<b>1,556,948</b>	<b>3,025,259</b>
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	58,983	679,603	738,586
Services transferred over time	1,409,328	877,345	2,286,673
Total revenue from contracts with customers	<b>1,468,311</b>	<b>1,556,948</b>	<b>3,025,259</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 4. REVENUE AND OTHER INCOME (continued)

Disaggregated revenue information (continued)

For the six months ended 30 June 2020

SEGMENTS	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
<b>Types of goods or services</b>			
Game services	1,323,076	—	1,323,076
Sales and subscription of software and related services	—	744,685	744,685
Royalties	287,582	—	287,582
Online marketing services	—	168,859	168,859
Others	55,642	—	55,642
Total revenue from contracts with customers	1,666,300	913,544	2,579,844
<b>Geographical markets</b>			
Mainland China	1,591,769	883,810	2,475,579
Hong Kong	68,021	28,970	96,991
Other countries	6,510	764	7,274
Total revenue from contracts with customers	1,666,300	913,544	2,579,844
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	59,588	223,799	283,387
Services transferred over time	1,606,712	689,745	2,296,457
Total revenue from contracts with customers	1,666,300	913,544	2,579,844

### Other income

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
Government grants	150,859	112,451
Others	5,723	409
	<b>156,582</b>	112,860

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 5. OTHER GAINS/(LOSSES), NET

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
Gain on deemed disposal of a joint venture	3,033	—
Loss on deemed disposal of associates	(10,488)	(40,045)
Foreign exchange differences, net	14,305	(1,675)
Fair value gains/(losses) on financial instruments at fair value through profit or loss, net	77,974	(20,268)
Impairment of investments in an associate	—	(3,932)
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)
Others	(4,039)	—
	<b>80,785</b>	(101,425)

## 6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
Employee benefit expenses	1,358,113	911,754
Depreciation of property, plant and equipment	59,362	53,442
Depreciation of investment properties	766	750
Depreciation of right-of-use assets	28,237	30,220
Amortisation of other intangible assets	15,839	6,273
Interest on bank loans, lease liabilities and convertible bonds	71,171	34,129
Impairment of trade and other receivables	45,426	38

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 7. INCOME TAX EXPENSE

The People's Republic of China (the "PRC") corporate income tax represents the tax charged on the estimated assessable profits arising in the Mainland China during the period. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to tax holidays and preferential tax rates.

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
Current income tax	101,780	190,258
Deferred income tax	(61,620)	(43,082)
Income tax expense	40,160	147,176

## 8. DISCONTINUED OPERATION

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 8. DISCONTINUED OPERATION (continued)

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

	<b>RMB'000</b> <b>(UNAUDITED)</b>
<hr/>	
Net assets disposed of:	
Property, plant and equipment	1,761,924
Other intangible assets	7,517
Investments in joint ventures	59,856
Investments in associates	39,563
Financial assets at fair value through profit or loss	9,072
Inventories	2,388
Trade receivables	1,902,446
Prepayments, other receivables and other assets	562,944
Right-of-use assets	271,903
Cash and cash equivalents	1,771,891
Time deposits with original maturity of over three months when acquired	228,530
Trade payables	(1,848,288)
Other payables and accruals	(1,007,791)
Interest-bearing bank loans	(174,351)
Lease liabilities	(279,770)
Deferred revenue	(8,925)
Income tax payable	(18,139)
Deferred tax liabilities	(147)
Derivative financial instruments	(129,723)
Liability component of redeemable convertible preferred shares	(3,785,716)
Non-controlling interests	1,693,847
	1,059,031
Exchange fluctuation reserve	64,475
	1,123,506
Gain on deemed disposal of a subsidiary	10,166,559
	11,290,065
Investment in an associate	11,290,065

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 8. DISCONTINUED OPERATION (continued)

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

	<b>FOR THE SIX MONTHS ENDED 30 JUNE 2020 RMB'000 (UNAUDITED)</b>
Cash consideration	—
Cash and cash equivalents disposed of	(1,771,891)
<b>Net cash outflows from the deemed disposal of a subsidiary</b>	<b>(1,771,891)</b>

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

	<b>FOR THE SIX MONTHS ENDED 30 JUNE 2020* RMB'000 (UNAUDITED)</b>
Revenue	1,788,395
Total expenses	(2,431,865)
Loss before tax from the discontinued operation	(643,470)
Gain on deemed disposal of a subsidiary	10,166,559
Income tax:	
Related to pre-tax profit	(6,450)
Related to gain on deemed disposal	(1,070,135)
<b>Profit for the period from the discontinued operation</b>	<b>8,446,504</b>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 8. DISCONTINUED OPERATION (continued)

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

	<b>FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)</b>
<hr/>	
Earnings per share:	
Basic, from the discontinued operation	RMB6.41
Diluted, from the discontinued operation	RMB6.39
<hr/>	
Profit attributable to ordinary equity holders of the parent from the discontinued operation	RMB8,764,699,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (note 9)	1,366,890,596
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 9)	1,370,720,358
<hr/>	

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,368,375,045 (six months ended 30 June 2020: 1,366,890,596) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period 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 period, 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 period ended 30 June 2021 in respect of the convertible bonds outstanding as the impact was anti-dilutive.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 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:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
<i>Earnings</i>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:		
From continuing operations	<b>165,236</b>	392,889
From a discontinued operation	—	8,764,699
	<b>165,236</b>	9,157,588
Decrease in earnings/increase in loss adjusted for the share option schemes and the share award schemes adopted by the Group's subsidiaries	<b>(4,496)</b>	(10,790)
	<b>160,740</b>	9,146,798
Attributable to:		
Continuing operations	<b>160,740</b>	382,099
Discontinued operation	—	8,764,699
	<b>160,740</b>	9,146,798
<b>NUMBER OF SHARES FOR THE SIX MONTHS ENDED 30 JUNE</b>		
	2021 (UNAUDITED)	2020 (UNAUDITED)
<i>Shares</i>		
Weighted average number of ordinary shares in issue less shares held for the share award schemes during the period used in the basic earnings per share calculation	<b>1,368,375,045</b>	1,366,890,596
Effect of dilution — weighted average number of ordinary shares:		
Share options	<b>2,896,088</b>	834,941
Awarded shares	<b>2,228,972</b>	2,994,821
	<b>1,373,500,105</b>	1,370,720,358

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 10. TRADE RECEIVABLES

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

	<b>30 JUNE 2021 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2020 RMB'000 (AUDITED)</b>
0–30 days	<b>381,372</b>	339,534
31–60 days	<b>62,359</b>	127,072
61–90 days	<b>78,001</b>	58,415
91–365 days	<b>145,654</b>	187,915
1 to 2 years	<b>45,354</b>	48,627
Over 2 years	<b>19,788</b>	10,922
	<b>732,528</b>	772,485

## 11. CASH AND BANK DEPOSITS AND RESTRICTED CASH

	<b>30 JUNE 2021 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2020 RMB'000 (AUDITED)</b>
Cash and bank balances	<b>2,569,190</b>	1,471,825
Non-pledged time deposits with original maturity of less than three months when acquired	<b>1,399,732</b>	2,569,546
Principal protected structure deposits with original maturity of less than three months when acquired	<b>822,909</b>	413,900
	<b>4,791,831</b>	4,455,271
Non-pledged time deposits with original maturity of over three months when acquired	<b>5,170,654</b>	2,749,999
Principal protected structure deposits with original maturity of over three months when acquired	<b>5,284,671</b>	6,843,799
	<b>10,455,325</b>	9,593,798
Cash and bank deposits	<b>15,247,156</b>	14,049,069
Restricted cash	<b>3,403</b>	13,079
	<b>15,250,559</b>	14,062,148

Notes:

- (i) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of one day to a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.
- (ii) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 12. TRADE PAYABLES

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

	<b>30 JUNE 2021 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2020 RMB'000 (AUDITED)</b>
0–30 days	<b>161,621</b>	105,679
31–60 days	<b>41,399</b>	60,335
61–90 days	<b>24,533</b>	60,342
91–365 days	<b>79,659</b>	44,696
Over one year	<b>6,207</b>	19,803
	<b>313,419</b>	290,855

## 13. SHARE CAPITAL

The movement of the Company's share capital is as follows:

	<b>NUMBER OF SHARES IN ISSUE (UNAUDITED)</b>	<b>ISSUED SHARE CAPITAL RMB'000 (UNAUDITED)</b>	<b>SHARE PREMIUM ACCOUNT RMB'000 (UNAUDITED)</b>	<b>TREASURY SHARES RMB'000 (UNAUDITED)</b>	<b>TOTAL RMB'000 (UNAUDITED)</b>
At 1 January 2021	<b>1,368,042,540</b>	<b>5,316</b>	<b>2,762,242</b>	<b>(11,181)</b>	<b>2,756,377</b>
Vesting of awarded shares	<b>461,220</b>	—	<b>6,187</b>	<b>1,090</b>	<b>7,277</b>
Final 2020 dividend declared	—	—	<b>(227,736)</b>	—	<b>(227,736)</b>
At 30 June 2021	<b>1,368,503,760*</b>	<b>5,316</b>	<b>2,540,693</b>	<b>(10,091)</b>	<b>2,535,918</b>

\* Excluding 4,224,957 (31 December 2020: 4,686,177) shares held by the Share Award Scheme Trust as at 30 June 2021.

### Share options

Details of the Company's share option schemes and the share options issued under these schemes are included in note 14 to the financial statement.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 14. SHARE-BASED COMPENSATION COSTS

### The Company's share award arrangements

- (a) The Company operates the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Share Option Scheme include the Company's executive directors (exclusive of any non-executive director) and other employees of the Group. The 2011 Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The following table illustrates the number of and movements in the share options outstanding under the 2011 Share Option Scheme during the six months ended 30 June 2021 and 2020, and their weighted average exercise prices ("WAEP"):

	2021		2020	
	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP HK\$ PER SHARE (UNAUDITED)	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP HK\$ PER SHARE (UNAUDITED)
Outstanding at 1 January and 30 June	4,600,000	20.58	4,600,000	20.58
Exercisable at 30 June	3,560,000	20.50	2,640,000	20.48

The share options outstanding as at the end of reporting period were granted during 21 April 2017 to 23 November 2017 and the vesting periods of these share options were various from 1 to 5 years. The exercise period of the share options granted under the 2011 Share Option Scheme shall be any time after the end of the vesting period and before the tenth anniversary of the grant date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 14. SHARE-BASED COMPENSATION COSTS (continued)

### The Company's share award arrangements (continued)

- (b) 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. On 25 November 2010, the directors of the Company resolved to extend the termination date of the Share Award Scheme from 30 March 2013 to 30 March 2017. On 19 November 2016, the directors of the Company resolved to extend the termination date of the Share Award Scheme from 30 March 2017 to 30 March 2022. On 5 July 2021, the directors of the Company resolved to extend the termination date of the Share Award Scheme from 30 March 2022 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 table illustrates the number of and movements in the Share Award Scheme during the six months ended 30 June 2021 and 2020.

	<b>2021 NUMBER OF AWARDED SHARES (UNAUDITED)</b>	<b>2020 NUMBER OF AWARDED SHARES (UNAUDITED)</b>
Outstanding at 1 January	<b>2,735,280</b>	3,462,200
Granted during the period	—	810,000
Forfeited during the period	—	(3,200)
Vested during the period	<b>(461,220)</b>	(469,960)
Outstanding at 30 June	<b>2,274,060</b>	3,799,040

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 14. SHARE-BASED COMPENSATION COSTS (continued)

### Seasun Holdings' share award arrangements

- (a) On 27 June 2013 (the "Seasun Holdings Share Option Adoption Date"), the shareholders of the Company and Seasun Holdings, a subsidiary of the Company, approved and adopted the Seasun Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Seasun Holdings, its subsidiaries are entitled to participate. The maximum number of ordinary shares under the Seasun Holdings Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 80,000,000 shares (representing 10% of the shares in issue). On 24 May 2017, the shareholders of the Company and Seasun Holdings approved to amend the maximum number of ordinary shares, which may be issued upon exercise in the Seasun Holdings Share Option Scheme, to be 40,000,000 shares. The Seasun Holdings Share Option Scheme shall be valid and effective for a term of ten years commencing on the Seasun Holdings Share Option Adoption Date. The exercise price and exercise period of share options are determinable by the board of Seasun Holdings.

The following table illustrates the numbers of and movements in the Seasun Holdings Share Option Scheme during the six months ended 30 June 2021 and 2020.

	2021		2020	
	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)
Outstanding at 1 January	22,277,500	4.30	22,541,500	4.31
Granted during the period	1,930,889	8.05	—	—
Forfeited during the period	(590,000)	7.19	(130,000)	3.77
Cancelled during the period	(350,000)	6.35	—	—
Outstanding at 30 June	23,268,389	3.85	22,411,500	4.32
Exercisable at 30 June	13,844,800	2.72	9,058,000	1.80

The share options outstanding as at the end of reporting period were granted during 18 July 2013 to 27 May 2021 and the vesting period of these share options were various from 4 to 5 years. The exercise period of the share options granted under the Seasun Holdings Share Option Scheme shall be any time after the end of the vesting period and before the tenth anniversary of the grant date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 14. SHARE-BASED COMPENSATION COSTS (continued)

### Seasun Holdings' share award arrangements (continued)

- (b) On 21 March 2017, the directors of the Company and Seasun Holdings approved and adopted the Seasun Holdings Share Award Scheme, in which selected employees of Seasun Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of Seasun Holdings, the Seasun Holdings Share Award Scheme is valid and effective for a term of ten years commencing from 21 March 2017. The directors of Seasun Holdings will not grant those awarded shares which would result in the total number of shares (but not counting any shares which have lapsed or have been forfeited) being greater than 50,832,211 shares, as at the date of such grant.

The following table illustrates the number of and movements in the Seasun Holdings Awarded Shares during the six months ended 30 June 2021 and 2020.

	<b>2021 NUMBER OF AWARDED SHARES (UNAUDITED)</b>	<b>2020 NUMBER OF AWARDED SHARES (UNAUDITED)</b>
Outstanding at 1 January	<b>43,136,799</b>	43,162,049
Granted during the period	<b>6,289,662</b>	—
Forfeited during the period	<b>(50,000)</b>	(15,250)
Outstanding at 30 June	<b>49,376,461</b>	43,146,799

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 14. SHARE-BASED COMPENSATION COSTS (continued)

### Kingsoft Office's share award arrangements

- (a) On 2 June 2021, the shareholders of Beijing Kingsoft Office Software, Inc. ("Beijing Kingsoft Office"), a subsidiary of the Company, approved and adopted the Kingsoft Office Share Award Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Beijing Kingsoft Office and its subsidiaries are entitled to participate. The maximum number of ordinary shares under the Kingsoft Office Share Award Scheme which may be issued upon exercise of all restricted share units (the "RSUs") with option features to be granted may not in aggregate exceed 870,000 shares (representing 0.19% of the shares of Beijing Kingsoft Office in issue). The Kingsoft Office Share Award Scheme shall be valid and effective for a term of five years commencing on 2 June 2021. The exercise price and exercise period of RSUs are determinable by the board of Beijing Kingsoft Office.

The following table illustrates the numbers of and movements of RSUs granted under the Kingsoft Office Share Award Scheme during the six months ended 30 June 2021.

	<b>2021 NUMBER OF RSUs (UNAUDITED)</b>	<b>2021 WAEP RMB PER SHARE (UNAUDITED)</b>
Outstanding at 1 January	—	—
Granted during the period	700,000	45.86
Outstanding at 30 June	700,000	45.86
Exercisable at 30 June	—	—

The RSUs outstanding as at the end of reporting period were granted on 2 June 2021 and the vesting period of these RSUs were various from 1 to 3 years. The exercise period of the RSUs granted under the Kingsoft Office Share Award Scheme shall be any time after the end of the vesting period and before the fifth anniversary of the grant date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 14. SHARE-BASED COMPENSATION COSTS (continued)

### Kingsoft Office's share award arrangements (continued)

- (b) On 3 December 2012, the directors of the Company and Kingsoft Office Holdings Limited ("KOS Holdings") approved and adopted the share award scheme (the "KOS Share Award Scheme"), in which selected employees of KOS Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of KOS Holdings, the KOS Share Award Scheme shall be valid and effective for a term of ten years from 3 December 2012. In November 2015, pursuant to the approval of the directors and the shareholders of KOS Holdings and a series of agreements, all the outstanding awarded shares under the KOS Share Award Scheme were replaced by the restricted shares of Beijing Kingsoft Office, held through certain limited partnerships. The limited partnerships were set up for the purpose of holding the shares of Beijing Kingsoft Office, the assets and liabilities of which are included in the interim condensed consolidated statement of financial position.

The following table illustrates the number of and movements in the restricted shares granted by Beijing Kingsoft Office during the six months ended 30 June 2021 and 2020.

	<b>2021 NUMBER OF RESTRICTED SHARES (UNAUDITED)</b>	<b>2020 NUMBER OF RESTRICTED SHARES (UNAUDITED)</b>
Outstanding at 1 January	<b>5,430,831</b>	8,441,832
Vested during the period	<b>(75,000)</b>	(153,000)
Outstanding at 30 June	<b>5,355,831</b>	8,288,832

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 15. CONVERTIBLE BONDS

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

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

In accordance with the terms and conditions of the 2020 Convertible Bonds, the aggregate payment of the special dividend in relation to the spin-off and separate listing of Kingsoft Cloud, the 2019 final dividend and the 2020 final dividend distributed by the Company resulted in adjustments (the "Adjustments") to the conversion price of the 2020 Convertible Bonds. The Adjustments became effective on 8 June 2021, the respective conversion price of the 2020 Convertible Bonds was adjusted to HKD35.32 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 period ended 30 June 2021.

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

	<b>RMB'000</b>
Nominal value of the 2020 convertible bonds issued	2,827,820
Equity component	(468,700)
Direct transaction costs attributable to the liability component	(60,256)
Liability component at the issuance date	2,298,864
Interest expenses	91,058
Interest paid	(8,399)
Exchange realignment	(182,120)
Carrying amount as at 31 December 2020	2,199,403
Portion included in other payables	(2,808)
<b>Liability component as at 31 December 2020 and 1 January 2021</b>	<b>2,196,595</b>
Interest expenses	<b>65,643</b>
Interest paid	<b>(8,118)</b>
Exchange realignment	<b>(24,854)</b>
<b>Liability component as at 30 June 2021</b>	<b>2,229,266</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 16. DIVIDENDS

A final 2020 dividend of HK\$0.20 per ordinary share totalling HK\$273,688,000 (equivalent to RMB227,736,000), proposed by the board of directors of the Company ("Board") was approved by the shareholders of the Company (the "Shareholders") on 26 May 2021.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

## 17. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	NOTE	30 JUNE 2021 RMB'000 (UNAUDITED)	31 DECEMBER 2020 RMB'000 (AUDITED)
Contracted, but not provided for:			
Development of land and buildings	(a)	198,482	190,892
Purchase of property, plant and equipment		—	559
		<b>198,482</b>	191,451

- (a) As at 30 June 2021, the Group's capital commitment for the development of a piece of land in Zhuhai and leasehold improvements were RMB148,513,000 and RMB49,969,000, respectively (31 December 2020: RMB188,318,000 and RMB2,574,000, respectively).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2021 RMB'000 (UNAUDITED)	2020 RMB'000 (UNAUDITED)
Interest income from a joint venture of the Group		237	—
Interest income from associates of the Group		324	60
Interest income from non-controlling shareholders of subsidiaries		10	486
Provision of services to a company controlled by a director of the Company*	(i)	6,247	221,642
Provision of services to associates	(ii)	10,201	7,942
Licence fee from a company whose parent has a significant influence on the Company	(iii)	137,336	195,210
Licence fee from an associate	(iv)	4,177	5,605
Sales of products to a company controlled by a director of the Company		—	82
Purchases of products from a company controlled by a director of the Company	(v)	375	1,902
Purchases of services from a company controlled by a director of the Company	(vi)	7,373	16,598
Licence fee to a joint venture	(vii)	57,534	84,989
Rental to a company controlled by a director of the Company*	(viii)	19,458	37,807
Purchase of cloud services from an associate	(ix)	66,026	16,734

\* The amounts for the six months ended 30 June 2020 included the transactions from the discontinued operation prior to the deemed disposal on 8 May 2020.

- (i) In prior years, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group provides various services, mainly including cloud storage services and promotion services, to this related company and its affiliates at the prevailing fair market price in the same industry for similar transactions.
- (ii) In 2017, the Group entered into agreements with associates to provide technology support and leasing services to them at the prevailing fair market price.
- (iii) During 2015 to 2019, the Group entered into various licensing agreements with a company whose parent has a significant influence on the Company to operate the Group's online games with this related company at the prevailing fair market price.
- (iv) In 2017, the Group entered into an exclusive licensing agreement with an associate to grant the exclusive right to use certain office software.
- (v) In prior years, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group purchased hardware products, including but not limited to smart phones and phone accessories at market price from affiliates of this related company.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 18. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

- (vi) In prior years, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, affiliates of this related company provide various forms of promotion services to the Group through the internet platforms. The price is based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting similar transactions.
- (vii) In 2015 and 2016, the Group entered into the game joint development and operation agreement with a joint venture to jointly develop and operate the Group's online games at the prevailing fair market price.
- (viii) During 2018 to 2019, the Group entered into lease agreements with a company controlled by a director of the Company at the prevailing market rent of similar properties and business nature in nearby locations. As at 30 June 2021, the carrying amounts of right-of-use assets and lease liabilities in respect with the lease agreements were RMB153,210,000 (31 December 2020: RMB185,082,000) and RMB177,487,000 (31 December 2020: RMB190,475,000), respectively.
- (ix) During 2014 to 2020, the continuing operations of the Group entered into cloud service agreements with Kingsoft Cloud Group. Pursuant to the agreements, Kingsoft Cloud Group provides cloud services to the continuing operations at market price. After 8 May 2020, Kingsoft Cloud has become an associate of the Group and the transactions with Kingsoft Cloud Group are disclosed as related party transactions thereafter.
- (x) In 2014 and 2016, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group jointly operates the Group's online games operations with an affiliate of this related company by ways of exclusive and non-exclusive licensing arrangements. The Company received licensing fee from the affiliate of the related company under the exclusive licensing arrangements. Besides, the affiliate of this related company also acted as a distribution platform to collect payments from players on behalf of the Group and charged the Group with commission under the non-exclusive licensing arrangements. The total amount remitted to the Group for the six months ended 30 June 2021 amounted to RMB2,711,000 (six months ended 30 June 2020: RMB3,280,000), including the licensing fee, and the payment collected on behalf of the Group after deduction of commission. The licensing fee and commission were charged at the prevailing market price.
- (b) Since 2016, the Group has guaranteed the non-revolving banking facilities granted to Kingsoft Cloud Group amounting to RMB400,000,000, of which RMB335,137,000 was utilised by Kingsoft Cloud Group in prior years. After 8 May 2020, Kingsoft Cloud became an associate of the Group and the guarantee is disclosed as a related party transaction thereafter. As at 30 June 2021, the facilities not yet drawn by Kingsoft Cloud Group and the outstanding bank loans of Kingsoft Cloud Group under the facilities were RMB64,863,000 (31 December 2020: RMB64,863,000) and RMB74,351,000 (31 December 2020: RMB74,351,000), respectively.
- (c) Compensation of key management personnel of the Group (including directors' remuneration):

	<b>FOR THE SIX MONTHS ENDED 30 JUNE</b>	
	<b>2021 RMB'000 (UNAUDITED)</b>	<b>2020 RMB'000 (UNAUDITED)</b>
Salaries, allowances, and benefits in kind	<b>3,206</b>	4,245
Pension scheme contributions	<b>72</b>	20
Share-based compensation costs	<b>42,265</b>	46,447
<b>Total compensation paid to key management personnel</b>	<b>45,543</b>	50,712

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	CARRYING AMOUNTS		FAIR VALUES	
	30 JUNE 2021 RMB'000 (UNAUDITED)	31 DECEMBER 2020 RMB'000 (AUDITED)	30 JUNE 2021 RMB'000 (UNAUDITED)	31 DECEMBER 2020 RMB'000 (AUDITED)
<b>Financial assets</b>				
Loan receivables	4,053	4,584	3,526	3,988
Equity investments designated at fair value through other comprehensive income	10,725	10,725	10,725	10,725
Financial assets at fair value through profit or loss	3,440,966	4,109,506	3,440,966	4,109,506
	<b>3,455,744</b>	4,124,815	<b>3,455,217</b>	4,124,219
<b>Financial liabilities</b>				
Liability component of convertible bonds	2,229,266	2,196,595	2,126,877	2,461,287

Management has assessed that the fair values of cash and bank deposits, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer ("CFO") and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the CFO and the valuation process and results are discussed with the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of loans receivable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of an unlisted equity investment designated at fair value through other comprehensive income has been estimated using a market-based valuation technique and equity valuation allocation model. These valuation techniques are based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to revenue ("EV/Revenue") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investment to measure the fair value. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related changes in fair value which are recorded in other comprehensive income, are reasonable, and that it was the most appropriate value at the end of the reporting period.

The fair values of financial assets at fair value through profit or loss have been estimated as follows: (i) for wealth management products, the fair values have been estimated by using discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks; (ii) for subscription options, the fair values have been estimated by using the Black Scholes Model. The valuation requires the directors to make estimates about the life of option, dividend yield and expected volatility; and (iii) for other financial assets at fair value through profit or loss, the fair values have been estimated by reference to market approach or discount cashflow approach, and using equity valuation allocation model. The valuation requires the directors to make estimates about the underlying equity value, expected volatility and risk-free rate. The estimation of the underlying equity value is based on estimation of price multiple or expected future cash flows. These valuation techniques are based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from these valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

**As at 30 June 2021**

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (UNAUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (UNAUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (UNAUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (UNAUDITED)	
Equity investments designated at fair value through other comprehensive income	—	—	10,725	10,725
Financial assets at fair value through profit or loss	—	—	3,440,966	3,440,966
	—	—	3,451,691	3,451,691

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2020

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (AUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (AUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (AUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (AUDITED)	
Equity investments designated at fair value through other comprehensive income	—	—	10,725	10,725
Financial assets at fair value through profit or loss	—	—	4,109,506	4,109,506
	—	—	4,120,231	4,120,231

The movement of assets in fair value measurements in Level 3 during the period is as follows:

	RMB'000
Equity investments designated at fair value through other comprehensive income/ financial assets at fair value through profit or loss:	
At 1 January 2021 (Audited)	<b>4,120,231</b>
Decreases	<b>(744,275)</b>
Total gains recognised in profit or loss	<b>77,624</b>
Exchange differences	<b>(1,889)</b>
At 30 June 2021 (Unaudited)	<b>3,451,691</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

Assets measured at fair value: (continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021:

	VALUATION TECHNIQUES	SIGNIFICANT UNOBSERVABLE INPUTS	SENSITIVITY OF FAIR VALUE TO THE INPUT
Financial assets at fair value through profit or loss	Black Scholes Model	Fair value per share	5% increase (decrease) in fair value per share would result in increase (decrease) in fair value by RMB3,203,000 (RMB(133,000))

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 30 June 2020.

## 20. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: nil).

## 21. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 24 August 2021.

## TERMS AND GLOSSARIES

"2011 Share Option Scheme"	the share option scheme adopted by the Company on 9 December 2011
"2020 Convertible Bonds"	the convertible bonds issued by the Company on 29 April 2020
"AI"	artificial intelligence
"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Cheetah Mobile"	Cheetah Mobile Inc., an associated corporation of the Company and was listed on NYSE in May 2014
"Cheetah Share(s)"	ordinary share(s) of Cheetah Mobile Inc.
"Company"	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRSs"	International Financial Reporting Standards
"Kingsoft Cloud"	Kingsoft Cloud Holdings Limited, a subsidiary of the Company until its separate listing on NASDAQ in May 2020
"Kingsoft Cloud Group"	Kingsoft Cloud and its subsidiaries
"Kingsoft Office"	Beijing Kingsoft Office Software, Inc., a subsidiary of the Company and was listed on the STAR Market of Shanghai Stock Exchange in November 2019
"Kingsoft Office Group"	Kingsoft Office and its subsidiaries
"Kingsoft Office Share Award Scheme"	the share option scheme adopted by Kingsoft Office on 2 June 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## TERMS AND GLOSSARIES (continued)

"MAU"	monthly active users
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"NYSE"	New York Stock Exchange
"PRC", "China" or "Mainland China"	the People's Republic of China excluding, for the purpose of this interim report only, Hong Kong, the Macau Special Administrative Region and Taiwan
"R&D"	research and development
"RMB"	the lawful currency of the PRC
"Season Holdings"	Season Holdings Limited, a subsidiary of the Company
"Season Holdings Share Award Schemes"	the General Share Award Scheme, the Special Share Award Scheme (A) and the Special Share Award Scheme (B) approved and adopted by the shareholders and directors of Season Holdings on 21 March 2017
"Season Holdings Share Option Scheme"	the share option scheme of Season Holdings approved and adopted by the shareholders of the Company and Season Holdings on 27 June 2013
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Award Scheme"	the share award scheme of the Company adopted by the Board on 31 March 2008
"Stock Exchange"	the Stock Exchange of Hong Kong Limited