



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

KINGSOFT CORPORATION LIMITED

2023 INTERIM REPORT



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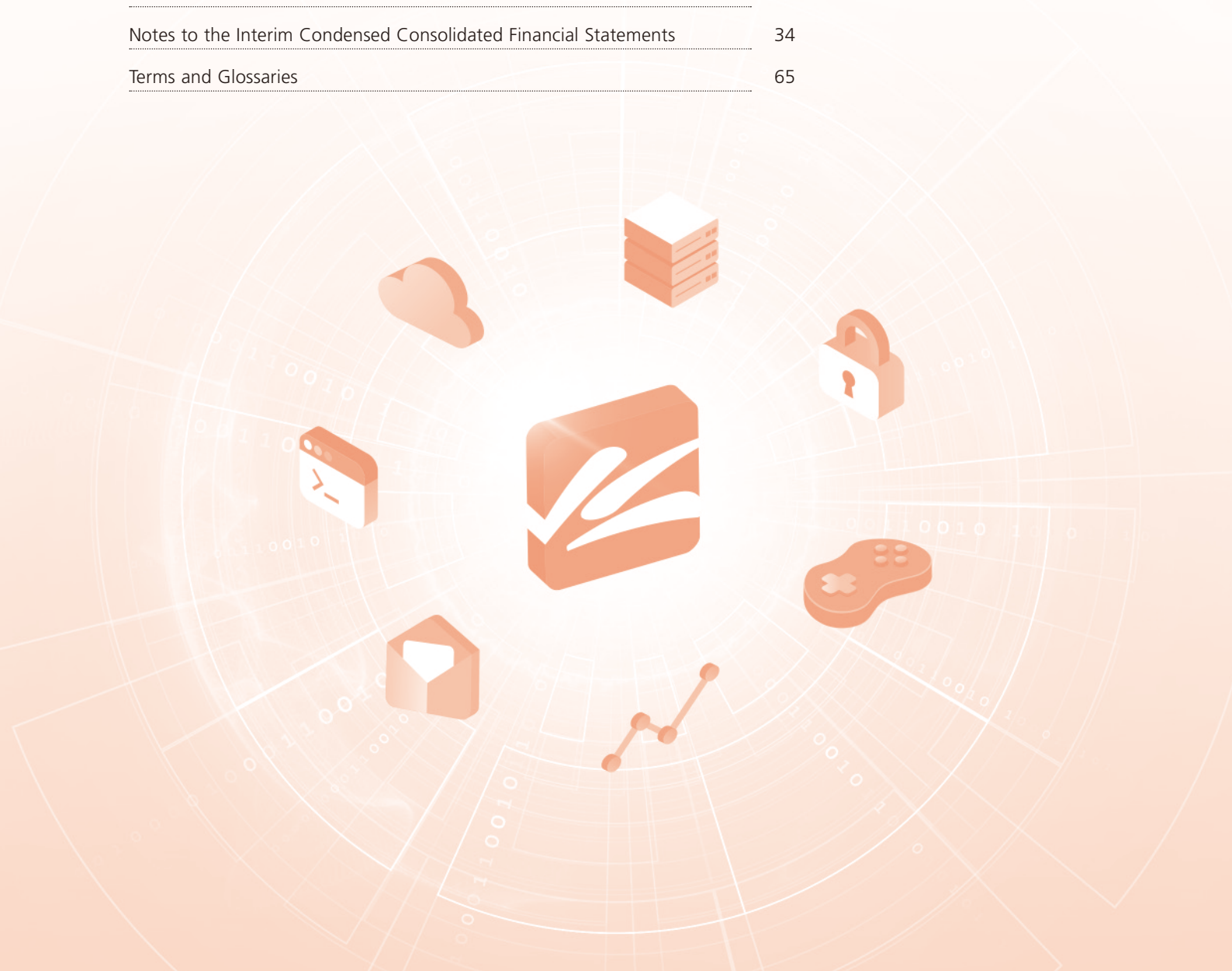
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CORPORATE INFORMATION

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

P. O. Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Executive Director

Mr. Tao ZOU

Non-executive Directors

Mr. Jun LEI (Chairman)

Mr. Pak Kwan KAU

Mr. Leiwen YAO

Independent Non-executive Directors

Mr. Shun Tak WONG

Mr. Zuotao CHEN

Ms. Wenjie WU

Audit Committee

Ms. Wenjie WU (Chairman)

Mr. Shun Tak WONG

Mr. Zuotao CHEN

Remuneration Committee

Mr. Shun Tak WONG (Chairman)

Mr. Jun LEI

Mr. Zuotao CHEN

Ms. Wenjie WU

Nomination Committee

Mr. Shun Tak WONG (Chairman)

Mr. Leiwen YAO

Ms. Wenjie WU

Environmental, Social and Governance Committee

Mr. Zuotao CHEN (Chairman)

Mr. Tao ZOU

Mr. Shun Tak WONG

Ms. Wenjie WU

CORPORATE INFORMATION (continued)

Board Secretary/Company Secretary

Ms. Hongyu LV

Authorised Representatives

Mr. Tao ZOU

Ms. Hongyu LV

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited

P. O. Box 1093

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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17/F. Hopewell Centre

183 Queen's Road East

Hong Kong

Auditor

Ernst & Young, Registered Public Interest Entity Auditor

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

Legal Advisor on Hong Kong Law

Baker & McKenzie

14th Floor, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

Principal Bankers

China CITIC Bank 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 2023	In June 2022	In March 2023	Year-on-year Change %	Quarter-on- quarter Change %
Office Software					
Monthly Active Devices of the key products* (Million)	584	570	589	2	(1)
			As at 30 June 2023	As at 30 June 2022	Year-on-year Change %
Accumulated paying subscribers** (Million)			33.24	28.56	16

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

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

FINANCIAL HIGHLIGHTS

	For the three months ended		
	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited) (Restated)	31 March 2023 RMB'000 (Unaudited)
Revenue			
Office software and services	1,120,845	924,576	1,051,652
Online games and others	1,072,645	909,576	918,655
	2,193,490	1,834,152	1,970,307
Cost of revenue	(361,644)	(366,497)	(344,914)
Gross profit	1,831,846	1,467,655	1,625,393
Research and development costs	(665,652)	(642,273)	(661,059)
Selling and distribution expenses	(301,049)	(282,967)	(351,154)
Administrative expenses	(153,371)	(153,134)	(149,788)
Share-based compensation costs	(90,937)	(62,823)	(72,786)
Other income	81,318	98,453	94,707
Other expenses	(26,442)	(6,183)	(25,011)
Operating profit	675,713	418,728	460,302
Other gains/(losses), net	(102,690)	5,769	44,044
Finance income	139,199	109,381	134,829
Finance costs	(41,716)	(38,592)	(40,758)
Share of profits and losses of:			
Joint ventures	(1,944)	469	(3,809)
Associates	(322,806)	(417,707)	(230,757)
Profit before tax	345,756	78,048	363,851
Income tax expense	(77,979)	(30,008)	(25,903)
Profit for the period	267,777	48,040	337,948
Attributable to:			
Owners of the parent	57,187	(140,206)	192,343
Non-controlling interests	210,590	188,246	145,605
	267,777	48,040	337,948
	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)	
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic	0.04	(0.10)	0.14
Diluted	0.04	(0.11)	0.14

FINANCIAL HIGHLIGHTS (continued)

	For the six months ended	
	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited) (Restated)
Revenue		
Office software and services	2,172,497	1,795,694
Online games and others	1,991,300	1,891,473
	4,163,797	3,687,167
Cost of revenue	(706,558)	(717,181)
Gross profit	3,457,239	2,969,986
Research and development costs	(1,326,711)	(1,250,532)
Selling and distribution expenses	(652,203)	(552,033)
Administrative expenses	(303,159)	(300,379)
Share-based compensation costs	(163,723)	(137,027)
Other income	176,025	198,133
Other expenses	(51,453)	(9,969)
Operating profit	1,136,015	918,179
Other gains/(losses), net	(58,646)	28,796
Finance income	274,028	224,402
Finance costs	(82,474)	(75,589)
Share of losses of:		
Joint ventures	(5,753)	(2,573)
Associates	(553,563)	(692,357)
Profit before tax	709,607	400,858
Income tax expense	(103,882)	(64,923)
Profit for the period	605,725	335,935
Attributable to:		
Owners of the parent	249,530	(42,064)
Non-controlling interests	356,195	377,999
	605,725	335,935
	RMB	RMB
	(Unaudited)	(Unaudited)
		(Restated)
Earnings/(loss) per share attributable to ordinary equity holders of the parent		
Basic	0.18	(0.03)
Diluted	0.17	(0.05)

BUSINESS REVIEW AND OUTLOOK

Our core businesses achieved robust growth in the second quarter of 2023. Kingsoft Office Group has seized emerging opportunities brought about by LLMs, and actively engages in product development within this field to enhance users' work efficiency. Meanwhile, it addresses the digital transformation needs of institutional users, aligning with the "multi-screen, cloud, content, AI, and collaboration" strategy, presenting solid growth in its business performance. Online games business focuses on developing premium games. Flagship JX Online III continued to enjoy popularity among players and achieved record-high quarterly gross billings. Anime game Snowbreak: Containment Zone (塵白禁區) expanded our user base and tapped into international markets, showcasing our determination to explore new game genres and global markets. The steady progress of our core businesses provides a solid foundation for the execution of our strategy.

We achieved solid financial performance in the second quarter. Our revenue reached RMB2,193.5 million, representing a year-on-year increase of 20%, primarily driven by the exceptional performance of the JX Online III and sustainable growth in subscription businesses of both individuals and institutions from Kingsoft Office Group. Operating profit amounted to RMB675.7 million, exhibiting a year-on-year growth of 61%. These achievements reflected our continuous efforts to enhance core competitiveness, getting well prepared to seize new opportunities.

Kingsoft Office Group introduced WPS AI, an intelligent office assistant powered by LLMs, and initiated its Open Beta overseas. We also released the spring version of WPS Office, enhancing product capabilities, and providing seamless cloud integration experience.

In individual office subscription business, we took comprehensive steps towards improving the user experience. While adhering to a long-term membership strategy, we merged functional and resource-based memberships, upgrading the membership benefits structure, and offered tailored benefits for specific needs. Regarding institutional subscription business, we continued promoting cloud integration and collaborative office progress, and delved into business scenarios for government and enterprises. We deepened product capabilities to serve industries such as finance, energy, publishing, healthcare, and high-end manufacturing. This involved incubating secure and efficient industry-specific solutions, aiming at enhancing organizational efficiency for institutions. We consistently expanded our ecosystem, and jointly built digital office application scenarios with partners.

We have closely monitored the localization industry policy changes and customer demand, and taken the initiative to tap local government and industry localization markets in advance. In terms of overseas business, based on our solid foundation in the mobile sector, we continued to cultivate our user base on desktop platforms. Looking ahead, Kingsoft Office Group will uphold the concept of user first and relentless innovation, ensuring that more users can easily enjoy the benefits of intelligent office solutions.

In the second quarter, online games business demonstrated outstanding performance. The year-on-year growth in both daily active users and gross billings of JX Online III reflected our ability to sustain premium games' longevity. We have remained committed to enhancing the content and players experience of JX Online III, resulting in positive response. Self-developed game, Snowbreak: Containment Zone (塵白禁區), combining shooting gameplay and anime aesthetics, provided players with fresh and innovative gaming experience. This game was simultaneously launched on both PC and mobile platforms worldwide. It achieved instant acclaim by topping the free games chart on the iOS App Store in China, as well as in major international markets like the US, Japan, and South Korea upon its launch. Looking forward, we will maintain our commitment to a user-oriented approach and pay close attention to feedback and suggestions from our players. We are dedicated to improving and optimizing our games constantly to further enrich the overall players experience. In the fourth quarter, we plan to launch an upgrade version of JX Online III PC game, to further extend the IP's vitality. Additionally, our self-developed mobile game World of Sword Origin (劍俠世界：起源), which has received license approval, is scheduled for release in Chinese mainland.

We are confident to embrace future opportunities and challenges. We will continue to manage our core businesses steadily, drive innovation, and create top-tier digital office services and premium gaming content for a global user base. We adhere to technology-driven business, committing to high-quality sustainable development, aiming to deliver better products and services to our users and create long-term value for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2023 Compared with Second Quarter of 2022 and First Quarter of 2023

Revenue

Revenue for the second quarter of 2023 increased 20% year-on-year and 11% quarter-on-quarter to RMB2,193.5 million. Revenue from the office software and services, and online games and others represented 51% and 49% of the Group's total revenue for the second quarter of 2023, respectively.

Revenue from the office software and services business for the second quarter of 2023 increased 21% year-on-year and 7% quarter-on-quarter to RMB1,120.8 million. The year-on-year increase was mainly due to the sustainable growth of both domestic individual office subscription business and institutional subscription business of Kingsoft Office Group. The growth of domestic individual office subscription business was primarily attributed to enhanced user experience in cloud and collaboration. The growth of domestic institutional subscription business was mainly driven by the continuous upgrades of digital office solutions and service quality, as well as the ongoing process of promoting cloud integration and collaborative office in government and enterprises. The quarter-on-quarter growth was mainly attributable to the increase in domestic individual office subscription business.

Revenue from the online games and others business for the second quarter of 2023 increased 18% year-on-year and 17% quarter-on-quarter to RMB1,072.6 million. The increases were primarily driven by the remarkable revenue growth of JX Online III due to continuous updates and optimizations of user experience, partially offset by natural decline in revenue from the existing mobile games such as JX World III and JX I: Gui Lai.

Cost of Revenue and Gross Profit

Cost of revenue for the second quarter of 2023 decreased 1% year-on-year and increased 5% quarter-on-quarter to RMB361.6 million. The quarter-on-quarter increase was primarily attributed to higher server and bandwidth costs, increased purchasing costs of products and services along with the business expansion of Kingsoft Office Group.

Gross profit for the second quarter of 2023 increased 25% year-on-year and 13% quarter-on-quarter to RMB1,831.8 million. The Group's gross profit margin increased by four percentage points year-on-year and two percentage points quarter-on-quarter to 84%. The increases were attributable to changes in the revenue mix.

R&D Costs

R&D costs for the second quarter of 2023 increased 4% year-on-year and 1% quarter-on-quarter to RMB665.7 million.

Selling and Distribution Expenses

Selling and distribution expenses for the second quarter of 2023 increased 6% year-on-year and decreased 14% quarter-on-quarter to RMB301.0 million. The fluctuations mainly resulted from changes in promotional spending in corresponding quarters.

Administrative Expenses

Administrative expenses for the second quarter of 2023 kept flat year-on-year and increased 2% quarter-on-quarter to RMB153.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share-based Compensation Costs

Share-based compensation costs for the second quarter of 2023 increased 45% year-on-year and 25% quarter-on-quarter to RMB90.9 million. The increases were mainly due to the grants of awarded shares to the selected employees of certain subsidiaries of the Company.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the second quarter of 2023 increased 59% year-on-year and 44% quarter-on-quarter to RMB766.7 million.

Other Gains/(Losses), net

Net other losses for the second quarter of 2023 were RMB102.7 million, compared with gains of RMB5.8 million and RMB44.0 million for the second quarter of 2022 and the first quarter of 2023, respectively. The losses were primarily attributed to the combined effects of: i) losses from deemed disposals of certain investee companies; and ii) foreign exchange losses.

Share of Losses of Associates

We recorded share of losses of associates of RMB322.8 million for the second quarter of 2023, compared with share of losses of RMB417.7 million and RMB230.8 million for the second quarter of 2022 and the first quarter of 2023, respectively.

Income Tax Expense

Income tax expense for the second quarter of 2023 was RMB78.0 million, compared with income tax expense of RMB30.0 million and RMB25.9 million for the second quarter of 2022 and the first quarter of 2023, respectively.

Profit/(Loss) Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent was RMB57.2 million for the second quarter of 2023, compared with loss of RMB140.2 million for the second quarter of 2022 and profit of RMB192.3 million for the first quarter of 2023, respectively.

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

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

Profit attributable to owners of the parent before share-based compensation costs was RMB123.2 million for the second quarter of 2023, compared with loss of RMB97.0 million for the second quarter of 2022 and profit of RMB235.5 million for the first quarter of 2023, respectively. The net profit/(loss) margin excluding the effect of share-based compensation costs was 6%, (5%) and 12% for the three months ended 30 June 2023, 30 June 2022 and 31 March 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

First Half of 2023 Compared with First Half of 2022

Revenue

Revenue for the first half of 2023 increased 13% year-on-year to RMB4,163.8 million. Revenue from office software and services and the online games and others represented 52% and 48% of the Group's total revenue for the first half of 2023, respectively.

Revenue from office software and services business for the first half of 2023 increased 21% year-on-year to RMB2,172.5 million. The increase was mainly due to the sustainable growth of both domestic individual office business and institutional subscriptions business of Kingsoft Office Group.

Revenue from the online games and others business for the first half of 2023 increased 5% year-on-year to RMB1,991.3 million. The year-on-year increase was mainly due to JX Online III 's strong performance, driven by continuous innovation in gameplay and content, partially offset by natural decline in revenue from the existing mobile games such as JX World III and JX I: Gui Lai, which had a relatively high revenue base in the first half of 2022.

Cost of Revenue and Gross Profit

Cost of revenue for the first half of 2023 decreased 1% year-on-year to RMB706.6 million. The slight decrease was mainly due to decreased channel costs of mobile games, partially offset by greater server and bandwidth costs, purchasing costs of products and services as well as channel costs along with the business growth of Kingsoft Office Group.

Gross profit for the first half of 2023 increased 16% year-on-year to RMB3,457.2 million. The Group's gross profit margin increased by two percentage points year-on-year to 83%.

R&D Costs

R&D costs for the first half of 2023 increased 6% year-on-year to RMB1,326.7 million. The increase was mainly attributable to higher personnel-related expenses from Kingsoft Office Group.

Selling and Distribution Expenses

Selling and distribution expenses for the first half of 2023 increased 18% year-on-year to RMB652.2 million. The increase mainly reflected greater promotional spending from Kingsoft Office Group.

Administrative Expenses

Administrative expenses for the first half of 2023 increased 1% year-on-year to RMB303.2 million.

Share-based Compensation Costs

Share-based compensation costs for the first half of 2023 increased 19% year-on-year to RMB163.7 million. The year-on-year increase was mainly due to the grants of awarded shares to the selected employees of certain subsidiaries of the Company.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the first half of 2023 increased 23% to RMB1,299.7 million.

Other Gains/(Losses), net

Net other losses for the first half of 2023 was RMB58.6 million, compared with gains of RMB28.8 million in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share of Losses of Associates

We recorded share of losses of associates of RMB553.6 million for the first half of 2023, compared with losses of RMB692.4 million for the first half of 2022.

Income Tax Expense

Income tax expense was RMB103.9 million and RMB64.9 million for the first half of 2023 and 2022, respectively.

Profit/(Loss) Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent was RMB249.5 million for the first half of 2023, compared with loss of RMB42.1 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 2023 was RMB358.8 million, compared with profit of RMB45.2 million in the same period last year. The net profit margin excluding the effect of share-based compensation costs was 9% and 1% for the first half of 2023 and 2022, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of reporting period. As at 30 June 2023, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB21,684.5 million and RMB2.8 million, respectively, which together represented 62% of the Group's total assets.

As at 30 June 2023, the Group's gearing ratio, representing total liabilities divided by total assets, was 26%, compared with 24% as at 31 December 2022.

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 2023, the aggregate amount of cash resources of the Group was RMB23,925.6 million.

Foreign Currency Risk Management

As at 30 June 2023, RMB3,034.7 million of the Group's financial assets were held in deposits denominated in non-RMB currencies. As there are no cost-effective hedges against the fluctuation of RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuation in connection with our deposits and investments.

Net Cash Generated from Operating Activities

Net cash generated from the operating activities reflected the Group's profit for the six months period mentioned above, as the case may be, as adjusted for non-cash items, such as share of losses of associates, finance income, and share-based compensation costs, as well as the effect of changes in certain items of statement of financial position such as contract liabilities, other payables and accruals.

Net cash generated from operating activities was RMB2,307.6 million and RMB1,053.4 million for the first half of 2023 and 2022, respectively.

Capital Expenditures

Capital expenditures represent cash payments for fix assets, investment properties and intangible assets. Cash used for capital expenditures was RMB183.1 million and RMB197.1 million for the first half of 2023 and 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Material Investments

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

As at 30 June 2023, we held 1,423,246,584 shares of Kingsoft Cloud and the fair value of the equity interest of Kingsoft Cloud held by the Group was approximately RMB4,212.2 million (31 December 2022: RMB2,531.0 million) which was estimated based on the market price of Kingsoft Cloud, accounted for 12% of the Group's total assets.

Adjusted net loss from Kingsoft Cloud for the first half of 2023 was RMB1,115.8 million (the first half of 2022: RMB1,609.7 million).

Except for investment in Kingsoft Cloud, there was no other individual investment with a carrying value of 5% or more of the Group's total assets as at 30 June 2023.

Future Plans for Material Investments or Capital Assets

As at 30 June 2023, we planned to invest approximately RMB1,900.0 million in the construction of Wuhan Campus to better attract R&D talents and enhance the R&D and innovation capabilities with respect to our products and services.

The construction of Wuhan Campus is expected to be put into use in 2025. Going forward, the Group will continue to look for new business opportunities to complement and enhance its existing business and explore new markets.

Save as disclosed above, there were no other plans for material investments or capital assets as at 30 June 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

As disclosed in the announcement of the Company dated 17 April 2023, the Company planned to reduce its shareholding in Kingsoft Office through WPS Hong Kong by way of block trade and inquiry transfers, without exceeding 4,612,649 shares, representing not more than 1% of the total number of issued shares of Kingsoft Office. As at the date of this report, the Company has reduced 4,612,649 shares in Kingsoft Office, which did not result in loss of control of Kingsoft Office.

Save as disclosed above, in the first half of 2023, we did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures.

OTHER INFORMATION

Directors' Interests in Securities

As at 30 June 2023, 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:

Interests in the shares and underlying shares of the Company:

Name of Directors	Capacity	Number of shares interested	% of the total number of issued shares (Note 1)	Nature of shares interested
Jun LEI	Interest of controlled corporation	213,157,048	15.64	Long position
	Other	95,000,000	6.97	Long position
	Total	308,157,048 (Note 2)	22.61	Long position
Pak Kwan KAU	Interest of controlled corporation	95,000,000 (Note 3)	6.97	Long position
Tao ZOU	Beneficial owner	12,111,707	0.89	Long position

Notes:

1. % of the total number of issued shares was calculated on basis of the total number of issued shares of the Company as at 30 June 2023, which was 1,362,895,717.
2. As at 30 June 2023, among these 308,157,048 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) 38,338,857 shares are held by wholly-owned subsidiaries of Xiaomi Corporation, a company controlled by Mr. Jun LEI under the SFO; and (iii) 95,000,000 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.
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.

OTHER INFORMATION (continued)

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

Season Holdings (Note 1)

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

Notes:

1. Season 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 Season Holdings as at 30 June 2023, which was 920,289,438.

Kingsoft Cloud (Note 1)

Name of Director	Capacity	Number of shares interested	% of issued share capital in class (Note 2)	Nature of shares interested
Tao ZOU	Beneficial owner	2,000,000	0.05	Long position

Notes:

1. Kingsoft Cloud is owned as to 37.40% by the Company and an associated corporation of the Company.
2. % of issued share capital in class was calculated on basis of the issued ordinary shares of Kingsoft Cloud as at 30 June 2023, which was 3,805,284,801.

Cheetah Mobile (Note 1)

Name of Director	Capacity	Number of shares interested	% of issued share capital in class (Note 2)	Nature of shares interested
Jun LEI (Note 3)	Interest of controlled corporation	14,285,714	2.97	Long position

Notes:

1. The Company held 46.50% ownership interest and 25.98% voting power of Cheetah Mobile as at 30 June 2023, 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 2023, which was 480,604,900.
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 2023.

OTHER INFORMATION (continued)

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 expired on 8 December 2021, thus, there were no options available for grant under the 2011 Share Option Scheme as at 1 January 2023 or 30 June 2023. The number of shares that may be issued under the share options granted under the 2011 Share Option Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period was 0.

The following share options were outstanding under the 2011 Share Option Scheme during the six months ended 30 June 2023.

Name or category of participant	Vesting period	Exercise period	Number of share options					At 30 Jun 2023	Date of grant of share options	Exercise price of share options HK\$ per share
			At 1 Jan 2023	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Executive Director										
Tao ZOU	1 December 2017~ 1 December 2021	1 December 2017~ 20 April 2027	2,529,800	—	—	—	—	2,529,800	21 April 2017	20.25
Total			2,529,800	—	—	—	—	2,529,800		

2021 Share Option Scheme

On 9 December 2021, the Company adopted the 2021 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, recruiting and retaining high-calibre employees and attracting valuable human resources in the anticipation of the expiration of the 2011 Share Option Scheme. The number of options available for grant under the 2021 Share Option Scheme as at 1 January 2023 and 30 June 2023 was 131,520,371. The number of shares that may be issued under the share options granted under the 2021 Share Option Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period was 0.

The following share options were outstanding under the 2021 Share Option Scheme during the six months ended 30 June 2023.

Name or category of participant	Vesting period	Exercise period	Number of share options					At 30 Jun 2023	Date of grant of share options	Exercise price of share options HK\$ per share
			At 1 Jan 2023	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Executive Director										
Tao ZOU	4 July 2023~ 4 July 2027	4 July 2023~ 3 July 2032	5,500,000	—	—	—	—	5,500,000	4 July 2022	31.69
Total			5,500,000	—	—	—	—	5,500,000		

OTHER INFORMATION (continued)

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 share option schemes are set out in note 13 to the financial statements.

Share Award Schemes

Share Award Scheme

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

The purpose of the Share Award Scheme is to recognise the contributions by certain employees (including without limitation to employees who are also directors) of the Group and 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 shares of the Company as at the date of such grant. As at 1 January 2023 and 30 June 2023, the number of Shares available for future grant under the Share Award Scheme was 87,081,807 and 87,407,307 Shares, representing approximately 6.39% and 6.41% of total issued Shares. The number of shares that may be issued in respect of awards granted under the Share Award Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period was approximately 0.00%.

No award of Shares shall be granted to any grantee which would result in the maximum number of awarded Shares granted to such grantee (including any which have lapsed or have been forfeited) under the Share Award Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of the Company as at the date of such grant. Such Shares will be the cost of the Company and the grantee is not required to pay any amount for accepting the awarded Shares granted.

OTHER INFORMATION (continued)

The changes in the outstanding awarded shares under the Share Award Scheme in the first half of 2023 are summarized as follows:

Grantee/participant	Date of grant	Vesting period	Changes in the number of awarded shares in the first half of 2023					Outstanding as at 30 Jun 2023
			Outstanding as at 1 Jan 2023	Granted	Vested	Lapsed	Cancelled	
Executive Director								
Tao ZOU	5 July 2021	5 July 2023	600	—	—	—	—	600
	1 July 2022	1 July 2023~ 1 July 2027	2,200,000	—	—	—	—	2,200,000
Subtotal for Director			2,200,600	—	—	—	—	2,200,600
Other employees	16 April 2018	16 April 2019~ 16 April 2023	89,500	—	(77,500)	(12,000)	—	—
Other employees	23 May 2020	23 May 2021~ 23 May 2025	7,680	—	(3,840)	—	—	3,840
Other employees	30 August 2020	30 August 2021~ 30 August 2025	300,000	—	—	(300,000)	—	—
Other employees	24 April 2020	24 April 2021~ 24 April 2025	10,080	—	(3,360)	—	—	6,720
Other employees	5 July 2021	5 July 2023	2,965,800	—	—	(321,600)	—	2,644,200
Other employees	25 March 2022	25 March 2023~ 25 March 2027	26,000	—	(4,680)	(2,600)	—	18,720
Other employees	19 July 2022	19 July 2023~ 19 July 2027	400,000	—	—	—	—	400,000
Other employees	27 March 2023	27 March 2023~ 27 March 2026	—	13,300	(5,320)	—	—	7,980
Other employees	27 March 2023	27 March 2024~ 27 March 2028	—	50,400	—	—	—	50,400
Other employees	21 April 2023	10 February 2024~ 10 February 2028	—	307,000	—	—	—	307,000
Subtotal for Other Employees			3,799,060	370,700	(94,700)	(636,200)	—	3,438,860
Total			5,999,660	370,700	(94,700)	(636,200)	—	5,639,460

Note: The weighted average closing price of shares of the Company immediately before the date on which the awarded shares were vested under the Share Award Scheme (i.e., 25 March 2023, 27 March 2023, 16 April 2023, 24 April 2023, and 23 May 2023) is HK\$35.91.

The fair value of the awarded shares granted on 27 March 2023, 27 March 2023 and 21 April 2023 under the Share Award Scheme was RMB440,000, RMB1,666,000 and RMB9,319,000 respectively, totaling RMB11,425,000. And the closing price of the shares immediately before the above grant dates was HK\$37.00, HK\$37.00, and HK\$36.30 respectively. No performance target is attached to such awarded shares granted.

OTHER INFORMATION (continued)

Kingsoft Office Share Award Schemes

For the purpose of providing incentives and rewards to eligible participants, the shareholders of Kingsoft Office approved and adopted the 2021 Kingsoft Office Share Award Scheme on 2 June 2021, approved and adopted the 2022 Kingsoft Office Share Award Scheme on 28 April 2022, and approved and adopted the 2023 Kingsoft Office Share Award Scheme on 7 June 2023, in which selected employees of Kingsoft Office Group are entitled to participate. The Kingsoft Office Share Award Schemes are valid and effective from the grant date of the share awards to the date when all the granted share awards are vested or lapsed, which should be no longer than 60 months.

The shares that the directors of Kingsoft Office are authorised to issue under the 2021 Kingsoft Office Share Award Scheme, 2022 Kingsoft Office Share Award Scheme and 2023 Kingsoft Office Share Award Scheme are up to 870,000 shares, 1,000,000 shares, and 1,000,000 shares, representing 0.19%, 0.22%, and 0.22% of total issued shares of Kingsoft Office as at 30 June 2023, respectively. As at 1 January 2023, as the 2023 Kingsoft Office Share Award Scheme was not yet adopted, the number of shares available for future grant under the 2021 Kingsoft Office Share Award Scheme and 2022 Kingsoft Office Share Award Scheme was 0 and 0. As at 30 June 2023, the number of shares available for future grant under the 2021 Kingsoft Office Share Award Scheme, 2022 Kingsoft Office Share Award Scheme and 2023 Kingsoft Office Share Award Scheme was 0, 0, and 199,600. And the number of shares that may be issued in respect of awards granted under the 2021 Kingsoft Office Share Award Scheme, 2022 Kingsoft Office Share Award Scheme and 2023 Kingsoft Office Share Award Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period was 0, 0, and 0.17%.

The number of shares awards granted to any grantee through all the share award schemes of Kingsoft Office within the validity period shall not exceed 1% of the total issued shares of Kingsoft Office as at the date that the share award scheme is submitted to the shareholders' meeting of Kingsoft Office for consideration. The grant price of the restricted shares granted under the 2021 Kingsoft Office Share Award Scheme, 2022 Kingsoft Office Share Award Scheme and 2023 Kingsoft Office Share Award Scheme is RMB45.86, RMB45.86 and RMB150.00, respectively.

The changes in the outstanding restricted shares under the 2021 Kingsoft Office Share Award Scheme in the first half of 2023 are summarized as follows:

Grantee/participant	Date of grant	Vesting period	Changes in the number of restricted shares in the first half of 2023					Outstanding as at 30 Jun 2023
			Outstanding as at 1 Jan 2023	Granted	Vested	Lapsed	Cancelled	
Other employees	2 June 2021	2 June 2022~ 3 June 2025	423,775	—	—	(4,479)	—	419,296
Other employees	28 December 2021	28 December 2022~ 29 December 2025	131,700	—	(43,461)	(18,693)	—	69,546
Total			555,475	—	(43,461)	(23,172)	—	488,842

Note: The weighted average closing price of shares of Kingsoft Office immediately before the date on which the restricted shares were vested under the 2021 Kingsoft Office Share Award Scheme (i.e., 1 February 2023) is RMB281.3.

OTHER INFORMATION (continued)

The changes in the outstanding restricted shares under the 2022 Kingsoft Office Share Award Scheme in the first half of 2023 are summarized as follows:

Grantee/participant	Date of grant	Vesting period	Changes in the number of restricted shares in the first half of 2023					Outstanding as at 30 Jun 2023
			Outstanding as at 1 Jan 2023	Granted	Vested	Lapsed	Cancelled	
			Other employees	29 April 2022	29 April 2023~ 29 October 2026	777,300	—	
Other employees	28 December 2022	28 December 2023~ 28 December 2026	200,000	—	—	—	—	200,000
Total			977,300	—	(250,470)	(4,440)	—	722,390

Note: The weighted average closing price of shares of Kingsoft Office immediately before the date on which the restricted shares were vested under the 2022 Kingsoft Office Share Award Scheme (i.e., 24 May 2023) is RMB408.2.

The changes in the outstanding restricted shares under the 2023 Kingsoft Office Share Award Scheme in the first half of 2023 are summarized as follows:

Grantee/participant	Date of grant	Vesting period	Changes in the number of restricted shares in the first half of 2023					Outstanding as at 30 Jun 2023
			Outstanding as at 1 Jan 2023	Granted	Vested	Lapsed	Cancelled	
			Other employees	6 June 2023	6 June 2024~ 6 June 2027	—	800,400	

During the six months ended 30 June 2023, the fair value of the restricted shares granted on 6 June 2023 under the 2023 Kingsoft Office Share Award Scheme was RMB252,519,000. The closing price of the shares immediately before the above date on which the awards were granted was RMB479.27.

Grantee/participant	Date of grant	Total number granted	Fair value of restricted shares granted RMB'000
Other employees	6 June 2023	800,400	252,519

Note: The fair value of restricted shares granted under the 2023 Kingsoft Office Share Award Scheme was calculated based on the closing price at the date of grant.

OTHER INFORMATION (continued)

Kingsoft Office conducts individual performance assessment on such grantees under the 2023 Kingsoft Office Share Award Scheme during the assessment year and determines the number of restricted shares actually vested to such grantees based on their assessment results. The performance assessment results of such grantees are divided into two levels, namely "Attained" and "Not attained", and the actual number of restricted shares to be vested will be determined according to the proportion of vesting at the individual level corresponding to the following assessment rating table:

Assessment results	Attained	Not attained
Vesting ratio	100%	0

There are other performance assessment requirements at Kingsoft Office's level set under such grant, details of which please refer to the announcement of the Company dated 7 June 2023.

If the restricted shares to be vested to such grantees for a vesting period cannot be vested due to assessment reasons, the restricted shares shall lapse and be canceled by Kingsoft Office and shall not be deferred to the following years.

Seasun Holdings Share Award Scheme

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 Shiyou Holdings Share Award Scheme

On 13 April 2022, the shareholders and directors of Kingsoft Shiyou Holdings approved and adopted the General Share Award Scheme and the Special Share Award Scheme in which selected employees of Kingsoft Shiyou Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of Kingsoft Shiyou Holdings, the Kingsoft Shiyou Holdings Share Award Scheme is valid and effective for a term of ten years commencing from 13 April 2022. The directors of Kingsoft Shiyou Holdings are authorised to issue up to 50,000,000 shares pursuant to the General Share Award Scheme and the Special Share Award Scheme.

More details regarding the share award schemes, including the accounting standard and policy adopted, are set out in note 13 to the financial statements.

OTHER INFORMATION (continued)

Substantial Shareholders

As at 30 June 2023, 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

Name of substantial shareholders	Capacity	Number of shares interested	% of the total number of issued shares (Note 1)	Nature of shares interested
Color Link Management Limited (Note 2)	Beneficial owner	174,818,191	12.83	Long position
Tencent Holdings Limited (Note 3)	Interest of controlled corporation	106,784,515	7.84	Long position
Topclick Holdings Limited (Note 4)	Beneficial owner	95,000,000	6.97	Long position
Brown Brothers Harriman & Co.	Approved lending agent	85,718,759	6.29	Long position
		85,718,759	6.29	Lending Pool

Notes:

1. % of the total number of issued shares was calculated on basis of the total number of issued shares of the Company as at 30 June 2023, which was 1,362,895,717.
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 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.
4. 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.

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.

OTHER INFORMATION (continued)

Employee and Remuneration Policies

As at 30 June 2023, the Group had 7,086 full-time employees (30 June 2022: 7,174), inclusive of all its staff in China and overseas offices, most of whom are based in Beijing, Zhuhai and Wuhan, 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 2023 was RMB1,865.2 million (for the six months ended 30 June 2022: RMB1,715.5 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 or 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 2023.

Convertible Bonds and Adjustment to the Conversion Price

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

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

OTHER INFORMATION (continued)

In accordance with the terms and conditions of the 2020 Convertible Bonds, the aggregate payment of the special dividend in relation to the spin-off and separate listing of Kingsoft Cloud, the 2019 final dividend and the 2020 final dividend 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 2023 and the expected timeline for use of unutilized proceeds is set out as follows:

Proposed use of proceeds	Actual use of proceeds as at 30 June 2023 (HK\$ million)	Unutilized proceeds (HK\$ million)	Expected timeline for use of unutilized proceeds
Strategic investments and acquisitions	154.81	2,245.18	By 2023
General corporate purposes	617.04	16.91	By 2025

As at 30 June 2023, 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 2023 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 2023		Assuming the 2020 convertible bonds are fully converted at the initial 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)	213,157,048	15.64	213,157,048	14.69
Mr. Pak Kwan KAU (Note 2)	95,000,000	6.97	95,000,000	6.55
Mr. Tao ZOU (Note 3)	12,111,707	0.89	12,111,707	0.83
Tencent Holdings Limited (Note 4)	106,784,515	7.84	106,784,515	7.36
Holders of the 2020 Convertible Bonds (Note 5)	0	0	87,768,969	6.05
Other public shareholders	935,842,447	68.67	935,842,447	64.51
Total Issued Shares (Note 6)	1,362,895,717	100.00	1,450,664,686	100.00

OTHER INFORMATION (continued)

1. As at 30 June 2023, among these 213,157,048 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; and (ii) 38,338,857 shares are held by wholly-owned subsidiaries 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 95,000,000 shares (see Note 2 below) pursuant to a voting consent agreement and its supplemental agreement entered into between Mr. Jun LEI and Mr. Pak Kwan KAU whereby Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.
2. These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these 95,000,000 shares under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.
3. Mr. Tao ZOU is a Director.
4. 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.
5. Assuming that the holders of the 2020 Convertible Bonds do not hold any shares of the Company as at 30 June 2023.
6. 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 2023, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB21,684.5 million and RMB2.8 million, respectively, which together represented 62% of the Group's total assets. As at 30 June 2023, the Group's gearing ratio, representing total liabilities divided by total assets, was 26%, compared to 24% as at 31 December 2022. As the reasons discussed above, even though the holders hold the 2020 Convertible Bonds to maturity, the Company is fully capable of redeeming in cash.

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

Details of dilutive effect on the basic earnings per share as at 30 June 2023 are set out in note 8 to the financial statements.

Review by Audit Committee

The Audit Committee 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 independent non-executive Directors, namely Ms. Wenjie WU (chairman), Mr. Shun Tak WONG, Mr. David Yuen Kwan TANG (resigned as a member of the Audit Committee on 20 April 2023) and Mr. Zuotao CHEN (appointed as a member of the Audit Committee on 20 April 2023).

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 2023.

OTHER INFORMATION (continued)

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to 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 2023.

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 in the CG Code as set out in Part 2 of Appendix 14 to the Listing Rules except for the code provision D.1.2 of the CG Code.

The code provision D.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.

Change in Information of Director

On 20 April 2023, Mr. David Yuen Kwan TANG has resigned as an independent non-executive Director, chairman of Environmental, Social and Governance Committee, a member of Remuneration Committee and a member of Audit Committee, and Mr. Zuotao CHEN has been appointed as an independent non-executive Director, chairman of Environmental, Social and Governance Committee, a member of Remuneration Committee and a member of Audit Committee. For details, please refer to the announcement of the Company dated 20 April 2023.

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.

On behalf of the Board
Kingsoft Corporation Limited

Jun Lei
Chairman

Hong Kong, 22 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	NOTES	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
		2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED) RESTATED	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED) RESTATED
REVENUE	4	2,193,490	1,834,152	4,163,797	3,687,167
Cost of revenue		(361,644)	(366,497)	(706,558)	(717,181)
Gross profit		1,831,846	1,467,655	3,457,239	2,969,986
Research and development costs		(665,652)	(642,273)	(1,326,711)	(1,250,532)
Selling and distribution expenses		(301,049)	(282,967)	(652,203)	(552,033)
Administrative expenses		(153,371)	(153,134)	(303,159)	(300,379)
Share-based compensation costs		(90,937)	(62,823)	(163,723)	(137,027)
Other income	4	81,318	98,453	176,025	198,133
Other expenses		(26,442)	(6,183)	(51,453)	(9,969)
Operating profit		675,713	418,728	1,136,015	918,179
Other gains/(losses), net	5	(102,690)	5,769	(58,646)	28,796
Finance income		139,199	109,381	274,028	224,402
Finance costs		(41,716)	(38,592)	(82,474)	(75,589)
Share of profits and losses of:					
Joint ventures		(1,944)	469	(5,753)	(2,573)
Associates		(322,806)	(417,707)	(553,563)	(692,357)
PROFIT BEFORE TAX	6	345,756	78,048	709,607	400,858
Income tax expense	7	(77,979)	(30,008)	(103,882)	(64,923)
PROFIT FOR THE PERIOD		267,777	48,040	605,725	335,935
Attributable to:					
Owners of the parent		57,187	(140,206)	249,530	(42,064)
Non-controlling interests		210,590	188,246	356,195	377,999
		267,777	48,040	605,725	335,935
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8				
Basic		RMB0.04	RMB(0.10)	RMB0.18	RMB(0.03)
Diluted		RMB0.04	RMB(0.11)	RMB0.17	RMB(0.05)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED) RESTATED	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED) RESTATED
PROFIT FOR THE PERIOD	267,777	48,040	605,725	335,935
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation into presentation currency	(194,954)	(192,165)	(90,185)	(164,480)
Reclassification adjustments for disposal of subsidiaries	—	373	(11,309)	373
Reclassification adjustments for deemed disposal of associates	(5,783)	(932)	(5,734)	(398)
Share of other comprehensive income of associates	160,778	229,681	128,752	220,013
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(39,959)	36,957	21,524	55,508
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences of the Company on translation into presentation currency	285,798	272,813	169,833	231,639
Share of other comprehensive income/(loss) of an associate	(2,101)	8,792	(3,541)	8,792
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	283,697	281,605	166,292	240,431
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	243,738	318,562	187,816	295,939
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	511,515	366,602	793,541	631,874
Attributable to:				
Owners of the parent	283,296	159,919	421,864	238,172
Non-controlling interests	228,219	206,683	371,677	393,702
	511,515	366,602	793,541	631,874

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	NOTES	30 JUNE 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED) RESTATED
NON-CURRENT ASSETS			
Property, plant and equipment		1,642,694	1,551,294
Investment properties		187,978	190,911
Right-of-use assets		405,496	470,245
Goodwill		185,564	185,564
Other intangible assets		97,814	109,992
Investments in joint ventures		475,412	141,165
Investments in associates		5,102,993	5,347,967
Equity investment designated at fair value through other comprehensive income		18,273	18,273
Financial assets at fair value through profit or loss		418,482	211,353
Deferred tax assets		104,394	93,316
Other non-current assets		44,550	28,044
Total non-current assets		8,683,650	8,348,124
CURRENT ASSETS			
Inventories		18,494	18,335
Trade receivables	9	850,606	860,597
Prepayments, other receivables and other assets		1,393,119	1,331,934
Financial assets at fair value through profit or loss		2,257,528	3,125,099
Restricted cash	10	2,767	2,456
Cash and bank deposits	10	21,684,511	18,201,410
Total current assets		26,207,025	23,539,831
CURRENT LIABILITIES			
Trade payables	11	430,962	452,672
Other payables and accruals		2,462,947	1,347,722
Lease liabilities		54,860	100,538
Contract liabilities		2,229,468	2,186,742
Income tax payable		271,665	210,903
Liability component of convertible bonds		—	2,589,698
Total current liabilities		5,449,902	6,888,275
NET CURRENT ASSETS		20,757,123	16,651,556
TOTAL ASSETS LESS CURRENT LIABILITIES		29,440,773	24,999,680

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2023

	NOTES	30 JUNE 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED) RESTATED
NON-CURRENT LIABILITIES			
Contract liabilities		374,826	308,723
Deferred tax liabilities		282,448	355,785
Lease liabilities		55,916	104,962
Liability component of convertible bonds	14	2,744,614	—
Other non-current liabilities		64,284	67,128
Derivative financial instrument		6,615	6,615
Total non-current liabilities		3,528,703	843,213
NET ASSETS		25,912,070	24,156,467
EQUITY			
Equity attributable to owners of the parent			
Issued capital	12	5,283	5,281
Share premium account	12	2,071,068	2,213,361
Treasury shares	12	(52,904)	(29,059)
Equity component of convertible bonds	14	468,700	468,700
Other reserves		18,587,269	16,843,213
		21,079,416	19,501,496
Non-controlling interests		4,832,654	4,654,971
TOTAL EQUITY		25,912,070	24,156,467

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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)
At 31 December 2022	5,281	2,213,361	(29,059)	468,700	845,472	741,669	4,310,015	41,542	235,383	10,668,902	19,501,266	4,653,724	24,154,990
Effect of adoption of amendments to IAS 12 (note 2.2 (c))	—	—	—	—	—	—	—	—	—	230	230	1,247	1,477
At 1 January 2023	5,281	2,213,361	(29,059)	468,700	845,472	741,669	4,310,015	41,542	235,383	10,669,132	19,501,496	4,654,971	24,156,467
Profit for the period	—	—	—	—	—	—	—	—	—	249,530	249,530	356,195	605,725
Other comprehensive income(loss) for the period:													
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	64,166	—	64,166	15,482	79,648
Reclassification adjustments for liquidation of a subsidiary	—	—	—	—	—	—	—	—	(11,309)	—	(11,309)	—	(11,309)
Reclassification adjustments for deemed disposal of associates	—	—	—	—	—	—	—	—	(5,734)	—	(5,734)	—	(5,734)
Share of other comprehensive income(loss) of associates	—	—	—	—	—	—	—	(3,541)	128,752	—	125,211	—	125,211
Total comprehensive income(loss) for the period	—	—	—	—	—	—	—	(3,541)	175,875	249,530	421,864	371,677	793,541
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(333,324)	(333,324)
Final 2022 dividend declared (note 15)	—	(162,831)	—	—	—	—	—	—	—	—	(162,831)	—	(162,831)
Share-based compensation costs (note 13)	—	—	—	—	—	119,937	—	—	—	—	119,937	54,473	174,410
Exercise of share options	2	18,585	—	—	—	(6,636)	—	—	—	—	11,951	—	11,951
Vesting and settlement of share-based awards	—	1,953	228	—	—	(2,181)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(24,166)	31,144	—	—	—	6,978	6,270	13,248
Share purchased for share award scheme (note 12)	—	—	(24,073)	—	—	—	—	—	—	—	(24,073)	—	(24,073)
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	1,204,094	—	—	—	1,204,094	78,587	1,282,681
Liquidation of a subsidiary	—	—	—	—	—	—	26,795	—	—	(26,795)	—	—	—
At 30 June 2023	5,283	2,071,068	(52,904)	468,700	845,472 [#]	828,623 [#]	5,572,048 [#]	38,001 [#]	411,258 [#]	10,891,867 [#]	21,079,416	4,832,654	25,912,070

These reserve accounts comprise the consolidated other reserves of RMB18,587,269,000 (2022: RMB16,843,213,000) 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)
At 31 December 2021	5,308	2,490,650	(15,259)	468,700	634,314	637,036	3,828,458	29,937	(223,329)	16,928,254	24,784,069	4,008,121	28,792,190
Effect of adoption of amendments to IAS 12 (note 2.2 (c))	—	—	—	—	—	—	—	—	—	1,445	1,445	931	2,376
At 1 January 2022	5,308	2,490,650	(15,259)	468,700	634,314	637,036	3,828,458	29,937	(223,329)	16,929,699	24,785,514	4,009,052	28,794,566
Profit/(loss) for the period	—	—	—	—	—	—	—	—	—	(42,064)	(42,064)	377,999	335,935
Other comprehensive income(loss) for the period:													
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	51,562	—	51,562	15,597	67,159
Reclassification adjustments for disposal of a subsidiary	—	—	—	—	—	—	—	—	267	—	267	106	373
Reclassification adjustments for deemed disposal of associates	—	—	—	—	—	—	—	—	(398)	—	(398)	—	(398)
Share of other comprehensive income of associates	—	—	—	—	—	—	—	8,792	220,013	—	228,805	—	228,805
Total comprehensive income(loss) for the period	—	—	—	—	—	—	—	8,792	271,444	(42,064)	238,172	393,702	631,874
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(230,554)	(230,554)
Final 2021 dividend declared	—	(139,925)	—	—	—	—	—	—	—	—	(139,925)	—	(139,925)
Share-based compensation costs (note 13)	—	—	—	—	—	89,260	—	—	—	—	89,260	49,758	139,018
Vesting and settlement of share-based awards	—	6,084	1,087	—	—	(7,171)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(1,117)	(326)	—	—	—	(1,443)	(572)	(2,015)
Share purchased for share award scheme	—	—	(5,029)	—	—	—	—	—	—	—	(5,029)	—	(5,029)
Shares repurchased and cancelled	(11)	(71,661)	7,369	—	—	—	—	—	—	—	(64,303)	—	(64,303)
Share of reserves of an associate	—	—	—	—	—	—	(1,986)	—	—	—	(1,986)	—	(1,986)
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	18,608	—	—	—	18,608	31,392	50,000
Partial disposal of a subsidiary (note 16)	—	—	—	—	(6,000)	—	—	—	—	6,000	—	(12,621)	(12,621)
At 30 June 2022	5,297	2,285,148	(11,832)	468,700	628,314	718,008	3,844,754	38,729	48,115	16,893,635	24,918,868	4,240,157	29,159,025

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		709,607	400,858
Adjustments for:			
Loss on disposal of property, plant and equipment		5,430	9
Depreciation of property, plant and equipment	6	73,416	72,649
Depreciation of investment properties	6	4,595	4,858
Depreciation of right-of-use assets	6	30,113	37,993
Amortisation of other intangible assets	6	15,781	17,203
Finance costs	6	82,474	75,589
Finance income		(274,028)	(224,402)
Fair value gains on financial instruments at fair value through profit or loss, net	5	(65,294)	(47,794)
Share-based compensation costs		163,723	137,027
Impairment of trade and other receivables	6	19,214	8,895
Share of losses of joint ventures		5,753	2,573
Share of losses of associates		553,563	692,357
Foreign exchange differences, net	5	55,178	15,649
Gain on disposal of a subsidiary	5	—	(19,541)
Gain on liquidation of a subsidiary	5	(11,309)	—
Loss on partial disposal of a subsidiary	5	—	126
Loss on deemed disposal of associates	5	80,071	22,764
		1,448,287	1,196,813
Increase in trade receivables		(19,219)	(3,853)
Decrease in prepayments, other receivables and other assets		34,784	16,146
Increase in other non-current assets		(16,505)	(23,075)
Increase in inventories		(159)	(9,085)
(Decrease)/increase in trade payables		(24,797)	82,782
Increase in contract liabilities		108,829	213,247
Increase/(decrease) in other payables and accruals		829,776	(313,167)
Cash generated from operations		2,360,996	1,159,808
Interest received		109,729	48,603
Income tax paid		(163,153)	(154,970)
Net cash flows from operating activities		2,307,572	1,053,441

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2023

	NOTE	FOR THE SIX MONTHS ENDED 30 JUNE	
		2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		135,644	121,002
Purchases of property, plant and equipment and investment properties		(179,052)	(190,053)
Purchases of other intangible assets		(4,019)	(7,024)
Decrease/(increase) in time deposits with original maturity of over three months when acquired		(1,574,896)	2,225,154
Investments in joint ventures		(340,000)	(1,000)
Investments in associates		(257,500)	(266,880)
Redemption/(purchases) of financial assets at fair value through profit or loss		733,561	(2,313,227)
Disposal of property, plant and equipment		2,188	150
Increase in other loans		—	(35,271)
Dividends received from an associate		—	27,045
Disposal of a subsidiary	16	1,445	10,044
Partial disposal of a subsidiary	16	—	(26,842)
Net cash flows used in investing activities		(1,482,629)	(456,902)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2023

		FOR THE SIX MONTHS ENDED 30 JUNE	
		2023	2022
		RMB'000	RMB'000
NOTES		(UNAUDITED)	(UNAUDITED)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Changes in the ownership of interests in subsidiaries	—	50,000
	Repurchase of shares	(24,073)	(69,332)
	Proceeds from exercise of share options	34,230	9,871
	Cash settlement of share options issued by a subsidiary	—	(2,015)
	Principal portion of lease payments	(54,467)	(40,476)
	Dividends paid	(162,831)	(139,925)
	Dividends paid to non-controlling interests	(143,604)	(295,156)
	Interest paid	(11,246)	(12,462)
	Cash received from partially disposal of a subsidiary	1,351,014	—
	Net cash flows from/(used in) financing activities	989,023	(499,495)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,813,966	97,044
	Cash and cash equivalents at beginning of the period	11,018,882	4,553,428
	Effect of foreign exchange rate changes, net	59,848	64,048
CASH AND CASH EQUIVALENTS AT END OF PERIOD		12,892,696	4,714,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
	Cash and bank balances	9,333,915	2,534,208
	Deposits with original maturity of less than three months when acquired	3,558,781	2,180,312
CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS		12,892,696	4,714,520

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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 P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s shares have been listed on the Stock Exchange of Hong Kong Limited since 9 October 2007.

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

During the six months ended 30 June 2023, the Company and its subsidiaries (together, the “Group”) were involved in the following principal activities:

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

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 2022. The interim condensed consolidated statement of profit or loss for the three months ended 30 June 2023 and 2022 included in page 26 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 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.2. Changes in accounting policies and disclosures (continued)

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

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.2. Changes in accounting policies and disclosures (continued)

The nature and impact of the new and revised IFRSs are described below: (continued)

(c) (continued)

Impact on the interim condensed consolidated statement of financial position:

	NOTE	INCREASE/(DECREASE)		
		AS AT 30 JUNE 2023 RMB'000	AS AT 31 DECEMBER 2022 RMB'000	AS AT 1 JANUARY 2022 RMB'000
Assets				
Deferred tax assets	(i)	188	(94)	2,006
Total non-current assets		188	(94)	2,006
Total assets less current liabilities		188	(94)	2,006
Liabilities				
Deferred tax liabilities	(i)	182	(1,571)	(370)
Total non-current liabilities		182	(1,571)	(370)
Total liabilities		182	(1,571)	(370)
Net assets		6	1,477	2,376
Equity				
Retained profits (included in other reserves)		(239)	230	1,445
Equity attributable to owners of the parent		(239)	230	1,445
Non-controlling interests		245	1,247	931
Total Equity		6	1,477	2,376

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.2. Changes in accounting policies and disclosures (continued)

The nature and impact of the new and revised IFRSs are described below: (continued)

(c) (continued)

Impact on the interim condensed consolidated statement of profit or loss:

	INCREASE/(DECREASE) FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000	2022 RMB'000
Income tax expense	1,471	2,304
Profit for the period	(1,471)	(2,304)
Attributable to:		
Owners of the parent	(469)	(2,038)
Non-controlling interests	(1,002)	(266)
	(1,471)	(2,304)
Total comprehensive income for the period	(1,471)	(2,304)
Attributable to:		
Owners of the parent	(469)	(2,038)
Non-controlling interests	(1,002)	(266)
	(1,471)	(2,304)

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

- (d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

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

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

	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
For the six months ended 30 June 2023			
Segment revenue			
Sales	2,172,497	1,991,300	4,163,797
Segment results	502,912	630,418	1,133,330
<i>Reconciliation:</i>			
Other losses, net			(58,646)
Finance income			274,028
Finance costs (other than interest on lease liabilities)			(79,789)
Share of losses of:			
Joint ventures			(5,753)
Associates			(553,563)
Profit before tax			709,607

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

3. OPERATING SEGMENTS (continued)

	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
For the six months ended 30 June 2022			
Segment revenue			
Sales	1,795,694	1,891,473	3,687,167
Segment results			
	406,250	507,355	913,605
<i>Reconciliation:</i>			
Other gains, net			28,796
Finance income			224,402
Finance costs (other than interest on lease liabilities)			(71,015)
Share of losses of:			
Joint ventures			(2,573)
Associates			(692,357)
Profit before tax			400,858

Geographical information

(a) Revenue from external customers:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
Chinese mainland	3,953,423	3,477,966
Hong Kong	180,611	187,946
Other countries and regions	29,763	21,255
Total	4,163,797	3,687,167

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

3. OPERATING SEGMENTS (continued)

Geographical information (continued)

(b) *Non-current assets:*

	30 JUNE 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED)
Chinese mainland	2,544,415	2,533,847
Other countries and regions	3,354	2,203
Total	2,547,769	2,536,050

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.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
<i>Revenue from contracts with customers</i>	4,145,367	3,670,806
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	18,430	16,361
	4,163,797	3,687,167

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

4. REVENUE AND OTHER INCOME (continued)

Disaggregated revenue information

For the six months ended 30 June 2023

SEGMENTS	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
Types of goods or services			
Sales and subscription of software and related services	2,099,933	—	2,099,933
Game services	—	1,725,342	1,725,342
Royalties	—	184,157	184,157
Online marketing services	72,192	—	72,192
Others	—	63,743	63,743
Total revenue from contracts with customers	2,172,125	1,973,242	4,145,367
Geographical markets			
Chinese mainland	2,098,117	1,836,876	3,934,993
Hong Kong	44,638	135,973	180,611
Other countries	29,370	393	29,763
Total revenue from contracts with customers	2,172,125	1,973,242	4,145,367
Timing of revenue recognition			
Goods or services transferred at a point in time	714,428	91,201	805,629
Services transferred over time	1,457,697	1,882,041	3,339,738
Total revenue from contracts with customers	2,172,125	1,973,242	4,145,367

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

4. REVENUE AND OTHER INCOME (continued)

Disaggregated revenue information (continued)

For the six months ended 30 June 2022

SEGMENTS	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
Types of goods or services			
Sales and subscription of software and related services	1,715,271	—	1,715,271
Game services	—	1,616,131	1,616,131
Royalties	—	216,313	216,313
Online marketing services	80,094	—	80,094
Others	—	42,997	42,997
Total revenue from contracts with customers	1,795,365	1,875,441	3,670,806
Geographical markets			
Chinese mainland	1,737,840	1,723,765	3,461,605
Hong Kong	36,720	151,226	187,946
Other countries	20,805	450	21,255
Total revenue from contracts with customers	1,795,365	1,875,441	3,670,806
Timing of revenue recognition			
Goods or services transferred at a point in time	724,920	60,360	785,280
Services transferred over time	1,070,445	1,815,081	2,885,526
Total revenue from contracts with customers	1,795,365	1,875,441	3,670,806

Other income

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
Government grants*	166,657	188,843
Others	9,368	9,290
	176,025	198,133

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

5. OTHER GAINS/(LOSSES), NET

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
Loss on deemed disposal of associates		(80,071)	(22,764)
Foreign exchange differences, net		(55,178)	(15,649)
Fair value gains on financial instruments at fair value through profit or loss, net		65,294	47,794
Gain on disposal of a subsidiary	16	—	19,541
Gain on liquidation of a subsidiary*		11,309	—
Loss on partial disposal of a subsidiary	16	—	(126)
		(58,646)	28,796

* The Company disposed interest in a wholly-owned subsidiary through liquidation. The cumulative gain of the exchange differences recognised in other comprehensive income has been reclassified to gain on liquidation of a subsidiary.

6. PROFIT BEFORE TAX

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

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
Employee benefit expenses	1,865,184	1,715,492
Depreciation of property, plant and equipment	73,416	72,649
Depreciation of investment properties	4,595	4,858
Depreciation of right-of-use assets	30,113	37,993
Amortisation of other intangible assets	15,781	17,203
Interest on lease liabilities, convertible bonds and other liabilities	82,474	75,589
Impairment of trade and other receivables	19,214	8,895

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

7. INCOME TAX EXPENSE

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in the Chinese Mainland 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% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

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	
	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED) RESTATED
Current income tax	188,297	125,395
Deferred income tax	(84,415)	(60,472)
Income tax expense	103,882	64,923

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,358,701,874 (six months ended 30 June 2022: 1,366,532,812) in issue during the period.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings/(loss) 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/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2023 in respect of the convertible bonds outstanding as the impact was anti-dilutive.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED) RESTATED
<i>Earnings/(loss)</i>		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation:	249,530	(42,064)
Decrease in earnings/increase in loss adjusted for the share option schemes and the share award schemes adopted by the Group's subsidiaries	(19,077)	(21,484)
Adjusted profit/(loss) attributable to ordinary equity holders of the parent	230,453	(63,548)

	NUMBER OF SHARES FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 (UNAUDITED)	2022 (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/(loss) per share calculation	1,358,701,874	1,366,532,812
Effect of dilution — weighted average number of ordinary shares:		
Share options	1,153,475	—
Awarded shares	3,880,043	—
	1,363,735,392	1,366,532,812

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

9. 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:

	30 JUNE 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED)
0–30 days	410,745	402,450
31–60 days	99,510	124,859
61–90 days	59,742	91,232
91–365 days	205,875	179,385
1 to 2 years	53,234	43,127
Over 2 years	21,500	19,544
	850,606	860,597

10. CASH AND BANK DEPOSITS AND RESTRICTED CASH

	30 JUNE 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED)
Cash and bank balances	9,333,915	9,050,156
Non-pledged time deposits with original maturity of less than three months when acquired	3,558,781	1,968,726
	12,892,696	11,018,882
Non-pledged time deposits with original maturity of over three months when acquired	8,791,815	7,182,528
Cash and bank deposits	21,684,511	18,201,410
Restricted cash	2,767	2,456
	21,687,278	18,203,866

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 Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

11. 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:

	30 JUNE 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED)
0–30 days	145,650	157,696
31–60 days	20,279	61,916
61–90 days	26,942	71,054
91–365 days	207,439	124,545
Over 1 years	30,652	37,461
	430,962	452,672

12. SHARE CAPITAL

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

	NUMBER OF SHARES IN ISSUE (UNAUDITED)	ISSUED SHARE CAPITAL RMB'000 (UNAUDITED)	SHARE PREMIUM ACCOUNT RMB'000 (UNAUDITED)	TREASURY SHARES RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
At 1 January 2023	1,358,538,320*	5,281	2,213,361	(29,059)	2,189,583
Final 2022 dividend declared	—	—	(162,831)	—	(162,831)
Exercise of share options	600,000	2	18,585	—	18,587
Vesting of awarded shares	94,700	—	1,953	228	2,181
Share purchased for share award scheme	(879,400)	—	—	(24,073)	(24,073)
At 30 June 2023	1,358,353,620	5,283	2,071,068	(52,904)	2,023,447

* Excluding 4,542,097 (31 December 2022: 3,757,397) shares held by the Share Award Scheme Trust as at 30 June 2023.

Share options

Details of the Company's share option schemes and the share options issued under these schemes are included in note 13 to the financial statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

13. 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. Any options granted before the termination date of the 2011 Share Option Scheme shall continue to be valid and effective until the options' expiry date.

The 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 2023 and 2022, and their weighted average exercise prices ("WAEP"):

	2023		2022	
	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP HK\$ PER SHARE (UNAUDITED)	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP HK\$ PER SHARE (UNAUDITED)
Outstanding at 1 January	3,129,800	20.73	3,129,800	20.73
Exercised during the period	(600,000)	22.75	—	—
Outstanding at 30 June	2,529,800	20.25	3,129,800	20.73
Exercisable at 30 June	2,529,800	20.25	3,009,800	20.65

The share options outstanding as at the end of reporting period were granted on 21 April 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.

- (b) The Company operates the 2021 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2021 Share Option Scheme include the directors and other employees of the Group or any of the Group's invested entities. The 2021 Share Option Scheme became effective on 9 December 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The following table illustrates the number of and movements in the share options outstanding under the 2021 Share Option Scheme during the six months ended 30 June 2023 and 2022, and their WAEP:

	2023		2022	
	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	5,500,000	31.69	—	—
Exercisable at 30 June	—	—	—	—

The share options outstanding as at the end of reporting period were granted on 4 July 2022 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 2021 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 2023

13. SHARE-BASED COMPENSATION COSTS (continued)

The Company's share award arrangements (continued)

- (c) On 31 March 2008, the directors of the Company approved and adopted the Share Award Scheme in which selected employees of the Group are entitled to participate. Unless early terminated by the directors of the Company, the Share Award Scheme is valid and effective for a term of five years commencing from 31 March 2008. 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 2023 and 2022.

	2023 NUMBER OF AWARDED SHARES (UNAUDITED)	2022 NUMBER OF AWARDED SHARES (UNAUDITED)
Outstanding at 1 January	5,999,660	5,054,760
Granted during the period	370,700	26,000
Forfeited during the period	(636,200)	(512,900)
Vested during the period	(94,700)	(454,560)
Outstanding at 30 June	5,639,460	4,113,300

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

13. 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 feature to be granted may not in aggregate exceed 870,000 shares (representing 0.19% of the shares of Beijing Kingsoft Office in issue on 2 June 2021). 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 and movements of RSUs granted under the Kingsoft Office Share Award Scheme during the six months ended 30 June 2023 and 2022.

	2023		2022	
	NUMBER OF RSUs (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)	NUMBER OF RSUs (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)
Outstanding at 1 January	555,475	44.56	829,400	45.26
Granted during the period	—	—	—	—
Forfeited during the period	(23,172)	44.56	(15,571)	44.56
Exercised during the period	(43,461)	43.83	—	—
Outstanding at 30 June	488,842	43.83	813,829	44.56
Exercisable at 30 June	205,062	44.56	221,529	44.56

The RSUs outstanding as at the end of reporting period were granted during 2 June 2021 to 28 December 2021 and the vesting periods 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 2023

13. SHARE-BASED COMPENSATION COSTS (continued)

Kingsoft Office's share award arrangements (continued)

- (b) On 28 April 2022, the shareholders of Beijing Kingsoft Office approved and adopted the 2022 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 2022 Kingsoft Office Share Award Scheme which may be issued upon exercise of all RSUs with option feature to be granted may not in aggregate exceed 1,000,000 shares. The 2022 Kingsoft Office Share Award Scheme shall be valid and effective for a term of five years commencing on 29 April 2022. The exercise price and exercise period of RSUs are determinable by the board of Beijing Kingsoft Office.

The following table illustrates the numbers and movements of RSUs granted under the 2022 Kingsoft Office Share Award Scheme during the six months ended 30 June 2023 and 2022.

	2023		2022	
	NUMBER OF RSUs (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)	NUMBER OF RSUs (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)
Outstanding at 1 January	977,300	45.16	—	—
Granted during the period			800,000	45.86
Forfeited during the period	(4,440)	45.16	(11,000)	45.86
Exercised during the period	(250,470)	45.16	—	—
Outstanding at 30 June	722,390	45.16	789,000	45.86
Exercisable at 30 June	—	—	—	—

The RSUs outstanding as at the end of reporting period were granted during 29 April 2022 to 28 December 2022 and the vesting periods of these RSUs were various from 1 to 3.5 years. The exercise period of the RSUs granted under the 2022 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 2023

13. SHARE-BASED COMPENSATION COSTS (continued)

Kingsoft Office's share award arrangements (continued)

- (c) On 6 June 2023, the shareholders of Beijing Kingsoft Office approved and adopted the 2023 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 2023 Kingsoft Office Share Award Scheme which may be issued upon exercise of all RSUs with option feature to be granted may not in aggregate exceed 1,000,000 shares (representing 0.22% of the shares of Beijing Kingsoft Office in issue). The 2023 Kingsoft Office Share Award Scheme shall be valid and effective for a term of five years commencing on 6 June 2023. The exercise price and exercise period of RSUs are determinable by the board of Beijing Kingsoft Office.

The following table illustrates the numbers and movements of RSUs granted under the Kingsoft Office Share Award Scheme during the six months ended 30 June 2023.

	2023 NUMBER OF SHARE OPTIONS (UNAUDITED)	2023 WAEP RMB PER SHARE (UNAUDITED)
Outstanding at 1 January	—	—
Granted during the period	800,400	150
Outstanding at 30 June	800,400	150
Exercisable at 30 June	—	—

The RSUs outstanding as at the end of reporting period were granted on 6 June 2023 and the vesting periods of these RSUs were various from 1 to 3 years. The exercise period of the RSUs granted under the 2023 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.

- (d) On 3 December 2012, the directors of the Company and Kingsoft Office Software 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, which is a similar arrangement for the benefit of employees as the KOS Share Award Scheme.

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 2023 and 2022.

	2023 NUMBER OF RESTRICTED SHARES (UNAUDITED)	2022 NUMBER OF RESTRICTED SHARES (UNAUDITED)
Outstanding at 1 January	548,833	2,920,832
Vested during the period	(21,000)	(75,000)
Outstanding at 30 June	527,833	2,845,832

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

13. 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 Limited ("Seasun Holdings"), a subsidiary of the Company, approved and adopted the Seasun Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Seasun Holdings and its subsidiaries are entitled to participate. The maximum number of ordinary shares under the Seasun Holdings Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 80,000,000 shares (representing 10% of the shares in issue). On 24 May 2017, the shareholders of the Company and Seasun Holdings approved to amend the maximum number of ordinary shares, which may be issued upon exercise in the Seasun Holdings Share Option Scheme, to 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 2023 and 2022.

	2023		2022	
	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)
Outstanding at 1 January	20,665,989	4.81	23,063,389	4.49
Granted during the period	—	—	200,000	4.87
Forfeited during the period	(100,000)	8.05	(160,000)	7.42
Cancelled during the period	(571,500)	4.47	(400,000)	2.00
Outstanding at 30 June	19,994,489	4.81	22,703,389	4.52
Exercisable at 30 June	17,599,600	4.39	17,763,900	3.88

The share options outstanding as at the end of reporting period were granted during 18 July 2013 to 1 April 2022 and the vesting periods 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 2023

13. 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) 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 2023 and 2022.

	2023 NUMBER OF AWARDED SHARES (UNAUDITED)	2022 NUMBER OF AWARDED SHARES (UNAUDITED)
Outstanding at 1 January	49,683,919	50,366,461
Granted during the period	—	50,000
Forfeited during the period	(115,000)	(183,000)
Outstanding at 30 June	49,568,919	50,233,461

Kingsoft Shiyou Holdings' share award arrangements

- (a) On 13 April 2022, the shareholders and directors of the Kingsoft Shiyou Holdings Limited ("Kingsoft Shiyou Holdings"), a subsidiary of the Company, approved and adopted the Kingsoft Shiyou Holdings Share Award Scheme, in which selected employees of Kingsoft Shiyou Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of Kingsoft Shiyou Holdings, the Kingsoft Shiyou Holdings Share Award Scheme is valid and effective for a term of ten years commencing from 13 April 2022. The directors of Kingsoft Shiyou 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) greater than 50,000,000 shares, as at the date such grant.

No share awards was granted under the Kingsoft Shiyou Holdings Share Award Scheme since its adoption.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

14. 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. There was no conversion or redemption of the 2020 Convertible Bonds during the period ended 30 June 2023.

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

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

The movements of the liability component and the equity component of the 2020 Convertible Bonds for the six months ended 30 June 2023 are set out below:

	LIABILITY COMPONENT RMB'000 (UNAUDITED)	EQUITY COMPONENT RMB'000 (UNAUDITED)
At 1 January 2023	2,589,698	468,700
Interest expenses	77,296	—
Interest paid	(8,559)	—
Exchange realignment	86,179	—
At 30 June 2023	2,744,614	468,700

15. DIVIDENDS

A final dividend of HK\$0.13 per ordinary share for 2022 totalling HK\$176,606,000 (equivalent to RMB162,831,000), proposed by the board of directors of the Company ("Board") was approved by the shareholders of the Company on 24 May 2023.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

16. DISPOSAL OF A SUBSIDIARY/PARTIAL DISPOSAL OF A SUBSIDIARY

Disposal of a subsidiary

On 5 June 2022, the Group through one of its subsidiaries entered into a share transfer agreement with a third party company to dispose of 100% equity interests in Magic Fuel Game, Inc. ("MFG"), a company engaged in the game research and development business, at an aggregate cash consideration of US\$3,000,000 (equivalent to RMB19,829,000).

The details of the net assets disposed of are as follows:

	NOTE	RMB'000 (UNAUDITED)
Net assets disposed of:		
Other intangible assets		21
Trade receivables		22
Prepayments, other receivables and other assets		133
Cash and cash equivalents		193
Trade payables		(88)
Other payables and accruals		(365)
		(84)
Exchange fluctuation reserve		372
		288
Gain on disposal of a subsidiary	5	19,541
		19,829
Satisfied by:		
Cash		10,237
Other receivables		9,592
		19,829

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

16. DISPOSAL OF A SUBSIDIARY/PARTIAL DISPOSAL OF A SUBSIDIARY (continued)

Disposal of a subsidiary (continued)

An analysis of the net inflows of cash and cash equivalents in respect of the disposal of MFG is as follows:

	FOR THE SIX MONTHS ENDED 30 JUNE 2022 RMB'000 (UNAUDITED)
Cash consideration received	10,237
Cash and cash equivalents disposed of	(193)
Net cash inflows from the disposal of a subsidiary	10,044

Partial disposal of a subsidiary

On 10 February 2022, the Group through one of its subsidiaries entered into a share transfer agreement with a third party company to dispose of 20.1% equity interests in Chengdu Jishan Health Technology Co., Ltd. ("Jishan Health"), a company primarily engaged in the healthcare business, at an aggregate cash consideration of RMB6,232,000, and continues to hold 40% equity interests in Jishan Health. Upon the completion of disposal, the Group lost control of Jishan Health and accounted for the remaining portion of equity interests in Jishan Health as an associate.

The details of the net assets disposed of are as follows:

	NOTE	RMB'000 (UNAUDITED)
Net assets disposed of:		
Property, plant and equipment		386
Inventories		308
Trade receivables		22
Prepayments, other receivables and other assets		901
Cash and cash equivalents		33,074
Non-pledged time deposits with original maturity of over three months when acquired		42,000
Other payables and accruals		(45,060)
Non-controlling interests		(12,621)
Loss on partial disposal of a subsidiary	5	(126)
		18,884
Satisfied by:		
Cash		6,232
Investment in an associate		12,652
		18,884

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

16. DISPOSAL OF A SUBSIDIARY/PARTIAL DISPOSAL OF A SUBSIDIARY (continued)

Partial disposal of a subsidiary (continued)

An analysis of the net outflows of cash and cash equivalents in respect of the partial disposal of Jishan Health is as follows:

	FOR THE SIX MONTHS END 30 JUNE 2022 RMB'000 (UNAUDITED)
Cash consideration received	6,232
Cash and cash equivalents disposed of	(33,074)
Net cash outflows from the partial disposal of a subsidiary	(26,842)

17. COMMITMENTS

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

	NOTE	30 JUNE 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED)
Contracted, but not provided for:			
Development of land and buildings	(a)	594,630	495,784
Purchase of property, plant and equipment		349	183
		593,979	495,967

- (a) As at 30 June 2023, the Group's capital commitment for the development of a piece of land in Zhuhai, the development of a piece of land in Wuhan and leasehold improvements were RMB53,635,000, RMB539,205,000 and RMB1,790,000, respectively (31 December 2022: RMB58,943,000, RMB427,788,000 and RMB9,053,000, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

18. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
Interest income from a joint venture of the Group		—	146
Interest income from an associate of the Group	(i)	—	11,028
Interest income from a key management of a subsidiary		77	—
Interest income from non-controlling shareholder of a subsidiary	(ii)	266	228
Provision of services to a company controlled by a director of the Company	(iii)	1,795	1,284
Provision of services to associates	(iv)	6,510	10,022
Provision of services to a joint venture	(v)	1,991	2,117
Licence fee from a company whose parent has a significant influence on the Company	(vi)	77,992	112,520
Licence fee from an associate	(vii)	3,374	3,694
Purchases of products from a company controlled by a director of the Company		171	220
Purchases of services from a company controlled by a director of the Company	(viii)	1,514	2,813
Licence fee to a joint venture	(ix)	40,604	54,274
Rental to a company controlled by a director of the Company	(x)	14,554	19,863
Purchase of cloud services from associates	(xi)	105,139	102,206

- (i) In 2021, the Group entered into a one-year loan agreement with an associate, pursuant to which, the Group has provided a loan of RMB500,000,000 to this associate with an interest rate of 4.65% per annum. The loan from the associate, including principal and interest receivable, was fully repaid in 2022. The interest income from the associate during the period of six months ended 30 June 2022 was approximately RMB11,028,000.
- (ii) In 2022, the Group entered into a loan agreement with certain non-controlling shareholder of Kingsoft Shiyou Holdings. Pursuant to which, the Group has provided a loan of RMB40,000,000 with an interest rate of London Interbank Offered Rate plus 0.5% per annum to the non-controlling shareholder of Shiyou Holdings. The loan was secured by the shares of Shiyou Holdings held by the non-controlling shareholder. The term of the above loan is one year and can be extended to three years with the permission of the Group. In 2023, the Group and the non-controlling shareholder of Shiyou Holdings has extended the loan for one year, to 17 January 2024. As at 30 June 2023, the outstanding balances included accumulated unpaid principal and interests receivable of RMB40,000,000 (31 December 2022: RMB40,000,000) and RMB808,000 (31 December 2022: RMB516,000), respectively. The interest income from non-controlling shareholder during the period was RMB266,000 (six months ended 30 June 2022: RMB228,000).
- (iii) The Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group provides promotion services to this related company and its affiliates at the prevailing fair market price in the same industry for similar transactions.
- (iv) The Group entered into agreements with associates to provide technology support and leasing services to them at the prevailing fair market price.
- (v) The Group entered into agreements with a joint venture to provide technology support and leasing services to it at the prevailing fair market price.
- (vi) 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

18. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

- (vii) The Group entered into an exclusive licensing agreement with an associate to grant the exclusive right to use certain office software.
- (viii) 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.
- (ix) 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.
- (x) 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 2023, the carrying amounts of right-of-use assets and lease liabilities in respect with the lease agreements were RMB44,712,000 (31 December 2022: RMB92,091,000) and RMB46,566,000 (31 December 2022: RMB84,900,000), respectively.
- (xi) The Group entered into cloud service agreements with Kingsoft Cloud and its subsidiaries (collectively, "Kingsoft Cloud Group"). Pursuant to the agreements, Kingsoft Cloud Group provides cloud services to the Group at the prevailing fair market price.
- (xii) 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. The Group is entitled to receive licensing fee under the exclusive arrangements and the affiliate of this related company acted as a distribution platform to collect payments from players on behalf of the Group through the non-exclusive arrangements. The net amount remitted to the Group during the period amounted to RMB5,715,000 (six months ended 30 June 2022: RMB8,323,000), including the licensing fee collected on behalf of the Group after deduction of commission in accordance with the co-operation agreements, which is charged at the prevailing fair market price.

(b) Compensation of key management personnel of the Group (including directors' remuneration):

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)
Salaries, allowances, and benefits in kind	2,832	2,879
Pension scheme contributions	130	53
Share-based compensation costs	34,842	24,461
Total compensation paid to key management personnel	37,804	27,393

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

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 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED)	30 JUNE 2023 RMB'000 (UNAUDITED)	31 DECEMBER 2022 RMB'000 (AUDITED)
Financial assets				
Loan receivables	16,327	13,961	14,880	12,724
Equity investments designated at fair value through other comprehensive income	18,273	18,273	18,273	18,273
Financial assets at fair value through profit or loss	2,676,010	3,336,452	2,676,010	3,336,452
	2,710,610	3,368,686	2,709,163	3,367,449
Financial liabilities				
Derivative financial instrument	6,615	6,615	6,615	6,615
Other non-current liabilities	54,217	51,723	60,867	56,049
Liability component of convertible bonds	2,744,614	2,589,698	2,738,880	2,583,051
	2,805,446	2,648,036	2,806,362	2,645,715

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 2023

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.

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 2023

	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	—	—	18,273	18,273
Financial assets at fair value through profit or loss	—	—	2,676,010	2,676,010
	—	—	2,694,283	2,694,283

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

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 2022

	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	—	—	18,273	18,273
Financial assets at fair value through profit or loss	—	—	3,336,452	3,336,452
	—	—	3,354,725	3,354,725

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 2023	3,354,725
Additions	200,000
Disposals	(933,561)
Total gains recognised in profit or loss	65,294
Exchange differences	7,825
At 30 June 2023 (Unaudited)	2,694,283

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 2023:

	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 RMB3,135,000 (RMB(149,000))

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2023

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2023

	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)	
Derivative financial instrument	—	—	6,615	6,615

As at 31 December 2022

	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)	
Derivative financial instrument	—	—	6,615	6,615

20. CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: nil).

21. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 22 August 2023.

TERMS AND GLOSSARIES

“2011 Share Option Scheme”	the share option scheme adopted by the Company on 9 December 2011
“2020 Convertible Bonds”	the convertible bonds issued by the Company on 29 April 2020
“2021 Kingsoft Office Share Award Scheme”	the share award scheme adopted by Kingsoft Office on 2 June 2021
“2021 Share Option Scheme”	the share option scheme adopted by the Company on 9 December 2021
“2022 Kingsoft Office Share Award Scheme”	the share award scheme adopted by Kingsoft Office on 28 April 2022
“2023 Kingsoft Office Share Award Scheme”	the share award scheme adopted by Kingsoft Office on 7 June 2023
“AI”	artificial intelligence
“Articles of Association”	the articles of association of the Company
“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
“Class A Cheetah Shares”	the class A ordinary shares of Cheetah Mobile, par value US\$0.000025 per share
“Company” or “Kingsoft”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IAS”	International Accounting Standard issued by the International Accounting Standards Board
“IFRSs”	International Financial Reporting Standards
“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, an associate of the Company, and the American Depository Shares and the shares of which are listed on NASDAQ and the Stock Exchange, respectively
“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

TERMS AND GLOSSARIES (continued)

"Kingsoft Office Group"	Kingsoft Office and its subsidiaries
"Kingsoft Office Share Award Schemes"	the share award schemes adopted by Kingsoft Office on 2 June 2021, 28 April 2022 and 7 June 2023
"Kingsoft Qijian"	Beijing Kingsoft Qijian Digital Technology Co., Ltd.* (北京金山奇劍數碼科技有限公司)
"Kingsoft Shiyou Holdings"	Kingsoft Shiyou Holdings Limited, a subsidiary of the Company
"Kingsoft Shiyou Holdings Share Award Scheme"	The share award scheme adopted by Kingsoft Shiyou Holding on 13 April 2022
"LLMs"	large language models
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"NYSE"	New York Stock Exchange
"PRC" or "China"	the People's Republic of China
"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 Scheme"	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, as amended on 5 July 2021
"SSE STAR Market"	the science and technology innovation board of the Shanghai Stock Exchange
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"US\$"	United States dollars, the lawful currency of the United States of America
"WPS Hong Kong"	Kingsoft WPS Corporation Limited, a wholly-owned subsidiary of the Company
"Wuhan Campus"	the campus of Wuhan headquarters
"%"	percent