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Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

(Convertible Bonds Code: 40210)

**ANNOUNCEMENT OF THE RESULTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Kingsoft Corporation Limited (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (the “**Group**” or “**Kingsoft**”) for the three and six months ended 30 June 2024. These interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three and six months ended 30 June 2024

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue					
Office software and services		1,187,730	1,120,845	2,413,079	2,172,497
Online games and others		1,286,036	1,072,645	2,197,562	1,991,300
		<u>2,473,766</u>	<u>2,193,490</u>	<u>4,610,641</u>	<u>4,163,797</u>
Cost of revenue		<u>(431,731)</u>	<u>(361,644)</u>	<u>(827,953)</u>	<u>(706,558)</u>
Gross profit		2,042,035	1,831,846	3,782,688	3,457,239
Research and development costs		(741,263)	(665,652)	(1,454,051)	(1,326,711)
Selling and distribution expenses		(379,407)	(301,049)	(640,699)	(652,203)
Administrative expenses		(155,353)	(153,371)	(315,626)	(303,159)
Share-based compensation costs		(81,794)	(90,937)	(158,263)	(163,723)
Other income		106,230	81,318	177,531	176,025
Other expenses		3,589	(26,442)	4,035	(51,453)
Operating profit		794,037	675,713	1,395,615	1,136,015
Other losses, net		(12,273)	(102,690)	(16,579)	(58,646)
Finance income		162,564	139,199	351,148	274,028
Finance costs		(44,738)	(41,716)	(88,334)	(82,474)
Share of profits and losses of:					
Joint ventures		(5,485)	(1,944)	(15,100)	(5,753)
Associates		(169,192)	(322,806)	(337,913)	(553,563)
Profit before tax	4	724,913	345,756	1,288,837	709,607
Income tax expense	5	(48,372)	(77,979)	(90,707)	(103,882)
Profit for the period		676,541	267,777	1,198,130	605,725
Attributable to:					
Owners of the parent		393,353	57,187	677,923	249,530
Non-controlling interests		283,188	210,590	520,207	356,195
		<u>676,541</u>	<u>267,777</u>	<u>1,198,130</u>	<u>605,725</u>
		<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)
Earnings per share					
attributable to ordinary					
equity holders of the parent	7				
Basic		<u>0.29</u>	<u>0.04</u>	<u>0.51</u>	<u>0.18</u>
Diluted		<u>0.28</u>	<u>0.04</u>	<u>0.49</u>	<u>0.17</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2024

	For the three months ended 30 June		For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	676,541	267,777	1,198,130	605,725
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	(35,301)	(194,954)	(41,529)	(90,185)
Reclassification to profit and loss from liquidation of a subsidiary	—	—	—	(11,309)
Reclassification to profit and loss from deemed disposal of associates	(1,619)	(5,783)	(1,745)	(5,734)
Share of other comprehensive income/(loss) of associates	(1,541)	160,778	21,114	128,752
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(38,461)	(39,959)	(22,160)	21,524
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	42,946	285,798	52,646	169,833
Share of other comprehensive loss of an associate	(584)	(2,101)	(584)	(3,541)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	42,362	283,697	52,062	166,292
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	3,901	243,738	29,902	187,816
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	680,442	511,515	1,228,032	793,541
Attributable to:				
Owners of the parent	394,830	283,296	706,576	421,864
Non-controlling interests	285,612	228,219	521,456	371,677
	680,442	511,515	1,228,032	793,541

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	2,028,687	1,983,123
Investment properties	166,824	169,831
Right-of-use assets	355,144	376,936
Goodwill	185,564	185,564
Other intangible assets	86,209	93,393
Investments in joint ventures	446,120	461,220
Investments in associates	4,103,107	4,475,829
Equity investments designated at fair value through other comprehensive income	18,468	18,468
Financial assets at fair value through profit or loss	561,839	406,196
Deferred tax assets	152,035	106,920
Other non-current assets	1,029,186	24,018
	<u>9,133,183</u>	<u>8,301,498</u>
CURRENT ASSETS		
Inventories	14,722	15,626
Trade receivables	8 922,745	785,231
Prepayments, other receivables and other assets	2,079,151	2,224,334
Financial assets at fair value through profit or loss	3,855,521	3,591,493
Restricted cash	2,737	5,337
Cash and bank deposits	19,713,879	20,271,193
	<u>26,588,755</u>	<u>26,893,214</u>
CURRENT LIABILITIES		
Trade payables	9 491,164	533,499
Other payables and accruals	1,578,992	1,617,145
Lease liabilities	32,775	37,512
Contract liabilities	2,577,860	2,429,120
Income tax payable	213,940	263,162
Liability component of convertible bonds	2,865,401	—
	<u>7,760,132</u>	<u>4,880,438</u>
NET CURRENT ASSETS	<u>18,828,623</u>	<u>22,012,776</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>27,961,806</u>	<u>30,314,274</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

		As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Contract liabilities		647,029	574,547
Deferred tax liabilities		220,210	294,448
Lease liabilities		16,877	29,496
Liability component of convertible bonds	10	—	2,770,192
Other non-current liabilities		67,857	65,506
Derivative financial instrument		6,828	6,828
		<hr/>	<hr/>
Total non-current liabilities		958,801	3,741,017
		<hr/>	<hr/>
NET ASSETS		27,003,005	26,573,257
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		5,198	5,292
Share premium account		1,489,393	2,187,981
Treasury shares		(156,245)	(306,558)
Equity component of convertible bonds	10	468,700	468,700
Other reserves		19,707,664	18,933,618
		<hr/>	<hr/>
		21,514,710	21,289,033
Non-controlling interests		5,488,295	5,284,224
		<hr/>	<hr/>
TOTAL EQUITY		27,003,005	26,573,257
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent												
	Issued capital	Share premium	Treasury shares	Equity component of convertible bonds	Statutory reserves	Share-based compensation reserve	Other capital reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2024	5,292	2,187,981	(306,558)	468,700	1,093,947*	762,575*	5,863,649*	11,208*	324,920*	10,877,319*	21,289,033	5,284,224	26,573,257
Profit for the period	—	—	—	—	—	—	—	—	—	677,923	677,923	520,207	1,198,130
Other comprehensive income/(loss) for the period:													
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	9,868	—	9,868	1,249	11,117
Reclassification to profit and loss from deemed disposal of associates	—	—	—	—	—	—	—	—	(1,745)	—	(1,745)	—	(1,745)
Share of other comprehensive income/(loss) of associates	—	—	—	—	—	—	—	(584)	21,114	—	20,530	—	20,530
Total comprehensive income for the period	—	—	—	—	—	—	—	(584)	29,237	677,923	706,576	521,456	1,228,032
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(374,975)	(374,975)
Final 2023 dividend declared	—	(170,337)	—	—	—	—	—	—	—	—	(170,337)	—	(170,337)
Share-based compensation costs	—	—	—	—	—	92,158	—	—	—	—	92,158	66,239	158,397
Vesting and settlement of share-based awards	—	8,182	806	—	—	(8,988)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(30,892)	35,880	—	—	—	4,988	6,123	11,111
Shares repurchased for share award scheme	—	—	(35,673)	—	—	—	—	—	—	—	(35,673)	—	(35,673)
Shares repurchased for cancellation	—	—	(351,347)	—	—	—	—	—	—	—	(351,347)	—	(351,347)
Shares cancelled	(94)	(536,433)	536,527	—	—	—	—	—	—	—	—	—	—
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	(20,688)	—	—	—	(20,688)	(14,772)	(35,460)
At 30 June 2024	5,198	1,489,393	(156,245)	468,700	1,093,947*	814,853*	5,878,841*	10,624*	354,157*	11,555,242*	21,514,710	5,488,295	27,003,005

* These reserve accounts comprise the consolidated other reserves of RMB19,707,664,000 (31 December 2023: RMB18,933,618,000) in the interim condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2023

	Attributable to owners of the parent												
	Issued capital	Share premium account	Treasury shares	Equity component of		Share-based compensation reserve	Other capital reserve	Fair value reserve of financial assets at fair value through other comprehensive income		Foreign currency translation reserve	Retained profits	Non-controlling interests	Total equity
				convertible bonds	Statutory reserves			comprehensive income	Reserve				
				RMB'000	RMB'000			RMB'000	RMB'000				
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
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 disposal 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	—	(162,831)	—	—	—	—	—	—	—	—	(162,831)	—	(162,831)
Share-based compensation costs	—	—	—	—	—	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	—	—	(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	<u>5,283</u>	<u>2,071,068</u>	<u>(52,904)</u>	<u>468,700</u>	<u>845,472</u>	<u>828,623</u>	<u>5,572,048</u>	<u>38,001</u>	<u>411,258</u>	<u>10,891,867</u>	<u>21,079,416</u>	<u>4,832,654</u>	<u>25,912,070</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	1,374,262	2,307,572
Net cash flows used in investing activities	(6,787,751)	(1,482,629)
Net cash flows (used in)/from financing activities	<u>(869,442)</u>	<u>989,023</u>
Net (decrease)/increase in cash and cash equivalents	(6,282,931)	1,813,966
Cash and cash equivalents at beginning of the period	8,707,372	11,018,882
Effect of foreign exchange rate changes, net	<u>6,542</u>	<u>59,848</u>
Cash and cash equivalents at end of the period	2,430,983	12,892,696
Non-pledged time deposits with original maturity of over three months when acquired	<u>17,282,896</u>	<u>8,791,815</u>
Cash and bank deposits as stated in the condensed consolidated statement of financial position	<u><u>19,713,879</u></u>	<u><u>21,684,511</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

The Group is principally engaged in the following activities:

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

The interim condensed consolidated financial statements for the three months and six months ended 30 June 2024 were approved and authorized for issue in accordance with a resolution of the Board on 20 August 2024.

2. Basis of preparation and significant accounting policies

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 International Accounting Standards Board ("**IASB**").

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 as at 31 December 2023.

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

Significant accounting policies

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 2023, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), except for the adoption of new standards and interpretations effective as at 1 January 2024.

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

Amendments to IFRS 16	<i>Lease liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

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

3. Operating segments

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 losses, finance income, non-lease-related finance costs as well as share of profits and losses of joint ventures and associates are excluded from such measurement.

	Office software and services RMB'000 (Unaudited)	Entertainment software and others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<i>For the six months ended 30 June 2024</i>			
Segment revenue:			
Sales	<u>2,413,079</u>	<u>2,197,562</u>	<u>4,610,641</u>
Segment results	640,228	753,612	1,393,840
<i>Reconciliation:</i>			
Other losses, net			(16,579)
Finance income			351,148
Finance costs (other than interest on lease liabilities)			(86,559)
Share of profits and losses of:			
Joint ventures			(15,100)
Associates			(337,913)
Profit before tax			<u><u>1,288,837</u></u>

3. Operating segments (continued)

	Office software and services <i>RMB'000</i> <i>(Unaudited)</i>	Entertainment software and others <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
<i>For the six months ended 30 June 2023</i>			
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 profits and losses of:			
Joint ventures			(5,753)
Associates			(553,563)
Profit before tax			<u>709,607</u>

4. Profit before tax

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Employee benefit expenses	1,997,549	1,865,184
Depreciation of property, plant and equipment	75,609	73,416
Depreciation of investment properties	3,007	4,595
Depreciation of right-of-use assets	25,323	30,113
Amortisation of other intangible assets	11,947	15,781
Interest on lease liabilities, convertible bonds and other liabilities	88,334	82,474
Impairment of trade and other receivables	1,597	19,214

5. Income tax expense

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax	210,060	188,297
Deferred income tax	(119,353)	(84,415)
Income tax expense	<u>90,707</u>	<u>103,882</u>

6. Dividends

A final dividend of HK\$0.14 per ordinary share for 2023 proposed by the Board was approved by the shareholders of the Company (the “Shareholders”) on 23 May 2024. The actual payment of 2023 final dividend was HK\$186.6 million (equivalent to RMB170.3 million) in June 2024.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

7. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,335,770,539 (six months ended 30 June 2023: 1,358,701,874) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings arising from the share option schemes and the award share schemes adopted by the Group’s subsidiaries. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2024 in respect of the convertible bonds outstanding as the impact was anti-dilutive.

7. Earnings per share attributable to ordinary equity holders of the parent (continued)

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	<u>677,923</u>	<u>249,530</u>
Decrease in earnings adjusted for the share option schemes and the share award schemes adopted by the Group's subsidiaries	<u>(24,151)</u>	<u>(19,077)</u>
	<u>653,772</u>	<u>230,453</u>
Number of shares		
For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for the share award schemes during the period used in the basic earnings per share calculation	1,335,770,539	1,358,701,874
Effect of dilution — weighted average number of ordinary shares:		
Share options	326,193	1,153,475
Awarded shares	<u>1,518,552</u>	<u>3,880,043</u>
	<u>1,337,615,284</u>	<u>1,363,735,392</u>

8. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0–30 days	428,266	288,350
31–60 days	78,606	118,685
61–90 days	36,991	55,889
91–365 days	194,078	210,024
1 to 2 years	148,102	85,695
Over 2 years	36,702	26,588
	<u>922,745</u>	<u>785,231</u>

9. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0–30 days	143,045	127,357
31–60 days	95,761	64,024
61–90 days	60,245	39,441
91–365 days	137,558	247,416
Over one year	54,555	55,261
	<u>491,164</u>	<u>533,499</u>

10. Convertible bonds

On 29 April 2020, the Company issued five-year convertible bonds in the principal amount of HK\$3,100 million which bear interest at a rate of 0.625% per annum payable semi-annually (the “**2020 Convertible Bonds**”). The 2020 Convertible Bonds are convertible at the option of the bondholders into Shares from 9 June 2020 to 3:00 p.m. on the date falling 10 days prior to the maturity date, at a price of HK\$35.7637 per share, subject to adjustments. The Company may redeem under certain circumstances the outstanding 2020 Convertible Bonds at early redemption amount together with interest accrued by giving the bondholders not less than 30 nor more than 60 days’ prior notice. On the maturity date, any 2020 Convertible Bonds not converted will be redeemed by the Company at 105.85% of the principal amount together with accrued and unpaid interest thereon.

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

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

In accordance with the terms and conditions of the 2020 Convertible Bonds, the aggregate payment of the 2021 final dividend, the 2022 final dividend and 2023 final dividend resulted in adjustments (the “**Second Adjustments**”) to the conversion price of the 2020 Convertible Bonds. The Second Adjustments became effective on 8 June 2024, and the conversion price of the 2020 Convertible Bonds was adjusted to HK\$34.77 per share. Assuming full conversion of the 2020 Convertible Bonds at the adjusted conversion price of HK\$34.77 per share and no further issue of shares, the 2020 Convertible Bonds will be convertible into approximately 89,157,320 shares of the Company, representing an increase of 1,388,351 shares from the original 87,768,969 shares.

There was no conversion or redemption of the 2020 Convertible Bonds during the six months ended 30 June 2024.

OPERATIONAL HIGHLIGHTS

	In June 2024	In June 2023	In March 2024	Year- on-year Change %	Quarter- on-quarter Change %
Office Software					
Monthly Active Devices of the key products* (Million)	<u>602</u>	<u>584</u>	<u>602</u>	3	—
			As at 30 June 2024	As at 30 June 2023	Year- on-year Change %
Accumulated paying subscribers** (Million)			<u>38.15</u>	<u>33.24</u>	15

* 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 2024 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	31 March 2024 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue			
Office software and services	1,187,730	1,120,845	1,225,349
Online games and others	1,286,036	1,072,645	911,526
	<u>2,473,766</u>	<u>2,193,490</u>	<u>2,136,875</u>
Cost of revenue	(431,731)	(361,644)	(396,222)
Gross profit	2,042,035	1,831,846	1,740,653
Research and development costs	(741,263)	(665,652)	(712,788)
Selling and distribution expenses	(379,407)	(301,049)	(261,292)
Administrative expenses	(155,353)	(153,371)	(160,273)
Share-based compensation costs	(81,794)	(90,937)	(76,469)
Other income	106,230	81,318	71,301
Other expenses	3,589	(26,442)	446
	<u>794,037</u>	<u>675,713</u>	<u>601,578</u>
Operating profit	794,037	675,713	601,578
Other losses, net	(12,273)	(102,690)	(4,306)
Finance income	162,564	139,199	188,584
Finance costs	(44,738)	(41,716)	(43,596)
Share of profits and losses of:			
Joint ventures	(5,485)	(1,944)	(9,615)
Associates	(169,192)	(322,806)	(168,721)
	<u>724,913</u>	<u>345,756</u>	<u>563,924</u>
Profit before tax	724,913	345,756	563,924
Income tax expense	(48,372)	(77,979)	(42,335)
	<u>676,541</u>	<u>267,777</u>	<u>521,589</u>
Profit for the period	676,541	267,777	521,589
Attributable to:			
Owners of the parent	393,353	57,187	284,570
Non-controlling interests	283,188	210,590	237,019
	<u>676,541</u>	<u>267,777</u>	<u>521,589</u>
	<i>RMB</i> <i>(Unaudited)</i>	<i>RMB</i> <i>(Unaudited)</i>	<i>RMB</i> <i>(Unaudited)</i>
Earnings per share attributable to ordinary equity holders of the parent			
Basic	<u>0.29</u>	<u>0.04</u>	<u>0.21</u>
Diluted	<u>0.28</u>	<u>0.04</u>	<u>0.21</u>

FINANCIAL HIGHLIGHTS (CONTINUED)

	For the six months ended	
	30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue		
Office software and services	2,413,079	2,172,497
Online games and others	2,197,562	1,991,300
	<u>4,610,641</u>	<u>4,163,797</u>
Cost of revenue	<u>(827,953)</u>	<u>(706,558)</u>
Gross profit	3,782,688	3,457,239
Research and development costs	(1,454,051)	(1,326,711)
Selling and distribution expenses	(640,699)	(652,203)
Administrative expenses	(315,626)	(303,159)
Share-based compensation costs	(158,263)	(163,723)
Other income	177,531	176,025
Other expenses	<u>4,035</u>	<u>(51,453)</u>
Operating profit	1,395,615	1,136,015
Other losses, net	(16,579)	(58,646)
Finance income	351,148	274,028
Finance costs	(88,334)	(82,474)
Share of profits and losses of:		
Joint ventures	(15,100)	(5,753)
Associates	<u>(337,913)</u>	<u>(553,563)</u>
Profit before tax	1,288,837	709,607
Income tax expense	<u>(90,707)</u>	<u>(103,882)</u>
Profit for the period	<u>1,198,130</u>	<u>605,725</u>
Attributable to:		
Owners of the parent	677,923	249,530
Non-controlling interests	<u>520,207</u>	<u>356,195</u>
	<u>1,198,130</u>	<u>605,725</u>
	<i>RMB</i> <i>(Unaudited)</i>	<i>RMB</i> <i>(Unaudited)</i>
Earnings per share attributable to ordinary equity holders of the parent		
Basic	<u>0.51</u>	<u>0.18</u>
Diluted	<u>0.49</u>	<u>0.17</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2024 Compared with Second Quarter of 2023 and First Quarter of 2024

Revenue

Revenue for the second quarter of 2024 increased 13% year-on-year and 16% quarter-on-quarter to RMB2,473.8 million. Revenue from office software and services, and online games and others represented 48% and 52% of the Group's total revenue for the second quarter of 2024, respectively.

Revenue from office software and services business for the second quarter of 2024 increased 6% year-on-year and decreased 3% quarter-on-quarter to RMB1,187.7 million. The year-on-year increase was mainly due to the growth of domestic individual office subscription business, partially offset by decreased domestic institutional licensing business of Beijing Kingsoft Office Software, Inc. (“**Kingsoft Office**”) and its subsidiaries (collectively, “**Kingsoft Office Group**”). The growth of domestic individual office subscription business was primarily attributed to the improved user stickiness and conversion rates, driven by our continuous product enhancements and the optimization of user experience in cloud services and artificial intelligence (“**AI**”) features. The slight quarter-on-quarter decrease was mainly due to decreased domestic institutional licensing and subscription businesses, partially offset by the increase of individual office subscription business.

Revenue from online games and others business for the second quarter of 2024 increased 20% year-on-year and 41% quarter-on-quarter to RMB1,286.0 million. The solid year-on-year increase was primarily driven by the contribution from several games, partially offset by declined revenue from JX3 Online, which had a relatively high base in the second quarter of 2023. The significant quarter-on-quarter increase was mainly attributed to ongoing improvements in game experience and the successful launch of JX3 Ultimate (劍網3 無界).

Cost of Revenue and Gross Profit

Cost of revenue for the second quarter of 2024 increased 19% year-on-year and 9% quarter-on-quarter to RMB431.7 million. The increases were primarily due to higher server and bandwidth costs associated with the business expansion, as well as increased channel costs along with the revenue growth of online games.

Gross profit for the second quarter of 2024 increased 11% year-on-year and 17% quarter-on-quarter to RMB2,042.0 million. The Group's gross profit margin decreased by one percentage point year-on-year and increased by two percentage points quarter-on-quarter to 83%. The fluctuations were mainly due to changes in the revenue mix.

Research and Development (“R&D”) Costs

R&D costs for the second quarter of 2024 increased 11% year-on-year and 4% quarter-on-quarter to RMB741.3 million. The increases were mainly due to higher staff costs, including accrued performance-based bonus.

Selling and Distribution Expenses

Selling and distribution expenses for the second quarter of 2024 increased 26% year-on-year and 45% quarter-on-quarter to RMB379.4 million. The increases mainly reflected the increased promotional efforts to support newly launched games.

Administrative Expenses

Administrative expenses for the second quarter of 2024 increased 1% year-on-year and decreased 3% quarter-on-quarter to RMB155.4 million.

Share-based Compensation Costs

Share-based compensation costs for the second quarter of 2024 decreased 10% year-on-year and increased 7% quarter-on-quarter to RMB81.8 million. The quarter-on-quarter increase was mainly due to the grants of awarded shares to the selected employees of certain subsidiaries of the Company in this quarter.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the second quarter of 2024 increased 14% year-on-year and 29% quarter-on-quarter to RMB875.8 million.

Other Losses, net

Net other losses for the second quarter of 2024 were RMB12.3 million, compared with losses of RMB102.7 million and RMB4.3 million for the second quarter of 2023 and the first quarter of 2024, respectively. The losses for the second quarter of 2023 were primarily attributed to the combined effects of: i) foreign exchange losses; and ii) losses from deemed disposals of certain investee companies.

Share of Profits and Losses of Associates

We recorded share of losses of associates of RMB169.2 million for the second quarter of 2024, compared with share of losses of RMB322.8 million and RMB168.7 million for the second quarter of 2023 and the first quarter of 2024, respectively.

Income Tax Expense

Income tax expense for the second quarter of 2024 was RMB48.4 million, compared with income tax expense of RMB78.0 million and RMB42.3 million for the second quarter of 2023 and the first quarter of 2024, respectively.

Profit Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent was RMB393.4 million for the second quarter of 2024, compared with profit of RMB57.2 million and RMB284.6 million for the second quarter of 2023 and the first quarter of 2024, respectively.

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

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

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

Profit attributable to owners of the parent before share-based compensation costs was RMB440.9 million for the second quarter of 2024, compared with profit of RMB123.2 million and RMB329.1 million for the second quarter of 2023 and the first quarter of 2024, respectively. The net profit margin excluding the effect of share-based compensation costs was 18%, 6% and 15% for the second quarter of 2024, the second quarter of 2023 and the first quarter of 2024, respectively.

First Half of 2024 Compared with First Half of 2023

Revenue

Revenue for the first half of 2024 increased 11% year-on-year to RMB4,610.6 million. Revenue from office software and services and online games and others represented 52% and 48% of the Group's total revenue for the first half of 2024, respectively.

Revenue from office software and services business for the first half of 2024 increased 11% year-on-year to RMB2,413.1 million. The increase was mainly due to the growth of domestic individual office subscription business, which was attributed to increases in user stickiness and conversion rates, resulting from our continuous product iteration and enhancement of cloud and AI features to better meet users' office needs.

Revenue from online games and others business for the first half of 2024 increased 10% year-on-year to RMB2,197.6 million. The year-on-year increase was primarily driven by our continuous innovation in game content and efforts to offer enhanced services to core players, which was partially offset by the decline of several other games, including JX3 Online, which had a relatively high base in the first half of 2023.

Cost of Revenue and Gross Profit

Cost of revenue for the first half of 2024 increased 17% year-on-year to RMB828.0 million. The increase was mainly due to greater server and bandwidth costs associated with the business growth, as well as increased personnel related expenses.

Gross profit for the first half of 2024 increased 9% year-on-year to RMB3,782.7 million. The Group's gross profit margin decreased by one percentage point year-on-year to 82%.

R&D Costs

R&D costs for the first half of 2024 increased 10% year-on-year to RMB1,454.1 million. The increase was mainly due to increased investment in collaboration and AI of Kingsoft Office Group, as well as higher accrued performance-based bonus.

Selling and Distribution Expenses

Selling and distribution expenses for the first half of 2024 decreased 2% year-on-year to RMB640.7 million.

Administrative Expenses

Administrative expenses for the first half of 2024 increased 4% year-on-year to RMB315.6 million.

Share-based Compensation Costs

Share-based compensation costs for the first half of 2024 decreased 3% year-on-year to RMB158.3 million.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the first half of 2024 increased 20% to RMB1,553.9 million.

Other Losses, net

Net other losses for the first half of 2024 was RMB16.6 million, compared with losses of RMB58.6 million in the same period last year.

Share of Profits and Losses of Associates

We recorded share of losses of associates of RMB337.9 million for the first half of 2024, compared with losses of RMB553.6 million for the first half of 2023.

Income Tax Expense

Income tax expense was RMB90.7 million and RMB103.9 million for the first half of 2024 and 2023, respectively.

Profit Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent was RMB677.9 million for the first half of 2024, compared with profit of RMB249.5 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 2024 was RMB769.9 million, compared with profit of RMB358.8 million in the same period last year. The net profit margin excluding the effect of share-based compensation costs was 17% and 9% for the first half of 2024 and 2023, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of reporting period. As at 30 June 2024, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB19,713.9 million and RMB2.7 million, respectively, which together represented 55% of the Group's total assets.

As at 30 June 2024, the Group's gearing ratio, representing total liabilities divided by total assets, was 24%, which kept flat with that of 31 December 2023.

Note:

The cash resources which the Group considered in cash management include but are not limited to cash and bank deposits, restricted cash and financial assets at fair value through profit or loss. As at 30 June 2024, the aggregate amount of cash resources of the Group was RMB23,553.1 million.

Foreign Currency Risk Management

As at 30 June 2024, RMB4,107.8 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-month period mentioned above, as the case may be, as adjusted for non-cash items, such as share of profits and 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 RMB1,374.3 million and RMB2,307.6 million for the six months ended 30 June 2024 and 30 June 2023, respectively.

Capital Expenditures

Capital expenditures represent cash payments for fix assets, investment properties and intangible assets. Cash used for capital expenditures was RMB164.3 million and RMB183.1 million for the six months ended 30 June 2024 and 30 June 2023, respectively.

BUSINESS REVIEW AND OUTLOOK

Mr. Jun LEI, Chairman of the Company, commented: “In the second quarter, we steadfastly implemented our established strategy, making good progress in our core businesses. Kingsoft Office Group maintained steady operations and adhered to the strategy of ‘multi-screen, cloud, content, collaboration, AI’. We actively embraced the opportunities presented by large language models, and continuously invested in collaboration and AI R&D to enhance product competitiveness and promote the practical application of new productive forces in intelligent office. For online games business, we focused on prime games, updating and iterating the classic JX series while actively expanding into new game genres.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added: “In this quarter, we achieved steady growth both in revenue and operating profit. The total revenue for the second quarter amounted to RMB2,473.8 million, representing year-on-year and quarter-on-quarter increases of 13% and 16% respectively. Among which, the revenue from online games and others business was RMB1,286.0 million, representing a year-on-year increase of 20% and a significant quarter-on-quarter increase of 41%, and the revenue from office software and services business was RMB1,187.7 million, representing a year-on-year increase of 6%. The operating profit of the Group amounted to RMB794.0 million, marking a 18% year-on-year and a 32% quarter-on-quarter growth.

In July, Kingsoft Office Group upgraded its AI strategy with the launch of WPS AI 2.0. For individuals, we introduced four new AI office assistants for writing, reading, data and design. For enterprise users, we have launched WPS AI Enterprise Edition, which includes AI Hub (intelligent base), AI Docs (intelligent document library), and Copilot Pro (enterprise intelligent assistant). For government clients, we released Kingsoft Government Office Model, based on which the WPS AI Government Edition was released.

In the second quarter, domestic individual office subscription business grew steadily. We enhanced the end-to-cloud integration experience, increasing user stickiness to WPS cloud services, which in turn boosted user engagement in the cloud. Simultaneously, we continually improved users’ awareness and utilization of AI features. For institutions, leveraging the upgrade WPS 365, we continued to promote the adoption of cloud, collaboration, and AI applications, enabling efficient and intelligent management of enterprise digital assets and advancing digital office processes in government and enterprises. We also focused deeply on the business scenarios of key government and enterprise customers, incubating secure and efficient industry-wide solutions. Meanwhile, we expanded public cloud business into the private and state-owned enterprises. In the field of localization industry, we addressed the actual replacement needs of critical industries, facilitating localized migration adaptation and application reconstruction of office systems. The overseas business maintained healthy growth, with the upgraded release of WPS AI overseas version and membership system.

In the second quarter, core games achieved milestone breakthrough. The mobile version of JX3 Ultimate was launched successfully in June, achieving cross-platform data inheritance and interconnectivity with the flagship JX3 Online, setting a new record in daily active users across all platforms. Many dormant players returned as the influx of new players, which strengthened the long-term operation of the franchise. We will hold the 15th anniversary celebration of JX3 Online in August and release a new expansion pack in October to further consolidate its long-term vitality. The sci-fi mecha game, Mecha BREAK (解限機), has completed its first domestic public beta test in August.”

Mr. Jun LEI concluded, “Looking ahead to the second half of the year, Kingsoft Office Group will remain dedicated to focusing on collaboration and AI, and improve the products related to WPS 365 and WPS AI to provide more efficient and intelligent office solutions. In terms of online games business, we will adhere to a user-centered approach, deeply cultivating the established market segments while seeking innovative breakthroughs. We will adhere to the technology-driven business, continually creating value for our users and shareholders.”

OTHER INFORMATION

Employee and Remuneration Policies

As at 30 June 2024, the Group had 7,231 full-time employees (30 June 2023: 7,086), 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 2024 was RMB1,997.5 million (for the six months ended 30 June 2023: RMB1,865.2 million).

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

In January 2024, the Company repurchased 15,025,000 of its own ordinary shares on the Stock Exchange at a price range from HK\$18.42 to HK\$23.5. In February 2024, the Company repurchased 1,861,200 of its ordinary shares on the Stock Exchange at a price range from HK\$18.56 to HK\$21.25. In June 2024, the Company repurchased 1,802,400 of its ordinary shares on the Stock Exchange at a price range from HK\$22.5 to HK\$25.2. During the six months ended 30 June 2024, the Company repurchased a total of 18,688,600 of its own ordinary shares on the Stock Exchange at a total cost of approximately HK\$385.62 million. The Company considered that it is in the best interest of the shareholders of the Company to return some surplus funds to them which will in turn enhance shareholders' value.

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, and Mr. Zuotao CHEN.

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 2024.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) 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 2024.

Corporate Governance Code

The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in Part 2 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 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.

Appreciation

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

By Order of the Board
Kingsoft Corporation Limited
Jun Lei
Chairman

Hong Kong, 20 August 2024

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