

## What's Hot Today:

### ► Kingsoft (3888 HK, HK\$23.74, HK\$32.8bn) : AI-themed with strong downside protection

Kingsoft Corporation is a software company with three business pillars namely, Kingsoft Office (688111 CH, 51.45% owned), Kingsoft Cloud (3896 HK) and online games. Recently, its sister company, Xiaomi, which is also owned by Mr. Lei Jun purchased Kingsoft shares from the open market and lifting his ownership from 22.88% to 24.12%, sparking market interests. We believe the current valuation of Kingsoft remains reasonable with WPS software being the downside support and game/cloud assets offering upside potential.

**Kingsoft Office is the key value anchor:** Its WPS Office has a solid user base, with an estimate of 34% market share in China, ahead of Microsoft Office at 28%. As at the end of March 2026, there were 672mn global monthly active devices (+7% YoY), covering over 220 countries and regions. Overseas paying individual users reached 2.85mn (+63% YoY) as of the end of 2025 while the number of domestic users still grew strongly at 11% YoY to 46.15mn. Between 2020 and 2025, Kingsoft Office revenue and net profit CAGR were around 21% and 16%, respectively, showing solid growth on a larger scale.

Looking ahead, its WPS Office is continuing upgrading with more AI service capabilities and driving more conversion into WPS AI active users. It was previously reported that there were over 80mn monthly active users in China (+307% YoY). In addition, the demand for localization is also driving higher penetration in the private sector and government departments.

During 1Q26, the segment recorded a 24% YoY revenue growth to RMB1.61bn. In FY25, it generated revenue of RMB5.93bn (+16% YoY / 61% of group revenue) and net profit of RMB1.84bn (+12% YoY / 30% NPM). With Kingsoft's 51.45% interest in Kingsoft Office, it contributed to about 47% of Kingsoft's net profit.

**Kingsoft Cloud offers AI catalyst:** Currently, AI cloud is estimated to contribute approximately half of Kingsoft's public cloud revenue, driving a 47% YoY increase in 1Q26 public cloud revenue to nearly RMB2bn. Meanwhile, customers within the Xiaomi and broader Kingsoft ecosystem remain a cornerstone of demand, accounting for around 25%–30% of total cloud revenue.

While strong AI computing demand continues to fuel growth in AI cloud services, it also necessitates sustained capital expenditure, which may weigh on near-term profitability. Nevertheless, given Kingsoft's leading market position and its deep integration with the Xiaomi ecosystem, the company is well positioned to remain a key participant in the ongoing AI-driven growth trend.

China & HK Indices	CLOSE	1D	YTD
HSI	24,842	0.5%	-3.1%
HSCEI	8,375	0.0%	-6.0%
HSCCI	4,320	0.1%	7.6%
CSI300	4,891	2.4%	5.7%
Shanghai A	4,296	1.6%	6.8%
Shanghai B	271	1.4%	6.8%
Shenzhen A	2,919	3.4%	10.2%
Shenzhen B	1,146	1.1%	-9.4%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	51,671	0.9%	7.5%
S&P 500	7,554	1.7%	10.4%
Nasdaq	26,683	3.1%	14.8%
NIKKEI Index	69,512	0.3%	38.1%
FTSE Index	10,430	-0.4%	5.0%
CAC Index	8,384	0.4%	2.9%
DA-X Index	24,894	1.1%	1.6%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,311	2.2%	-0.2%
STEEL (US\$/oz.)	3,434	0.4%	35.0%
SILVER (US\$/oz.)	69	2.9%	-2.6%
CRUDE OIL (US\$/bbl)	80	-4.9%	41.6%
COPPER (US\$/oz.)	13,745	1.9%	10.6%
ALUMINIUM (US\$/oz.)	3,379	-3.5%	12.8%
PLATINUM (US\$/oz.)	1,773	3.1%	-14.3%
ZINC (US\$/oz.)	3,590	2.7%	15.2%
WHEAT (US\$/bu)	589	0.9%	16.2%
CORN (US\$/bu)	441	0.3%	-4.4%
SUGAR (US\$/lb)	106	-14.0%	0.2%
SOYBEAN (US\$/bu)	1,134	0.2%	6.4%
PVC (US\$/t)	4,735	0.5%	49.2%
CRB	364	-1.3%	3.0%
BDI			45.4%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.835	0.863	160.340	0.795	6.758
HKD	0.128		0.110	20.466	10.144	0.863
EUR	1.159	9.080		185.840	1.086	7.836
JPY	0.006	4.886	0.538		0.496	0.042
CHF	1.259	9.858	1.086	201.777		8.507
RMB	0.148	1.159	0.128	23.723	0.118	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	16	-14.4%

Source: Bloomberg

**A game portfolio with solid cash flow:** Its online game business is led by the JX3 Online series operated by Season in which Kingsoft owns around 72% interest. In addition, Kingsoft Shiyou (80% owned) is actively bringing in licensed games such as Rovio's Angry Birds and Goose Goose Duck, looking to maintain its user base. Despite the JX3 franchise experiencing revenue decline, this segment is still a cash-cow to the company.

**A strong balance sheet provides downside protection:** As of the end of March 2026, the company had about RMB23.3bn of cash with minimal bank loans of RMB10mn. Net assets stood at RMB34.5bn, translating to about price-to-book of only 0.83x to current price.

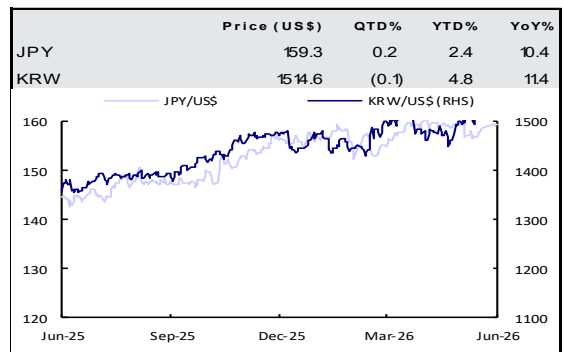
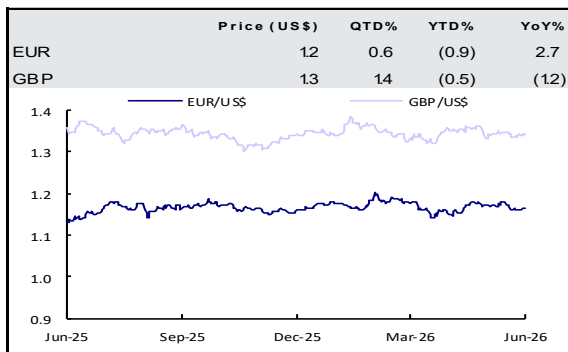
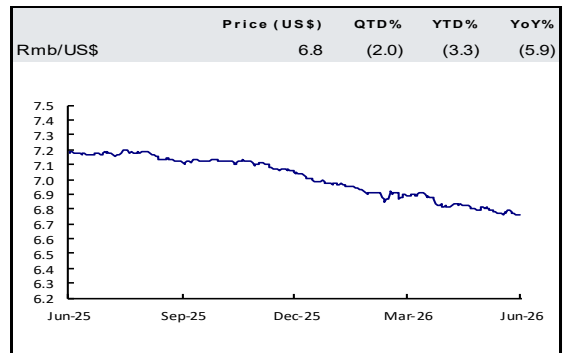
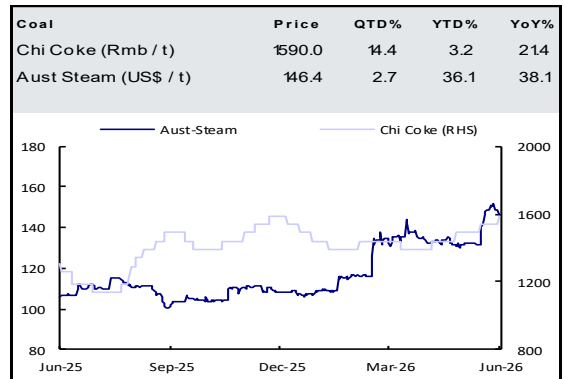
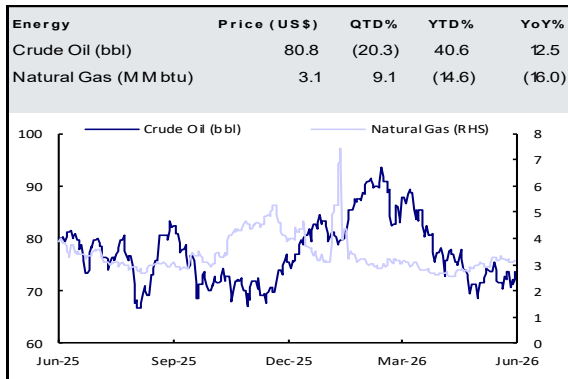
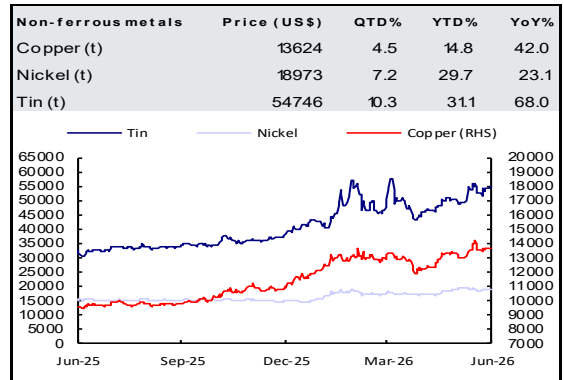
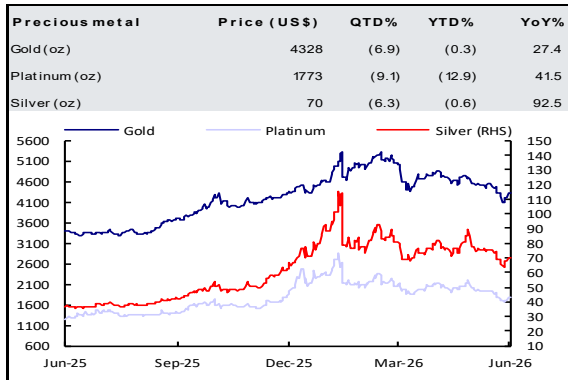
**Our View:** We are positive about Kingsoft's current risk reward. Kingsoft Office is already the leader in China's office software market. WPS is fully compatible with MS Office, easy to use, and backed by a multi-device ecosystem. It should continue to benefit from domestic software substitution, government digitization, and SOE demand.

Market concerns around AI reducing office software subscription demand appear overstated. WPS revenue is still mainly driven by personal users, while WPS 365 enterprise revenue accounts for only around 12%. It is expected that AI is more likely to improve user engagement, membership conversion, and ARPU rather than replace existing subscriptions. As features such as one-click PPT generation, document summary, smart rewriting, and spreadsheet analysis mature, WPS AI could support membership price increases and enterprise upgrades.

On valuation, Kingsoft is estimated to have attributable net cash of around RMB9-10bn after excluding cash held within its listed subsidiaries. In addition, the attributable FY26E consensus earnings of Kingsoft Office FY26E are expected to be around RMB1.39bn. Valuing this at 15x P/E implies a fair value of about RMB20.9bn.

These two components alone already exceed Kingsoft's current market cap, suggesting that the online gaming segment and Kingsoft Cloud are effectively free. The counter is trading at 17x FY26E P/E. (Research Department)

**Market Watch – Major Commodities and Currencies**



Source: Bloomberg

**US Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
Housing Starts / Building Permits	MoM		16-Jun-26
Retail Sales	MoM		17-Jun-26
GDP	QoQ		25-Jun-26
Personal Income & Spending	MoM		25-Jun-26
Durable Goods Orders	MoM		25-Jun-26
Consumer Confidence	MoM		30-Jun-26
ISM Manufacturing PMI	MoM		1-Jul-26
Employment Report	MoM		2-Jul-26
Trade Balance	MoM		7-Jul-26
CPI	MoM		14-Jul-26
PPI	MoM		15-Jul-26
Initial Jobless Claims	WoW		18-Jun-26
New home Sales	MoM		24-Jun-26
Wholesale Inventories	MoM		26-Jun-26
Factory Orders	MoM		2-Jul-26
Existing Home Sales	MoM		9-Jul-26
Industrial Production	MoM		15-Jun-26
Business Inventories	MoM		17-Jun-26
Auto Sales	MoM		

**China Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
Retail Sales	MoM		16-Jun-26
Industrial Production	MoM		16-Jun-26
PMI Manufacturing	MoM		30-Jun-26
Foreign Exchange Reserves	QoQ		7-Jul-26
Money Supply - M2	MoM		9-Jul-26
PPI	MoM		9-Jul-26
CPI	MoM		9-Jul-26
Trade Balance	MoM		14-Jul-26
GDP	YoY		15-Jul-26

**Hong Kong Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
Unemployment Rate	MoM		16-Jun-26
CPI	MoM		23-Jun-26
Trade Balance	MoM		25-Jun-26
Money Supply - M2	MoM		30-Jun-26
Retail Sales	MoM		2-Jul-26
PMI	MoM		6-Jul-26
Foreign Currency Reserve	MoM		7-Jul-26
GDP	QoQ		31-Jul-26
Producer Prices Index	QoQ		14-Sep-26
Industrial Production	QoQ		14-Sep-26
Composite Interest Rate	MoM		

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