CONTINUING CONNECTED TRANSACTIONS
THE FRAMEWORK AGREEMENT
BETWEEN KINGSOFT CLOUD AND XIAOMI

The Board hereby announces that on 4 April 2019, Kingsoft Cloud (a subsidiary of the Company) entered into the Framework Agreement with Xiaomi, pursuant to which, the Group will provide hardware products to Xiaomi Group from 4 April 2019 to 31 December 2019.

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. Mr. Jun LEI holds a majority of voting power in Xiaomi. As such, Xiaomi is a connected person of the Company. Therefore, the entering into of the Framework Agreement between Kingsoft Cloud and Xiaomi will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual cap under the Framework Agreement exceeds 0.1% but is less than 5%, the transaction under the Framework Agreement are subject to the reporting, announcement and annual review requirements, but exempted from the independent shareholders’ approval under Chapter 14A of the Listing Rules.

In view of his interest in Xiaomi, Mr. Jun LEI has abstained from voting on the Board resolutions approving the Framework Agreement. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest in the transactions contemplated under the Framework Agreement and none of them has abstained from voting on the relevant Board resolutions.

1. INTRODUCTION

The Board hereby announces that on 4 April 2019, Kingsoft Cloud (a subsidiary of the Company) entered into the Framework Agreement with Xiaomi, pursuant to which, the Group will provide hardware products to Xiaomi Group from 4 April 2019 to 31 December 2019.
The principal terms of the Framework Agreement are summarized as follows:

**Date:** 4 April 2019

**Parties:** Kingsoft Cloud; and Xiaomi

**Term:** From 4 April 2019 to 31 December 2019

**Subject matter:** The Group will provide hardware products to Xiaomi Group. Details of the hardware products shall be determined in individual agreements entered into between the Group and Xiaomi Group.

**Pricing:** The selling price of the hardware products shall be determined on an arm’s length basis with reference to the cost and number of the products provided and the reasonable profits received by the Group.

In addition to the pricing basis as set out above, the Company will also compare the price with at least two transactions of comparable nature (if any) with independent third party customers to ensure the fees charged by the Group are fair and reasonable and no more favourable to Xiaomi Group than those offered to independent third parties.

At the current stage, the Company does not have substantial number of customers for sales of hardware products or products of similar nature. The Company considers that choosing two available transactions of comparable nature with independent third parties as benchmarks is sufficient to ensure fees charged to Xiaomi Group are fair and reasonable and no more favourable to Xiaomi Group than those offered to independent third parties.

**Payment:** The payment shall be made according to the payment method for similar business in the market at the time of the transaction.
3. THE ANNUAL CAP UNDER THE FRAMEWORK AGREEMENT

The annual cap for the fees payable by Xiaomi Group to the Group under the Framework Agreement for the year ending 31 December 2019 is RMB90 million.

The annual cap for the fees payable by Xiaomi Group to the Group under the Framework Agreement for the year ending 31 December 2019 is determined with reference to (i) the expected needs of Xiaomi Group in relation to hardware products, taking into account the expansion of business of Xiaomi Group; and (ii) the estimated selling price of the hardware products to be provided by the Group.

4. REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Group has been proactively looking for new business opportunities relating to cloud business. Xiaomi Group has long been a cooperation partner of the Group in business operation and development. The Group has been providing cloud storage and computing services to Xiaomi Group for years. Therefore, the Group decided to enter into the Framework Agreement to further satisfy the needs of Xiaomi Group and broaden its income sources in the cloud industry. Riding on the reputation and widening acceptance of the products of Xiaomi Group, the Directors believe that the Group will benefit from the increased revenue in providing hardware products to Xiaomi Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions under the Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. Mr. Jun LEI holds a majority of voting power in Xiaomi. As such, Xiaomi is a connected person of the Company. Therefore, the entering into of the Framework Agreement between Kingsoft Cloud and Xiaomi will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual cap under the Framework Agreement exceeds 0.1% but is less than 5%, the transaction under the Framework Agreement are subject to the reporting, announcement and annual review requirements, but exempted from the independent shareholders’ approval under Chapter 14A of the Listing Rules.
In view of his interest in Xiaomi, Mr. Jun LEI has abstained from voting on the Board resolutions approving the Framework Agreement. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest in the transactions contemplated under the Framework Agreement and none of them has abstained from voting on the relevant Board resolutions.

6. INFORMATION OF THE PARTIES

The Group is principally engaged in research and development of games, and provision of online games, mobile games and casual game services; provision of cloud storage and cloud computation services; and design, research and development and sales and marketing of the office software products and services of WPS Office.

Kingsoft Cloud is principally engaged in the research, development and provision of cloud technology and services.

Xiaomi is an internet company with smartphones and smart hardware connected by an IoT platform at its core.

7. DEFINITION

“associate” has the meaning ascribed thereto under the Listing Rules;

“Board” the board of Directors;

“BVI” the British Virgin Islands;

“Cayman” the Cayman Islands;

“Company” Kingsoft Corporation Limited, an exempted limited liability company incorporated in the BVI on 20 March 1998 and discontinued in the BVI and continued into Cayman on 15 November 2005, with its shares listed on the Stock Exchange;

“Director(s)” the director(s) of the Company;

“Framework Agreement” the framework agreement entered into between Kingsoft Cloud and Xiaomi on 4 April 2019, pursuant to which, the Group will provide hardware products to Xiaomi Group;

“Group” the Company and its subsidiaries;

“Hong Kong” the Hong Kong Special Administrative Region of the PRC;
“Kingsoft Cloud” Kingsoft Cloud Holdings Limited, a limited liability company organized under the laws of Cayman and a subsidiary of the Company as at the date of this announcement;

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);

“PRC” the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“RMB” Renminbi, the lawful currency of the PRC;

“Shareholder(s)” holder(s) of the issued ordinary share(s) of the Company;

“Stock Exchange” The Stock Exchange of Hong Kong Limited;

“subsidiary(ies)” has the same meaning as ascribed thereto in the Listing Rules;

“substantial shareholder(s)” has the same meaning as ascribed thereto in the Listing Rules;

“Xiaomi” Xiaomi Corporation (stock code: 1810), a limited liability company organized under the laws of Cayman and listed on the Stock Exchange;

“Xiaomi Group” Xiaomi and its subsidiaries and their respective associates;

“%” per cent.

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 4 April 2019

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