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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)

**CONTINUING CONNECTED TRANSACTIONS
THE ADVERTISEMENT SERVICE AGREEMENT BETWEEN
KOSC AND XIAOMI SINGAPORE**

ADVERTISEMENT SERVICE AGREEMENT

The Board announces that, on 19 November 2024, KOSC, a non-wholly-owned subsidiary of the Company, entered into the Advertisement Service Agreement with Xiaomi Singapore in relation to the provision of overseas advertising services to Xiaomi Singapore and/or Xiaomi Singapore's customers on KOSC's Applications.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xiaomi Singapore is a wholly-owned subsidiary of Xiaomi, and Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. Mr. Jun LEI hold a majority of voting power in Xiaomi, while other interests of Xiaomi are held by independent third parties. As such, Xiaomi Singapore is a connected person of the Company. Therefore, the entering into the Advertisement Service Agreement between KOSC and Xiaomi Singapore and the transactions contemplated thereunder will become continuing connected transactions of the Company under the Listing Rules.

Given the relevant parties to the Advertisement Service Agreement and the relevant parties to the Framework Agreement contain associates of Mr. Jun LEI, the transactions under the Advertisement Service Agreement and the provision of various comprehensive services to Xiaomi Group by the Group under the Framework Agreement shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules), on an aggregate basis, exceeds 0.1% but is less than 5%, the transactions under the Advertisement Service Agreement and the respective proposed annual caps are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

I. THE ADVERTISEMENT SERVICE AGREEMENT

The Board announces that, on 19 November 2024, KOSC, a non-wholly-owned subsidiary of the Company, entered into the Advertisement Service Agreement with Xiaomi Singapore in relation to the provision of overseas advertising service for Xiaomi Singapore and/or Xiaomi Singapore's customer on KOSC's Applications.

The principal terms of the Advertisement Service Agreement are summarised as follows:

- Date** : 19 November 2024
- Parties** : (1) KOSC; and
(2) Xiaomi Singapore
- Term** : commencing from 1 April 2024 and ending on 31 December 2025
- Scope of the cooperation** : KOSC will provide overseas advertising services to Xiaomi Singapore and/or Xiaomi Singapore's customer on KOSC's Applications. By connecting Xiaomi Singapore advertising monetization mediation in the APK or SDK, in Xiaomi Singapore's sole discretion, of WPS Office for Android App, all advertising traffic of KOSC overseas version App will be provided to Xiaomi Singapore. To facilitate, Xiaomi Singapore will provide free factory pre-installation services for WPS Office for Android App on overseas mobile devices (including all series of mobile phones and tablet PCs) of Xiaomi Singapore.

Under the Advertisement Service Agreement, KOSC will grant Xiaomi Singapore a royalty-free, non-exclusive, worldwide, non-transferable, limited license during the term of the Advertisement Service Agreement to access and use the advertising service in accordance with the terms of the Advertisement Service Agreement. Xiaomi Singapore will grant KOSC a non-exclusive, worldwide, non-transferable, royalty-free license to reproduce, distribute, display, edit, modify, enhance and otherwise use the advertisement in accordance with the terms of the Advertisement Service Agreement, including, without limitation, by distributing advertisement to end users in connection with any advertising campaign.

Advertising sharing revenue and payment terms : *Advertising sharing revenue in 2024*

The advertising sharing revenue in 2024 is US\$2,970,000 (tax inclusive), which shall be paid by Xiaomi Singapore to KOSC during 2024.

Advertising sharing revenue in 2025

If the total amount of advertising revenue generated from the KOSC's Applications via the platform of Xiaomi Singapore is less than or equal to US\$10,000,000 in 2025, Xiaomi Singapore shall pay US\$4,000,000 (tax inclusive) to KOSC in 2025 (being the minimum advertising sharing revenue for 2025). If the total amount of advertising revenue generated from the KOSC's Applications via the platform of Xiaomi Singapore is more than US\$10,000,000 in 2025, Xiaomi Singapore shall pay KOSC the 40% of the total amount of the advertising revenue (tax inclusive).

The advertising sharing revenue in 2025 shall be paid by Xiaomi Singapore to KOSC on a quarterly basis. From 1 January 2025 to 30 September 2025, Xiaomi Singapore shall pay US\$990,000 (tax inclusive) to KOSC per quarter. In the last quarter of 2025, Xiaomi Singapore shall calculate the total advertising sharing revenue to be paid to KOSC in 2025. If the total advertising revenue in 2025 is less than or equal to US\$10,000,000, then Xiaomi Singapore shall pay US\$1,030,000 (tax inclusive) to KOSC in the last quarter of 2025; if the total advertising revenue in 2025 is more than US\$10,000,000, Xiaomi Singapore shall pay KOSC according to the advertising revenue sharing ratio. Therefore, in the last quarter of 2025, the payment data report shall state the actual advertising sharing revenue which shall be paid to KOSC of this whole year and the balance which Xiaomi Singapore shall make up.

Payment data report for the current quarter shall be sent quarterly by Xiaomi Singapore to KOSC within the first ten (10) working days of the following quarter. Both parties agree that the payment data report is deemed as the basis for billing and payment of advertising sharing revenue. Within ten (10) working days after receiving payment data report from Xiaomi Singapore, KOSC will check and confirm the payment data report and affix its official seal upon confirmation.

KOSC shall issue an invoice to Xiaomi Singapore within ten (10) working days upon agreement on payment data report by both parties, and Xiaomi Singapore shall make payment according to the invoice within thirty (30) working days after receipt of the invoice.

When determining the aforementioned advertising sharing revenue (including the advertising revenue sharing ratio and minimum advertising sharing revenue), KOSC and Xiaomi Singapore have mainly taken into account factors including the reasons and benefits for entering into the Advertisement Service Agreement, the sharing ratio with independent third parties, the profit margins for advertisement business, as well as the costs to be incurred by both parties.

The Directors are of the view that the aforementioned advertising sharing revenue and payment terms are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

II. PROPOSED ANNUAL CAPS UNDER THE ADVERTISEMENT SERVICE AGREEMENT

The Company proposes to set up the proposed annual caps during the term of the Advertisement Service Agreement as follows:

Period	Annual Cap
From 1 April 2024 to 31 December 2024 ^{Note}	US\$2,970,000
For the year ending 31 December 2025	US\$8,000,000

Note: The transactions contemplated under the Advertisement Service Agreement are new transactions between KOSC and Xiaomi Singapore. As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the actual transaction amount incurred under the Advertisement Service Agreement during the period from 1 April 2024 to the date of this announcement are less than 0.1%, such transactions during the period from 1 April 2024 to the date of this announcement are fully exempt from the continuing connected transaction requirements under Chapter 14A of the Listing Rules.

The proposed annual caps were determined with reference to (i) the actual transaction amount during the period from 1 April 2024 to the date of this announcement; (ii) the minimum advertising sharing revenue and advertising revenue sharing ratio as disclosed above; (iii) the fair market profit margins for advertisement business and the costs to be incurred by both parties; (iv) the expected increase in demand of overseas advertising services; and (v) the estimated revenue increase generated from the overseas advertising services.

III. REASONS FOR AND BENEFITS OF ENTERING INTO THE ADVERTISEMENT SERVICE AGREEMENT

The cooperation between KOSC and Xiaomi Singapore through advertising revenue sharing and provision of pre-installation services creates economic benefits for the Group and facilitates the expansion of the user base of WPS Office, while also enhancing the Group's brand awareness and brand influence.

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

IV. INTERNAL CONTROL PROCEDURES ON CONTINUING CONNECTED TRANSACTIONS

To safeguard the rights and interests of the Shareholders, the Group adopts the following internal control procedures and corporate governance measures in relation to the continuing connected transactions under the Advertisement Service Agreement and the proposed annual caps thereunder:

- (1). The finance department of the Company will trace, monitor and check the actual transaction amount and estimate the transactions that may possibly be incurred on a monthly basis;
- (2). The audit committee of the Company will conduct internal assessments on the internal control measures of the Company on an annual basis to ensure that the internal control measures in respect of continuing connected transactions remain complete and effective, and review the annual report and financial report which consist of the implementation of and opinions on the continuing connected transactions during the relevant period in respect of the fairness of the continuing connected transactions and whether the actual transaction amount incurred are within the annual caps; and
- (3). The independent non-executive Directors and auditors of the Company will also conduct annual review of the continuing connected transactions.

The Board believes that the internal control procedures and corporate governance measures above are appropriate and can ensure the continuing connected transactions are carried out in accordance with the Advertisement Service Agreement.

V. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xiaomi Singapore is a wholly-owned subsidiary of Xiaomi, and Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. Mr. Jun LEI hold a majority of voting power in Xiaomi, while other interests of Xiaomi are held by independent third parties. As such, Xiaomi Singapore is a connected person of the Company. Therefore, the entering into the Advertisement Service Agreement between KOSC and Xiaomi Singapore and the transactions contemplated thereunder will become continuing connected transactions of the Company under the Listing Rules.

Given the relevant parties to the Advertisement Service Agreement and the relevant parties to the Framework Agreement contain associates of Mr. Jun LEI, the transactions under the Advertisement Service Agreement and the provision of various comprehensive services to Xiaomi Group by the Group under the Framework Agreement shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules), on an aggregate basis, exceeds 0.1% but is less than 5%, the transactions under the Advertisement Service Agreement and the respective proposed annual caps are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

VI. INFORMATION ON THE PARTIES

KOSC is a company incorporated under the law of Hong Kong and a non-wholly-owned subsidiary of the Company. KOSC is principally engaged in operation and marketing of the office software products and services of WPS Office.

The Group is principally engaged in the 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 the provision of PC games and mobile games services.

Xiaomi Singapore is a limited liability company incorporated in Singapore and a wholly-owned subsidiary of Xiaomi. Xiaomi Singapore is principally engaged in sales of smart hardware.

Xiaomi is principally engaged in development and sales of smartphones, IoT and lifestyle products, provision of internet services and investments holding in the PRC and other countries or regions.

VIII. DEFINITION

“Advertisement Service Agreement”	the agreement dated 19 November 2024 entered into between KOSC and Xiaomi Singapore for the provision of overseas advertising services to Xiaomi Singapore and/or Xiaomi Singapore’s customers on KOSC’s Applications
“Application(s)”	any of KOSC’s mobile terminal application WPS Office for Android and other applications as confirmed by email from KOSC and Xiaomi Singapore, including all their application software versions developed on basis of the Android system
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors

“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Stock Exchange (Stock Code: 03888)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the agreement dated 30 December 2022 entered into between the Company and Xiaomi, pursuant to which (i) the Group will provide various comprehensive services to Xiaomi Group, mainly comprising the promotion services, the mailbox customised development, and the licensing and subscription services; (ii) the Group will jointly operate games provided by the Group with Xiaomi Group; (iii) Xiaomi Group will provide various comprehensive services to the Group, mainly comprising the promotion services, and the catering services and other ancillary services; and (iv) Xiaomi Group will supply products to the Group, for a term of three years ending 31 December 2025. For further details of the Framework Agreement, please refer to the announcement of the Company dated 30 December 2022
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Kingsoft Office”	Beijing Kingsoft Office Software, Inc. (北京金山辦公軟件股份有限公司), a subsidiary of the Company and was listed on the STAR Market of the Shanghai Stock Exchange in November 2019 (Stock Code: 688111.SH)
“KOSC”	Kingsoft Office Software Corporation Limited, a company incorporated under the law of Hong Kong and a wholly-owned subsidiary of Kingsoft Office
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Xiaomi”	Xiaomi Corporation, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 1810)
“Xiaomi Group”	Xiaomi and its subsidiaries
“Xiaomi Singapore”	Xiaomi Technologies Singapore Pte. Ltd., a limited liability company incorporated in Singapore and a wholly-owned subsidiary of Xiaomi
“%”	per cent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 19 November 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.