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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
REVISION OF ANNUAL CAP
UNDER THE FRAMEWORK AGREEMENT
BETWEEN THE COMPANY AND XIAOMI**

Reference is made to the Announcement and the circular of the Company dated 5 December 2019 in relation to the Framework Agreement entered into between the Company and Xiaomi dated 2 December 2019 to regulate the various ongoing transactions between the two parties for the three years ending 31 December 2022, pursuant to which, (i) the Group will provide various comprehensive services to Xiaomi Group, mainly including the cloud services, the promotion services, the mailbox customized development services and advertising agency services; (ii) the Group will jointly operate games provided by the Group with Xiaomi Group; (iii) the Group will provide hardware products (mainly including server, storage devices, load balancer and other hardware products manufactured by independent third parties) to Xiaomi Group; (iv) Xiaomi Group will provide various comprehensive services to the Group, mainly including the promotion services, the software development services, the canteen services and other ancillary services; and (v) Xiaomi Group will provide products to the Group, for a term of three years ending 31 December 2022. Unless otherwise defined, terms used in this announcement shall have the same meaning in the Announcement.

Due to the reasons set out in the section “REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAP” as below, the Board estimates that the Existing Annual Cap will not be sufficient to meet the Group’s requirements for the three years ending 31 December 2022. Therefore, the Board hereby announces that on 23 March 2022, the Board has proposed to revise the Existing Annual Cap.

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, save for resolutions with respect to a limited number of reserved matters. As such, Xiaomi is a connected person of the Company. Therefore, the transactions contemplated under the Framework Agreement between the Company and Xiaomi constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the Company has complied with the relevant requirements of Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to revise the Existing Annual Cap under the Framework Agreement, the Company is required to re-comply with the relevant requirements of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Revised Annual Cap exceeds 0.1% but is less than 5%, the Revision of Annual Cap is 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 resolution approving the Revision of Annual Cap. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Framework Agreement and none of them has abstained from voting on the relevant Board resolution.

1 BACKGROUND

Reference is made to the announcement of the Company dated 2 December 2019 (the “**Announcement**”) and the circular of the Company dated 5 December 2019 in relation to the Framework Agreement entered into between the Company and Xiaomi dated 2 December 2019 to regulate the various ongoing transactions between the two parties for the three years ending 31 December 2022, pursuant to which, (i) the Group will provide various comprehensive services to Xiaomi Group, mainly including the cloud services, the promotion services, the mailbox customized development services and advertising agency services; (ii) the Group will jointly operate games provided by the Group with Xiaomi Group; (iii) the Group will provide hardware products (mainly including server, storage devices, load balancer and other hardware products manufactured by independent third parties) to Xiaomi Group; (iv) Xiaomi Group will provide various comprehensive services to the Group, mainly including the promotion services, the software development services, the canteen services and other ancillary services; and (v) Xiaomi Group will provide products to the Group, for a term of three years ending 31 December 2022. Unless otherwise defined, terms used in this announcement shall have the same meaning in the Announcement.

2 THE REVISION OF ANNUAL CAP

Due to the reasons set out in the section “REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAP” as below, the Board estimates that the existing annual cap for the fees payable by Xiaomi Group to the Group in connection with the joint operation of games provided by the Group under the Framework Agreement for the year ending 31 December 2022 (the “**Existing Annual Cap**”) will not be sufficient to meet the Group's requirements for the year ending 31 December 2022. Therefore, the Board hereby announces that on 23 March 2022, the Board has proposed to revise the Existing Annual Cap (the “**Revision of Annual Cap**”).

The Existing Annual Cap is RMB5.64 million. After the Revision of Annual Cap, the annual cap for the fees payable by Xiaomi Group to the Group in connection with the joint operation of games provided by the Group under the Framework Agreement for the year ending 31 December 2022 will be increased to RMB30.00 million (the “**Revised Annual Cap**”). Save as the above revision, all other terms of the Framework Agreement remain unchanged.

The Revised Annual Cap is determined with reference to the following factors: (i) the historical unaudited transaction amount for the fees paid by Xiaomi Group to the Group in connection with the joint operation of games provided by the Group under the Framework Agreement for the two months ended 28 February 2022; (ii) the Group's intention to broaden the cooperation with Xiaomi Group in joint operation of games; and (iii) the estimated increase of games provided by the Group jointly operated with Xiaomi Group and the estimated increase in the number of users in 2022.

The Board further confirms that, as at the date of this announcement, the Existing Annual Cap has not yet been exceeded. Based on the Group's management accounts, the unaudited transaction amount for the fees paid by Xiaomi Group to the Group in connection with the joint operation of games provided by the Group under the Framework Agreement for the two months ended 28 February 2022 was approximately RMB3.54 million. The Company will continue to closely monitor the implementation of the Framework Agreement and take prompt actions to make necessary disclosure and, if necessary, obtain independent shareholders' approval in the event that any further adjustment to the annual cap under the Framework Agreement becomes foreseeable.

3 REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAP

The Group started to jointly operate games provided by the Group since 2013 and has been improving its game product portfolio. In October 2021, the Group launched the anniversary expansion pack for JX World III mobile game (《劍俠世界3》手遊) and JX I: Gui Lai (劍網1: 歸來). Xiaomi Group jointly operates these two games with the Group. With the launch of new games and the increase in number of users, the fees paid by Xiaomi Group to the Group for the joint operation of games increased in the two months ended 28 February 2022. Based on the recent performance of the jointly-operated games provided by the Group, the Group has intention to broaden the cooperation with Xiaomi Group in joint operation of games and further leverage each other's competitive advantage in their products and platforms to improve the popularity of games owned by each other and increase the number of users. As such, it is expected that the Group's revenue generated from joint operation of games will be significantly increased. The Company has been closely monitoring the actual transaction amount. Taking into account above reasons and actual transaction amount for the two months ended 28 February 2022, the Board estimates that the Existing Annual Cap will not be sufficient to meet the Group's requirement for the year ending 31 December 2022, and therefore the Board has determined to increase the Existing Annual Cap.

The Board (including the independent non-executive Directors), is of the view that the transactions contemplated 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 and the Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4 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, save for resolutions with respect to a limited number of reserved matters. As such, Xiaomi is a connected person of the Company. Therefore, the transactions contemplated under the Framework Agreement between the Company and Xiaomi constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the Company has complied with the relevant requirements of Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to revise the Existing Annual Cap under the Framework Agreement, the Company is required to re-comply with the relevant requirements of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Revised Annual Cap exceeds 0.1% but is less than 5%, the Revision of Annual Cap is 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 resolution approving the Revision of Annual Cap. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Framework Agreement and none of them has abstained from voting on the relevant Board resolution.

5 INFORMATION ABOUT THE PARTIES

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

Xiaomi is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core. Xiaomi is a limited liability company listed on the Stock Exchange and Mr. Jun LEI holds a majority of voting power in Xiaomi, save for resolutions with respect to a limited number of reserved matters.

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 23 March 2022

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.