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**XIAOMI CORPORATION**

**小米集团**

*(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1810)**

## **VOLUNTARY ANNOUNCEMENT STRATEGIC COOPERATION AGREEMENT WITH MEITU, INC.**

This announcement is made by Xiaomi Corporation (the “**Company**” and, together with its subsidiaries, the “**Group**”) on a voluntary basis.

### **STRATEGIC COOPERATION AGREEMENT**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on November 19, 2018, the Company and Meitu, Inc. (“**Meitu**”) (a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of The Stock Exchange of Hong Kong Limited with stock code: 1357) entered into a strategic cooperation framework agreement (the “**Strategic Cooperation Agreement**”) in relation to, among others, the exclusive global license of the *Meitu* brand and global license of certain technologies and domain names in relation to all future *Meitu* branded smartphones (other than the *Meitu* V7 model) (the “**Cooperation Smartphones**”) and certain smart hardware products (the “**Other Cooperation Smart Hardware**”) to the Company (the “**Licensing Arrangement**”).

Under the Strategic Cooperation Agreement, in relation to the future Cooperation Smartphones, the Company will be responsible for design, research and development, production, business operation, sales and marketing of the Cooperation Smartphones while Meitu will be responsible for certain image-related algorithms and technologies of the Cooperation Smartphones cameras. In addition, the Company is also granted the exclusive license to use the *Meitu* brand in relation to a range of other smart hardware products, with the exception of certain skin-related smart hardware products.

### **Economics Sharing Arrangement**

Pursuant to the Strategic Cooperation Agreement, the Company and Meitu have agreed on the following economics sharing arrangement under the Licensing Arrangement:

### *Licensing Phase I for Cooperation Smartphones*

Once the quantity of the Cooperation Smartphones sold reaches a specified quantity (the “**Cooperation Smartphone Commencement Date**”), Meitu shall be entitled to ten percent (10%) gross profit share for each Cooperation Smartphone sold (including the Cooperation Smartphones already sold before the Cooperation Smartphone Commencement Date), until Meitu has received, at any time within 5 years after the Cooperation Smartphone Commencement Date, (A) a cumulative gross profit share of a specified threshold amount or (B) a total payment in the same specified threshold amount in the form of gross profit share and/or cash payment from our Group, whichever is earlier. Immediately afterwards, licensing phase 2 (“**Phase 2**”) may commence at the election of the Company, otherwise the Licensing Arrangement will automatically terminate.

### *Licensing Phase 2 for Cooperation Smartphones*

Starting from the commencement date of Phase 2 until a period of 30 years following the Cooperation Smartphone Commencement Date, the Company shall pay to Meitu a specific dollar amount for each Cooperation Smartphone sold, subject to an annual minimum guaranteed amount of US\$10 million.

### *Licensing Phase for Other Cooperation Smart Hardware*

Once the quantity of the first Other Cooperation Smart Hardware sold reaches a specified quantity (the “**Other Cooperation Smart Hardware Commencement Date**”), the Company shall pay Meitu a fifteen percent (15%) gross profit share for each Other Cooperation Smart Hardware sold (including the Other Cooperation Smart Hardware already sold before the Other Cooperation Smart Hardware Commencement Date), for a period of 30 years after the Other Cooperation Smart Hardware Commencement Date.

## **Term and Termination**

The Licensing Arrangement commences from the date of the Strategic Cooperation Agreement and ends at the termination of the Cooperation Smartphones cooperation or the Other Cooperation Smart Hardware cooperation, whichever is later. Upon at least two (2) Cooperation Smartphone models sold reaching a specified quantity, the Company shall have the right to terminate the Licensing Arrangement by giving 6 months’ prior written notice to Meitu.

The Strategic Cooperation Agreement shall terminate upon the termination of the Licensing Arrangement or when one of the termination events under the Strategic Cooperation Agreement is triggered, whichever is earlier.

## **Other Special Provisions**

If Meitu is in material breach of the Strategic Cooperation Agreement, the Company shall have the right to terminate the Strategic Cooperation Agreement, seek compensation from Meitu for the losses suffered, and be entitled to a free, global and irrevocable license to use the *Meitu* brand, certain technologies and domain names, in relation to Cooperation Smartphones, Other Cooperation Smart Hardware and ancillary services, for a further 10-year period starting from the date of the termination of the Strategic Cooperation Agreement.

For ordinary breaches of the Strategic Cooperation Agreement, the non-defaulting party shall be entitled to seek compensation from the defaulting party for the losses suffered. If the defaulting party is Meitu for certain specific ordinary breaches, the Company shall be entitled to elect to seek compensation from Meitu or extend the Licensing Arrangement for a further 1-year period.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE STRATEGIC COOPERATION AGREEMENT**

The Company's mission is to relentlessly build amazing products with honest prices to let everyone in the world enjoy a better life through innovative technology. Under this vision, the Company is committed to providing better smartphone products for a larger and more diverse user base.

Through this strategic partnership, Meitu's image-related algorithms and technologies can help us to provide better photographic experience to our users. At the same time, the strength of Meitu's brand among females can also help us to continue to expand and diversify our user base.

Leveraging on our leading hardware, software, AI, Internet services, strong supply chain and efficient new retail network, we believe the strategic partnership can provide a new growth opportunity to our smartphone business.

The Board is of the view that that the cooperation contemplated under the Strategic Cooperation Agreement shall not only provide a better experience for our users, but also help the further development of Company's overall smartphone business. Accordingly, the Board is of the view that this strategic partnership is in the interests of the Company and its shareholders ("**Shareholders**") as a whole.

## **LISTING RULES IMPLICATION**

The entering into of the Strategic Cooperation Agreement does not constitute a notifiable transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the transactions contemplated under the Strategic Cooperation Agreement is of revenue nature in the ordinary and usual course of business of the Group.

To the best of the Directors' knowledge, information and belief and having made reasonable enquiries, Meitu and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Xiaomi Corporation**  
**Lei Jun**  
*Chairman*

Hong Kong, November 19, 2018

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Lei Jun as Chairman and Executive Director and Mr. Lin Bin as Executive Director, Mr. Koh Tuck Lye and Mr. Liu Qin as Non-executive Directors, and Dr. Chen Dongsheng, Dr. Lee Ka Kit and Mr. Wong Shun Tak as Independent Non-executive Directors.*