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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 LEASE AGREEMENT BETWEEN BEIJING CLOUD NETWORK AND XIAOMI**

The Board hereby announces that on 27 November 2018, Beijing Cloud Network, a subsidiary of the Company, entered into the Lease Agreement with Xiaomi, pursuant to which, Xiaomi agreed to lease the Premises to Beijing Cloud Network for a term of fifteen years commencing from 1 January 2019 to 31 December 2033.

Xiaomi Corporation 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 Corporation. As such, each of Xiaomi Corporation and Xiaomi (a subsidiary of Xiaomi Corporation) is a connected person of the Company. Therefore, the entering into the Lease Agreement between Xiaomi and Beijing Cloud Network 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 highest annual rent of the Premises pursuant to the Lease Agreement exceeds 0.1% but is less than 5%, the transactions and the annual rent under the Lease 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 Corporation, Mr. Jun LEI has abstained from voting on the Board resolutions approving the Lease Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Lease Agreement and none of them has abstained from voting on the relevant Board resolutions.

### **1. INTRODUCTION**

The Board hereby announces that on 27 November 2018, Beijing Cloud Network, a subsidiary of the Company, entered into the Lease Agreement with Xiaomi, pursuant to which, Xiaomi agreed to lease the Premises to Beijing Cloud Network for a term of fifteen years commencing from 1 January 2019 to 31 December 2033.

## 2. THE LEASE AGREEMENT

The principal terms of the Lease Agreement are summarized as follows:

Date: 27 November 2018

Parties: Beijing Cloud Network, as the lessee; and Xiaomi, as the lessor

Term: The Lease Agreement has a term of fifteen years commencing from 1 January 2019 to 31 December 2033

The Premises: The Premises are situated at the whole first, second, third floors and partial first floor underground of Block C, Cloud Computing Platform, Xiaomi Internet Electronic Industry Park, #9 Kechuang Street, Yizhuang Economic and Development Zone, Daxing District, Beijing (北京市大興區亦莊經濟開發區科創9街小米互聯網電子產業園雲計算平台C座), with a total area of approximately 9,144.07 sq.m.

Usage: The Premises shall be used as cloud computing data centre.

Rentals: The rent payable by Beijing Cloud Network to Xiaomi shall be calculated since 1 January 2019.

The annual rent (including VAT) for the three years from 1 January 2019 to 31 December 2021 is RMB9,345,239.54 (equivalent to HK\$10,522,970.39 approximately). For every three years since 1 January 2019, the rental rate will increase by 6%. The above rent includes expenses of land use and related facilities specified in the Lease Agreement, and no extra fee or tax shall be paid by Beijing Cloud Network to Xiaomi.

The annual rent is determined after arm's length negotiation with reference to (i) the prevailing market rent of similar properties and business nature in nearby locations; (ii) the location of the Premises; and (iii) the expected inflation rate in the future.

Payment terms: Pursuant to the Lease Agreement, the rent shall be payable by Beijing Cloud Network to Xiaomi every twelve months (the "Payment Period") by wire transfer. Beijing Cloud Network is required to pre-pay the rent for each Payment Period to Xiaomi within 20 business days before the commencement of that Payment Period.

Security deposit: Within 10 days after entering into the Lease Agreement, Beijing Cloud Network shall pay Xiaomi a security deposit (including VAT) of RMB2,336,309.89 (equivalent to HK\$2,630,742.60 approximately), which is equivalent to three months' rent (including VAT).

### **3. REASONS FOR AND BENEFITS OF THE LEASE AGREEMENT**

The Group has delivered a steady growth in cloud storage and computation services business these years. To realize the strategic target of the Group to further develop cloud services business, the Board decides to lease the Premises from Xiaomi to build a new cloud computing data centre. The Board believes that leasing the data centre shall facilitate the operation and growth of the Group's cloud services business as a whole.

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

### **4. VIEW OF THE INDEPENDENT FINANCIAL ADVISER**

As the term of the Lease Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the Lease Agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company engaged Gram Capital as the independent financial adviser.

In assessing the reasons for the duration of Lease Agreement to be longer than three years, Gram Capital considered the following factors:

- (i) The business nature of Beijing Cloud Network.
- (ii) The operation of the new cloud computing data centre of Beijing Cloud Network (the "**Cloud Centre**"), which is expected to be longer than three years.
- (iii) There will be substantial cost to be involved in building of the Cloud Centre. It is in the interest of the Group to secure a long term lease and avoid frequent relocation which may be costly.

In considering whether it is normal business practice for agreements of similar nature with the Lease Agreement to have a term of such duration, Gram Capital identified transactions entered into by companies listed on the Stock Exchange involving the leasing of properties, with duration of more than three years.

Taking into account of the above, Gram Capital confirmed that the duration of the Lease Agreement, which is longer than three years, is required and it is normal business practice for the Lease Agreement to be of such duration.

## 5. IMPLICATIONS UNDER THE LISTING RULES

Xiaomi Corporation 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 Corporation. As such, each of Xiaomi Corporation and Xiaomi (a subsidiary of Xiaomi Corporation) is a connected person of the Company. Therefore, the entering into the Lease Agreement between Xiaomi and Beijing Cloud Network 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 highest annual rent of the Premises pursuant to the Lease Agreement exceeds 0.1% but is less than 5%, the transactions and the annual rent under the Lease 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 Corporation, Mr. Jun LEI has abstained from voting on the Board resolutions approving the Lease Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Lease 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.

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

Xiaomi Corporation 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;
“Beijing Cloud Network”	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司), a non-wholly owned subsidiary of the Company incorporated in the PRC;
“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;
“Lease Agreement”	the agreement entered into between Beijing Cloud Network and Xiaomi on 27 November 2018, pursuant to which Xiaomi agrees to lease the Premises to Beijing Cloud Network for a term of fifteen years from 1 January 2019 to 31 December 2033;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Company in respect of the duration of the Lease Agreement;
“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;
“Premises”	the property situated at the whole first, second, third floors and partial first floor underground of Block C, Cloud Computing Platform, Xiaomi Internet Electronic Industry Park, #9 Kechuang Street, Yizhuang Economic and Development Zone, Daxing District, Beijing (北京市大興區亦莊經濟開發區科創9街小米互聯網電子產業園雲計算平台C座), with a total area of approximately 9,144.07 sq.m.;
“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;
“sq.m. ”	square meter(s);

“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;
“VAT”	value-added tax;
“Xiaomi”	Beijing Xiaomi Electronic Products Co., Ltd.* (北京小米電子產品有限公司), a subsidiary of Xiaomi Corporation incorporated in the PRC;
“Xiaomi Corporation”	Xiaomi Corporation (stock code: 1810), a limited liability company organized under the laws of Cayman and listed on the Stock Exchange;
“%”	per cent.

*For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$0.88808. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.*

By Order of the Board  
**Kingsoft Corporation Limited**  
**Jun LEI**  
*Chairman*

Hong Kong, 27 November 2018

*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.*

\* *For identification purposes only*