CONTINUING CONNECTED TRANSACTIONS
SUPPLEMENTAL AGREEMENT TO LEASE AGREEMENT
BETWEEN BEIJING CLOUD NETWORK AND XIAOMI

Reference is made to the Announcement in relation to the continuing connected transactions in respect of the Lease Agreement dated 27 November 2018 entered into between Beijing Cloud Network (a subsidiary of the Company) and 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.

The Board hereby announces that on 27 December 2019, Beijing Cloud Network and Xiaomi entered into the Supplemental Agreement to amend certain terms of the Lease Agreement.

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, save for resolutions with respect to a limited number of reserved matters. 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 (as amended by the Supplemental Agreement) between Xiaomi and Beijing Cloud Network constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since Beijing Cloud Network and Xiaomi propose to amend certain terms of the Lease Agreement which constitutes a material change to its terms by way of the Supplemental 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 highest annual cap for the transactions contemplated under the Lease Agreement (as amended by the Supplemental Agreement) exceeds 0.1% but is less than 5%, the Lease Agreement (as amended by the Supplemental Agreement) 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 Corporation, Mr. Jun LEI has abstained from voting on the Board resolution approving the Supplemental Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Supplemental 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 27 November 2018 (the “Announcement”) in relation to the continuing connected transactions in respect of the Lease Agreement dated 27 November 2018 entered into between Beijing Cloud Network (a subsidiary of the Company) and 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.

The Board hereby announces that on 27 December 2019, Beijing Cloud Network and Xiaomi entered into the Supplemental Agreement to amend certain terms of the Lease Agreement.

2 THE SUPPLEMENTAL AGREEMENT

The principal amendments that are affected by the Supplemental Agreement on the Lease Agreement are summarized as follows:

Rent: Pursuant to the Lease Agreement, 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$10,417,138.52 approximately). For every three years since 1 January 2019, the rental rate will increase by 6%.

Pursuant to the Supplement Agreement, the annual rent for the year ending 31 December 2019 remains unchanged, while the annual rent (including VAT) for the year ending 31 December 2020 is reduced to RMB4,630,141.41 (equivalent to HK$5,161,218.63 approximately), the annual rent (including VAT) for the year ending 31 December 2021 is reduced to RMB9,260,282.82 (equivalent to HK$10,322,437.26 approximately), the annual rent (including VAT) for the three years from 1 January 2022 to 31 December 2024 is reduced to RMB9,815,899.79 (equivalent to HK$10,941,783.50 approximately), the annual rent (including VAT) for the three years from 1 January 2025 to 31 December 2027 is reduced to RMB10,404,853.77 (equivalent to HK$11,598,290.50 approximately), the annual rent (including VAT) for the three years from 1 January 2028 to 31 December 2030 is reduced to RMB11,029,145.00 (equivalent to HK$12,294,187.93 approximately), and the annual rent (including VAT) for the three years from 1 January 2031 to 31 December 2033 is reduced to RMB11,690,985.70 (equivalent to HK$13,031,941.76 approximately).
Term:
The amendments take effect from 27 December 2019 for the remaining term of the Lease Agreement, namely the period commencing from 27 December 2019 to 31 December 2033.

Save as above amendments, all other terms of the Lease Agreement remain unchanged.

3 REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

According to relevant PRC regulations to deepen VAT reform and adjust the tax rate, the applicable tax rate on VAT taxable sales has been reduced from 10% to 9% since 1 April 2019. Therefore, applying the new tax rate, the annual rent (including VAT) for the fourteen years from 1 January 2020 to 31 December 2033 will decrease accordingly, while the annual rent (including VAT) for the year ending 31 December 2019 still applies previous tax rate and remains unchanged. Furthermore, due to delayed completion and delivery time of Xiaomi Internet Electronic Industry Park (小米互聯網電子產業園), Xiaomi is willing to remit half year’s rent (including VAT) for the year ending 31 December 2020 after arm’s length negotiation between the parties. The entering into of the Supplemental Agreement is in line with the Group’s operational and business needs without any disruptions to the operations of the Group.

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

4 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, save for resolutions with respect to a limited number of reserved matters. 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 (as amended by the Supplemental Agreement) between Xiaomi and Beijing Cloud Network constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since Beijing Cloud Network and Xiaomi propose to amend certain terms of the Lease Agreement which constitutes a material change to its terms by way of the Supplemental 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 highest annual cap for the transactions contemplated under the Lease Agreement (as amended by the Supplemental Agreement) exceeds 0.1% but is less than 5%, the Lease Agreement (as amended by the Supplemental Agreement) 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 Corporation, Mr. Jun LEI has abstained from voting on the Board resolution approving the Supplemental Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Supplemental 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 provision of cloud storage, cloud computation, 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. It is a subsidiary of Xiaomi Corporation as at the date of this announcement. Xiaomi Corporation is an internet company with smart phones and smart hardware connected by an IoT platform at its core. Xiaomi Corporation is a limited liability company listed on the Stock Exchange.

6 DEFINITION

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“associate” has the meaning as ascribed thereto in 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 as at the date of this announcement

“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

“connected person” has the meaning as ascribed thereto in the Listing Rules

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

“Group” the Company and its subsidiaries

“HK$” Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” Hong Kong Special Administrative Region of the People’s Republic of China

“Lease Agreement” the lease 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

“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 only, does not include Hong Kong, the Macau Special Administrative Region 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)” the shareholder(s) of the Company

“sq.m.” square metre(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary” has the meaning as ascribed thereto in the Listing Rules

“substantial shareholders” has the meaning as ascribed thereto in the Listing Rules

“Supplemental Agreement” the supplemental agreement entered into between Beijing Cloud Network and Xiaomi on 27 December 2019 to amend certain terms of the Lease Agreement

“VAT” value-added tax

“Xiaomi” Beijing Xiaomi Electronic Co., Ltd. (北京小米電子產品有限公司), a subsidiary of Xiaomi Corporation incorporated in the PRC as at the date of the announcement
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$1.1147. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in RMB or HK$ 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 December 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.