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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 and Debt Stock Code: 40209)

**(1) PROPOSED ISSUE OF U.S.\$855,000,000 ZERO COUPON
GUARANTEED CONVERTIBLE BONDS DUE 2027 CONVERTIBLE
INTO CLASS B ORDINARY SHARES OF XIAOMI CORPORATION
UNDER GENERAL MANDATE**

AND

**(2) PLACING OF EXISTING SHARES AND TOP-UP
SUBSCRIPTION OF SHARES UNDER GENERAL MANDATE**

AND

RESUMPTION OF TRADING

CREDIT SUISSE 

**Goldman
Sachs**

J.P.Morgan

Morgan Stanley

(in alphabetical order)

Managers

PROPOSED ISSUE OF THE BONDS

The Board is pleased to announce that on December 1, 2020 (after trading hours), the Issuer, a wholly-owned subsidiary of the Company, and the Company entered into the CB Subscription Agreement with the Managers pursuant to which, on the terms and subject to the conditions of the CB Subscription Agreement, the Issuer has agreed to issue the Bonds, the Company has agreed to guarantee payment of all sums payable by the Issuer in accordance with the Terms and Conditions in relation to such Bonds, and the Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in the aggregate principal amount of U.S.\$855,000,000.

The Bonds are convertible into Shares at an initial Conversion Price of HK\$36.74 per Share (subject to adjustments) in the circumstances set out in the “Terms and Conditions” below.

The initial Conversion Price (subject to adjustments) will be HK\$36.74 per Share, representing (i) approximately 40.5% premium over the closing price of the Shares as quoted on the Stock Exchange on December 1, 2020 (being the last Trading Date on which the CB Subscription Agreement was signed); (ii) approximately 39.7% premium over the five-day average closing price of the Shares over the five consecutive Trading Days up to and including December 1, 2020; and (iii) approximately 40.8% premium over the ten-day average closing price of the Shares over the ten consecutive Trading Days up to and including December 1, 2020.

Assuming full conversion of the Bonds at the initial Conversion Price of HK\$36.74 per Share, the Bonds will be convertible into 180,447,244 Shares (subject to adjustments), representing approximately 0.7% of the issued share capital and approximately 0.3% voting rights of the Company as at the date of this announcement and approximately 0.7 % of the existing issued share capital and approximately 0.3% voting rights of the Company as enlarged by the issue of all Conversion Shares but before the completion of the Subscription. The Conversion Shares will be allotted and issued by the Company pursuant to the General Mandate. The Conversion Shares, upon issue, will rank pari passu in all respects with the Shares then in issue on the relevant registration date.

The Bonds and the Conversion Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Bonds are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act.

The estimated net proceeds from the issue of the Bonds, after deduction of commission and expenses, amount to approximately U.S.\$889.6 million. The Company intends to use the net proceeds for, among other things, (a) strengthening working capital for business expansion; (b) investments to increase market share in key markets; (c) strategic ecosystem investments and (d) other general corporate purposes.

The Issuer will apply to the Stock Exchange for the listing of, and permission to deal in, the Bonds and the Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon conversion of the Bonds.

Completion of the issue of the Bonds is subject to the satisfaction and/or waiver (as the case may be) of the conditions precedent as set out in the CB Subscription Agreement. In addition, the CB Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “The CB Subscription Agreement” below for further information.

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF CONVERSION SHARES

The Board is pleased to announce that on December 1, 2020 (after trading hours), the Company, the Seller and the Managers entered into the Placing and Subscription Agreement, pursuant to which the Seller has agreed to appoint the Managers, and the Managers have agreed to act as agents for the Seller, to procure placees to purchase, or failing which to purchase itself, the Placing Shares at the Placing Price of HK\$23.70 for each Placing Share.

The Placing Shares represent approximately 4.1% of the existing issued share capital and approximately 1.5% of the voting rights of the Company as of the date of this announcement and approximately 4.0% of the issued share capital and approximately 1.5% of the voting rights of the Company as enlarged by the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription (including that no Bonds are converted into Conversion Shares) save for the issue of the Subscription Shares and the Placing Shares being placed in full).

The Placing Shares will be placed by the Managers to not less than six independent professional, institutional and/or individual investors who, together with their respective ultimate beneficial owners, will be Independent Third Parties.

Pursuant to the Placing and Subscription Agreement, the Seller has conditionally agreed to subscribe as principal for, and the Company has conditionally agreed to issue, the Subscription Shares (which shall be equal to the number of Placing Shares) at the Subscription Price. Assuming the Placing Shares are placed in full, the Subscription Shares represent approximately 4.1% of the existing issued share capital and approximately 1.5% of the voting rights of the Company as at the date of this announcement and approximately 4.0% of the issued share capital and approximately 1.5% of the voting rights of the Company as enlarged by the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription (including that no Bonds are converted into Conversion Shares) save for the issue of the Subscription Shares).

The Subscription Shares will be issued under the General Mandate and therefore, no further Shareholder approval is required. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Placing and the Subscription is subject to the satisfaction or (if applicable) waiver of the conditions precedent in the Placing and Subscription Agreement. Please refer to the sections headed “Conditions of the Placing” and “Conditions of the Subscription” in this announcement for further information. In the event that the conditions precedent in respect of the Subscription are not fulfilled within 14 days after the date of the Placing and Subscription Agreement (or such later date as may be agreed between the Company and the Seller in writing and in compliance with the Listing Rules), the obligations and liabilities of the Company and the Seller under the Subscription shall be null and void and neither the Company nor the Seller shall have any claim against the other for costs, damages, compensation or otherwise.

The Placing Price is HK\$23.70 per Share and represents (i) a discount of approximately 9.4% to the closing price of HK\$26.15 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of approximately 9.9% to the average closing price of approximately HK\$26.29 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days prior to and including the Last Trading Date; and (iii) a discount of approximately 9.2% to the average closing price of approximately HK\$26.10 per Share as quoted on the Stock Exchange for the last ten (10) consecutive Trading Days prior to and including the Last Trading Date.

The Company intends to use the estimated net proceeds of the Subscription of approximately U.S.\$3.1 billion primarily for (a) strengthening working capital for business expansion; (b) investments to increase market share in key markets; (c) strategic ecosystem investments and (d) other general corporate purposes.

Shareholders and potential investors should note that (i) the issue of the Bonds may or may not be completed; (ii) the Bonds and/or the Conversion Shares may or may not be issued or listed; and (iii) the Placing and the Subscription may or may not proceed to completion. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

A. PROPOSED ISSUE OF BONDS

The Board is pleased to announce that on December 1, 2020 (after trading hours), the Issuer, a wholly-owned subsidiary of the Company, and the Company entered into the CB Subscription Agreement with the Managers pursuant to which, on the terms and subject to the conditions of the CB Subscription Agreement, the Issuer has agreed to issue the Bonds, the Company has agreed to guarantee payment of all sums payable by the Issuer in accordance with the Terms and Conditions in relation to such Bonds, and the Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in the aggregate principal amount of U.S.\$855,000,000.

THE CB SUBSCRIPTION AGREEMENT

Date

December 1, 2020

Parties

- (a) the Issuer (i.e. Xiaomi Best Time International Limited, a wholly-owned subsidiary of the Company);
- (b) the Company as the Guarantor; and
- (c) the Managers.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Managers are Independent Third Parties of the Company.

Subscription

Subject to the satisfaction of the conditions set out below in the section headed "CB Conditions Precedent," the Issuer has agreed to issue the Bonds, the Company has agreed to guarantee payment of all sums payable by the Issuer in accordance with the Terms and Conditions in relation to such Bonds and the Managers have agreed to subscribe and pay for, or procure subscribers to subscribe and pay for, the Bonds on the CB Closing Date.

The Managers have informed the Company that they intend to offer and sell the Bonds to no fewer than six independent placees. The Bonds will be offered and sold to non-U.S. persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance on Regulation S under the U.S. Securities Act. None of the Bonds will be offered to the retail public in Hong Kong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees of the Bonds and their respective ultimate beneficial owners are Independent Third Parties of the Company.

CB Conditions Precedent

The obligations of the Managers to subscribe and pay for the Bonds are subject to the following conditions (the “**CB Conditions Precedent**”):

- (a) the Managers being reasonably satisfied with the results of its due diligence investigations with respect to the Issuer, the Company and its subsidiaries and the Offering Circular shall have been prepared in form and content reasonably satisfactory to the Managers;
- (b) the execution and delivery (on or before the CB Closing Date) of the Trust Deed and the Agency Agreement, each in a form satisfactory to the Managers, by the respective parties;
- (c) the Seller shall have executed a valid, binding and enforceable lock-up agreement on or before the date of the CB Subscription Agreement in the form set out in the CB Subscription Agreement;
- (d) upon the Publication Date and on the CB Closing Date, there having been delivered to the Managers letters, in form and substance satisfactory to the Managers, dated the Publication Date in the case of the first letter and dated the CB Closing Date in the case of the subsequent letter, and addressed to the Managers from PricewaterhouseCoopers, independent auditors to the Company;
- (e) upon the Publication Date, there having been delivered to the Managers a financial officer’s certificate, in form and substance satisfactory to the Managers;
- (f) at the CB Closing Date:
 - (i) the representations and warranties of the Issuer and the Company in the CB Subscription Agreement being true, accurate and correct at, and as if made on such date;
 - (ii) the Issuer and the Company having performed all of their respective obligations under the CB Subscription Agreement, the Trust Deed and the Agency Agreement (collectively, the “**Contracts**”) to which it is a party to be performed on or before such date; and
 - (iii) there having been delivered to the Managers a certificate confirming no material adverse change, dated as of such date, of a duly authorised officer of the Issuer and the Company to such effect;
- (g) after the date hereof or, if earlier, the dates as of which information is given in the Offering Circular up to and at the CB Closing Date, there shall not have occurred any change (nor any development or event involving a prospective change), in the condition (financial or otherwise), prospects, results of operations, business, general affairs or properties of the Issuer, the Company or the Group taken as a whole, which, in the opinion of the Managers, is material and adverse in the context of the issue and offering of the Bonds;

- (h) on or prior to the CB Closing Date there shall have been delivered to the Managers copies of all consents and approvals required in relation to the issue of the Bonds and the performance of the Issuer's and the Company's obligations under the Trust Deed, the Agency Agreement and the Bonds;
- (i) the NDRC having given its approval in respect of the issue of the Bonds and such approval remaining in full force and effect, and not altering the terms of any Contract, on the CB Closing Date, and written evidence of such approval having been given to the Managers;
- (j) the Stock Exchange having agreed to list the Conversion Shares upon conversion of the Bonds and the Stock Exchange having agreed, subject to any conditions satisfactory to the Managers, to list the Bonds (or, in each case, the Managers being satisfied that such listing will be granted); and
- (k) on or before the CB Closing Date, there having been delivered to the Managers opinions, in form and substance satisfactory to the Managers, dated the CB Closing Date, of:
 - (i) legal advisers to the Issuer as to Hong Kong law;
 - (ii) legal advisers to the Company as to laws of the Cayman Islands;
 - (iii) legal advisers to the Managers as to PRC law;
 - (iv) legal advisers to Company as to PRC law; and
 - (v) legal advisers to the Managers and the Trustee as to English law.

The Managers may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the Conditions Precedent other than conditions (b) and (k) above.

Termination

Notwithstanding anything contained in the CB Subscription Agreement, the Managers may, by notice to the Issuer and the Company given at any time prior to payment of the net subscription monies for the Bonds to the Issuer, terminate the CB Subscription Agreement in any of the following circumstances:

- (a) if there shall have come to the notice of the Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the CB Subscription Agreement or any failure to perform, or breach of, any of the Issuer's or the Company's undertakings or agreements in the CB Subscription Agreement;

- (b) if any of the CB Conditions Precedent has not been satisfied or waived by the Managers on or prior to the CB Closing Date;
- (c) if in the opinion of the Managers, there shall have been, since the date of the CB Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Issuer or the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view (after prior consultation with the Issuer or the Company to the extent practicable), be likely to prejudice materially the success of the Offering and distribution of the Bonds or dealings in the Bonds in the secondary market;
- (d) if, in the opinion of the Managers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Shanghai Stock Exchange, the Singapore Stock Exchange and/or the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (iii) a general moratorium on commercial banking activities in the United States, the PRC, Singapore, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Singapore, Hong Kong, or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Issuer, the Company, the Bonds, and the Conversion Shares to be issued upon conversion of the Bonds or the transfer thereof;
- (e) if, in the opinion of the Managers, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God, pandemic, epidemic or outbreak of communicable disease) as would in its view (after prior consultation with the Issuer and the Company to the extent practicable) be likely to prejudice materially the success of the Offering and distribution of the Bonds or dealings in the Bonds in the secondary market.

Lock-up

Neither the Issuer, the Company nor any person acting on its or their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without

the prior written consent of the Managers between the date of the CB Subscription Agreement and the date which is 90 days after the CB Closing Date (both dates inclusive); except for (i) the Bonds and the new Shares issued on conversion of the Bonds; (ii) any Shares or options granted pursuant to the Company's publicly disclosed share option schemes and share award scheme, and (iii) the issue of any Shares which are issued as consideration for any merger or acquisition.

The Seller shall execute a lock-up undertaking on or before the date of the CB Subscription Agreement. The Seller undertakes that, for a period commencing from the date of the relevant lock-up undertaking to 90 days after the CB Closing Date, without the prior written consent of the Managers, it will not (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares subject to the relevant lock-up undertaking (the "**Lock-up Shares**") or securities of the same class as the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Lock-up Shares or securities of the same class as Lock-up Shares or other instruments representing interests in Lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of Lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing. The foregoing sentence shall not apply to transfers of any Shares or any security convertible into the Shares pursuant to any donation for genuine charitable purposes. For the purposes of the lock-up undertakings, "**Shares**" refer to both Class A and Class B shares.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds have been negotiated on an arm's length basis and are summarised as follows:

Issuer:	Xiaomi Best Time International Limited.
Guarantor or Company:	Xiaomi Corporation.
Issue	U.S. dollar-denominated zero coupon guaranteed convertible bonds due 2027 in an aggregate principal amount of U.S.\$855,000,000, convertible into the Guarantor's fully-paid class B ordinary shares in the share capital of the Guarantor with a par value U.S.\$0.0000025 each, conferring a holder of a Share one vote per share on any resolution tabled at the Guarantor's general meetings.
Interest	The Bonds are zero coupon and do not bear interest.
Issue Price	105.25 per cent. of the principal amount of the Bonds.
CB Closing Date	December 17, 2020

Maturity Date	December 17, 2027
Form and Denomination	The Bonds will be issued in registered form in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$100,000 in excess thereof.
Guarantee	The due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds have been unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor in that respect (the “ Guarantee ”) are contained in the Trust Deed.
Status	The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds and the obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all of their respective other present and future unsecured and unsubordinated obligations.
Negative Pledge	<p>Subject to certain exceptions, so long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor will not create or have outstanding, and the Guarantor will ensure that none of its Principal Controlled Entities and the Issuer will create or have outstanding, any Lien upon the whole or any part of their respective present or future undertaking, assets or revenues (including any uncalled capital) securing any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness either of the Issuer, the Guarantor, or of any of the Guarantor’s Principal Controlled Entities, without (i) at the same time or prior thereto securing or guaranteeing the Bonds, as applicable, equally and rateably therewith (or in priority thereto) or (ii) providing such other security or guarantee for the Bonds as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.</p> <p>“Lien” means any mortgage, charge, pledge, lien or other form of encumbrance or security interest;</p> <p>“Non-Listed Controlled Entities” means the Controlled Entities other than (i) any Controlled Entities with shares of common stock or other common equity interests listed on a nationally recognised stock exchange, including but not limited to the Shanghai Stock Exchange; and (ii) any Subsidiaries or Consolidated Affiliated Entities of any Controlled Entity referred to in clause (i) of this definition</p>

“Principal Controlled Entities” means at any time shall mean one of the Guarantor’s Non-Listed Controlled Entities

- (i) as to which one or more of the following conditions is/are satisfied:
 - (a) its total revenue or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated total revenue attributable to the Guarantor is at least 10 per cent. of the Guarantor’s consolidated total revenue;
 - (b) its net profit or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated net profit attributable to the Guarantor (in each case before taxation and exceptional items) is at least 10 per cent. of the Guarantor’s consolidated net profit (before taxation and exceptional items); or
 - (c) its net assets or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the Guarantor’s consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of such Non-Listed Controlled Entity and the Guarantor’s then latest audited consolidated financial statements; provided that, in relation to paragraphs (a), (b) and (c) above:

“Relevant Indebtedness” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are commonly, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

Conversion Period

At any time (subject to any applicable fiscal or other laws or regulations and as provided in the Conditions) (a) on or after 41st day after Closing up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 days prior to the Maturity Date (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no event thereafter), (b) if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than 10 days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such bond pursuant to Condition 8(D) or Condition 8(E) of the Conditions, then up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice.

Conversion Price

HK\$36.74 per Share, subject to adjustment for, among other things, consolidation, subdivision or reclassification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options at less than 95% of the Current Market Price, rights issues of other securities, issues of shares or options at less than 95% of the Current Market Price, other issues at less than Current Market Price, modification of rights of conversion at less than 95% of the Current Market Price, other offers to Ordinary Shareholders and other events as described in Condition 6(c) of the Conditions.

“Current Market Price” means, in respect of an Ordinary Share on a particular date, the average of the Closing Prices for one Ordinary Share (being an Ordinary Share carrying full entitlement to dividend) on each of the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of the trading of such day (being a Trading Day), such date of announcement, provided that if at any time during such 20 Trading Day-period the Ordinary Shares of such class shall have been quoted ex-dividend (or ex any other entitlement) and during some other part of that period the Ordinary Shares of such class shall have been quoted cum-dividend (or cum any other entitlement) then:

- (i) if the Ordinary Shares of such class to be issued in such circumstances do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been quoted cum-dividend (or cum any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share of such class; or

- (ii) if the Ordinary Shares of such class to be issued in such circumstances rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been quoted ex-dividend (or ex any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or entitlement per Ordinary Share of such class,

provided further that if the Ordinary Shares of such class on each of the said 20 Trading Days have been quoted cum-dividend (or cum any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that dividend (or ex any other entitlement), the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share of such class and provided further that in respect of a Class A Share on a particular date, the “Current Market Price” of such Class A Share shall mean the Current Market Price of a Share on such date as determined in accordance with the foregoing definition

Redemption for
Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders (which notice shall be irrevocable) at their principal amount if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 of the Conditions as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the Cayman Islands or the PRC or in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after December 1, 2020, and (ii) such obligation cannot be avoided by the Issuer (or as the case may be, the Guarantor) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or as the case may be, the Guarantor) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 of the Conditions shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 of the Conditions and payment of all amounts shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted.

Redemption at
the Option of
the Issuer

On giving not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee and Principal Agent in writing, the Issuer:

- (i) may at any time after December 17, 2025 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate), for 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which notice of such redemption is published was at least 130 per cent. of the Conversion Price (translated into U.S. dollars at the Prevailing Rate) then in effect immediately prior to the date upon which notice of such redemption is given; or
- (ii) may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time at their principal amount, provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Redemption at
the Option of
the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some only of such holder's Bonds on December 17, 2025 (the "**Put Option Date**") at 100.00 per cent. of their principal amount, together with interest accrued but unpaid up to but excluding such date. To exercise such option, the holder must deposit at the specified office of any Paying Agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date.

Redemption for
Relevant Event

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds at their principal amount.

Company and
Shareholder Lock-up

Each of the Issuer and the Guarantor has agreed in the Subscription Agreement that neither the Issuer, the Guarantor nor any person acting on its or their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between the date hereof and the date which is 90 days after the CB Closing Date (both dates inclusive), except for (i) the Bonds and the new Shares issued on conversion of the Bonds, (ii) any Shares or options granted pursuant to the Guarantor's publicly disclosed share option schemes and share award scheme, and (iii) the issue of any Shares which are issued as consideration for any merger or acquisition.

The Seller will execute a lock-up undertaking on or before the CB Closing Date whereby it undertakes not to sell any Shares or enter into other transactions with a similar effect for a period from the date of the undertaking to 90 days after the CB Closing Date. The foregoing sentence shall not apply to transfers of any Shares or any security convertible into the Shares pursuant to any donation for genuine charitable purposes.

For the purposes of the lock-up undertakings, "**Shares**" means (A) the Class A Shares and (B) the Shares

Clearing Systems

The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the CB Closing Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Governing Law	The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.
Trustee	Citicorp International Limited.
Principal Agent and Transfer Agent	Citigroup Global Markets Europe AG.
Registrar	Citibank, N.A., London Branch.
Listing	Application will be made to the Hong Kong Stock Exchange for (i) the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only; and (ii) the listing of, and permission to deal in, the Conversion Shares.

CONVERSION PRICE AND CONVERSION SHARES

The initial Conversion Price (subject to adjustment), being HK\$36.74 per Share, represents (i) approximately 40.5% premium over the closing price of the Shares as quoted on the Stock Exchange on December 1, 2020 (being the last Trading Day on which the CB Subscription Agreement was signed); (ii) approximately 39.7% premium over the five-day average closing price of the Shares over the five consecutive Trading Days up to and including December 1, 2020.; and (iii) approximately 40.8% premium over the ten-day average closing price of the Shares over the ten consecutive Trading Days up to and including December 1, 2020.

The Conversion Price was determined with reference to the prevailing market price of the Shares, the subscription price per Shares of the Placing and the Terms and Conditions (including the redemption options) and was negotiated on an arm's length basis between the Issuer, the Company and the Managers. The Directors consider that the Conversion Price is fair and reasonable on normal commercial terms based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Assuming full conversion of the Bonds at the initial Conversion Price of HK\$36.74 per Share, the Bonds will be convertible into approximately 180,447,244 Shares (subject to adjustment), representing approximately 0.7% of the existing issued share capital of the Company as at the date of this announcement and approximately 0.7% of the issued share capital of the Company as enlarged by the issue of all the Conversion Shares upon full conversion of the Bonds but before the completion of the Subscription. The Conversion Shares will be fully-paid and rank pari passu in all respects with the Shares then in issue on the relevant registration date.

The Conversion Shares have a nominal value of U.S.\$0.0000025 each share and a market value of approximately HK\$4.7 billion, based on the closing price of HK\$26.15 on the Last Trading Date. The net price of each Conversion Share to the Company based on the estimated net proceeds of approximately U.S.\$889.6 million and 180,447,244 Conversion Shares resulting from the conversion of the Bonds, is estimated to be approximately HK\$38.22.

Completion of the issue of the Bonds is subject to the satisfaction and/or waiver of the conditions precedent as set out in the CB Subscription Agreement. In addition, the CB Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “THE CB SUBSCRIPTION AGREEMENT” above for further information.

As the issue of the Bonds may or may not be completed, and the Bonds may or may not be issued or listed and/or the Conversion Shares may or may not be issued or listed, Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION

	As at the date of this announcement		Assuming the Bonds are fully converted into Shares (subject to adjustment) at the initial Conversion Price of HK\$36.74 per Share	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholder				
Lei Jun ⁽²⁾	6,670,539,142	27.6	6,670,539,142	27.4
Bondholders	0	0.0	180,447,244	0.7
Other Shareholders	17,471,472,162	72.4	17,471,472,162	71.8
Total:	<u>24,142,011,304</u>	<u>100.0</u>	<u>24,322,458,548</u>	<u>100.0</u>

Notes:

1. The above table assumes (i) no Shares will be issued pursuant to any Incentive Schemes of the Company or otherwise, no Shares will be purchased by the Company, (ii) no Shares will be purchased by Lei Jun and his associates; (iii) no Subscription Shares will be issued and (iv) no Placing Shares are placed, in each case between the date of this announcement and the date the Bonds are fully converted into Shares. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.
2. Lei Jun is deemed to be interested in the Shares held by the Seller under the SFO. Taking into account the Class A shares of the Company held by Lei Jun which entitle him to exercise 10 votes per Class A share of the Company, Lei Jun is capable of exercising voting power through shares beneficially owned by him as to approximately 67.4% of the voting rights of the Company as at the date of this announcement; and as to approximately 67.2% of the voting rights of the Company assuming the Bonds are fully converted into Shares (subject to adjustment) at the initial Conversion Price of HK\$36.74 per Share.

B. PLACING OF PLACING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

The Board is pleased to announce that on December 1, 2020 (after trading hours), the Company, the Seller and the Managers entered into the Placing and Subscription Agreement, pursuant to which the Seller has agreed to sell and the Managers have agreed to act as the agents of the Seller, to procure on a fully underwritten basis places to purchase, or failing which to purchase itself, the Placing Shares at the Placing Price of HK\$23.70 for each Placing Share, and (ii) the Seller conditionally agreed to subscribe for, and the Company conditionally agreed to issue the Subscription Shares at a price, which is equivalent to the Placing Price of HK\$23.70 for each Placing Share.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date:

December 1, 2020

Parties:

- (1) the Company;
- (2) the Seller; and
- (3) the Managers.

Number of Shares to be placed

1,000,000,000 existing Shares beneficially owned by the Seller, representing in aggregate approximately 4.1% of the existing issued share capital of the Company as at the date of this announcement and approximately 4.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription (including that no Bonds which are converted into Conversion Shares)).

Placing Price

The Placing Price is HK\$23.70 per Share and represents:

- (i) a discount of approximately 9.4% to the closing price of HK\$26.15 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 9.9% to the average closing price of approximately HK\$26.29 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days prior to and including the Last Trading Date; and

- (iii) a discount of approximately 9.2% to the average closing price of approximately HK\$26.10 per Share as quoted on the Stock Exchange for the last ten (10) consecutive Trading Days prior to and including the Last Trading Date.

The Placing Price is exclusive of brokerage, trading fees, stamp duty, transaction fees and levies.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis among the Seller, the Company and the Managers. The Directors consider that the Placing Price, and the terms and conditions of the Placing and Subscription Agreement, is fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

Rights of the Placing Shares

The Placing Shares will be sold free from all pledges, liens, charges and encumbrances, equities, security interests or other claims and together with all rights attaching thereto as at the date of the completion of the Placing, including the rights to all dividends and other distributions declared, made or paid in respect of the Placing Shares for which a record date occurs on or after the date of the Placing and Subscription Agreement.

Independence of the Managers and the Placees

The Placing Shares will be placed by the Managers to not less than six independent professional, institutional and/or individual investors. It is not expected that any placee will become a Substantial Shareholder of the Company as a result of the Placing.

To the best of the knowledge, information and belief of the Directors, the Managers and the placees to be procured by the Managers and the ultimate beneficial owners of the placees are or will be, as the case may be, Independent Third Parties.

Lock up

The Seller has undertaken to the Managers that save for any donation of shares in the Company for any genuine charitable purpose, it shall not, and shall procure that none of its nominees, any person controlled by it, any trust associated with it or any person acting on its or their behalf shall, without the prior written consent of the Managers:

- (i) offer, sell, lend, contract to sell, pledge, grant any option over, make any short sale or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Seller or any affiliate of the Seller or any person in privity with the Seller or any affiliate of the Seller), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company;

- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
- (iii) publicly announce an intention to effect any such transaction,

for a period beginning on the date of the Placing and Subscription Agreement and ending on the date which is 90 days after the Placing Closing Date. The above undertaking shall not apply to the sale of the Placing Shares under the Placing and Subscription Agreement.

The Company has undertaken to the Managers that it shall not, and the Seller undertakes to procure that the Company will not, without the prior written consent of the Managers:

- (i) effect or arrange or procure placement of, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for, or enter into any transaction which is designed to, or might reasonably be expected to, result in any of the aforesaid (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company;
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
- (iii) publicly announce an intention to effect any such transaction,

for a period beginning on the date of the Placing and Subscription Agreement and ending on the date which is 90 days after the Placing Closing Date. The above undertaking shall not apply to the issue of the Subscription Shares under the Placing and Subscription Agreement, the issue of the Bonds in accordance with their terms and conditions and the issue of new Shares pursuant to the conversion of the Bonds, the issue of shares in the Company as consideration shares for any merger and acquisition transactions (if any), the issue of new Shares pursuant to the exercise of the share options granted or to be granted under the Incentive Schemes, the issue of new Shares pursuant to the share award scheme adopted by the Company on June 17, 2018 and the grant of share options under the share option scheme which forms part of the Incentive Schemes.

Conditions of the Placing

Completion of the Placing is conditional upon the fulfillment or waiver of, among others, the following conditions:

- (a) before the completion of the Placing, there shall not have occurred:
 - (i) any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of the Company, or the Company and its subsidiaries taken as a whole;

- (ii) any suspension or limitation of trading (a) in any of the Company's securities by the Stock Exchange, or (b) generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market except for a temporary suspension or trading halt of the Shares directed by the Stock Exchange for not more than one Stock Exchange trading day, provided that such temporary suspension or trading halt relates solely to the Placing and/or the Subscription; or
- (iii) any outbreak or escalation of hostilities, act of terrorism, the declaration by Hong Kong, the Cayman Islands, the PRC, Japan, Singapore, the United States, the United Kingdom or any other member of the European Economic Area ("EEA") of a national emergency or war or other calamity or crisis; or
- (iv) any material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the Cayman Islands, the PRC, Japan, Singapore, the United States, the United Kingdom or any other member of the EEA or other applicable jurisdiction(s) and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in Hong Kong, the Cayman Islands, the PRC, Japan, Singapore, the United States, the United Kingdom or any other member of the EEA); or
- (v) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in Hong Kong, the Cayman Islands, the PRC, Japan, Singapore, the United States, the United Kingdom or any other member of the EEA in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation,

that, in the sole judgment of the Managers, would make the placement of the Placing Shares or the enforcement of contracts to subscribe for the Placing Shares impracticable or inadvisable, or would materially prejudice trading of the Placing Shares in the secondary market;

- (b) the representations and warranties made by any of the Company and the Seller pursuant the Placing and Subscription Agreement being true and accurate and not misleading as of the date of the Placing and Subscription Agreement and the Placing Closing Date;
- (c) each of the Company and the Seller having complied with all of the agreements and undertakings and satisfied all of the conditions on its part to be complied with or satisfied under the Placing and Subscription Agreement on or before the Placing Closing Date;
- (d) the Managers having received on the Placing Closing Date an opinion of the legal adviser of the Seller as to British Virgin Islands law to the satisfaction of the Managers on, certain matters set forth in the Placing and Subscription Agreement; and
- (e) the Managers having received on the Placing Closing Date an opinion of the legal adviser of the Managers as to U.S. law to the effect that the offer and sale of the Placing Shares by the Managers as set forth in the Placing and Subscription Agreement are not required to be registered under the U.S. Securities Act.

Completion of the Placing

Subject to the conditions mentioned above, the completion of the Placing shall take place on the Placing Closing Date, being December 3, 2020, or such other time and/or date as the Company and the Managers may agree. The completion of the Placing is not conditional upon completion of the CB Subscription Agreement.

Since completion of the Placing is subject to the satisfaction of certain conditions precedent, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Subscription Shares

1,000,000,000 new Shares (which shall be equal to the number of Placing Shares) to be issued to the Seller, representing in aggregate approximately 4.1% of the existing issued share capital of the Company as at the date of this announcement and approximately 4.0% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription (including that no Bonds which are converted into Conversion Shares)).

Subscription Price

The subscription price per new Share is equivalent to the Placing Price of HK\$23.70 per Share. The aggregate value of the Subscription Shares is U.S.\$3.06 billion.

The Directors consider that the terms of the Subscription are fair and reasonable under the current market conditions and are in the best interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of completion of the Subscription including the rights to all dividends and other distributions declared, made or paid on or after the date of allotment of the Subscription Shares.

Conditions of the Subscription

The Subscription is conditional upon the fulfilment of, among others, the following conditions:

- (a) the Listing Committee granting listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (b) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement.

Application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Subscription Shares. None of the conditions for the Subscription can be waived by the parties to the Placing and Subscription Agreement.

In the event that the conditions in respect of the Subscription are not fulfilled within 14 days after the date of the Placing and Subscription Agreement (or such later date as may be agreed between the Company, the Seller and the Managers in writing subject to compliance with the applicable laws, rules and regulations), the obligations and liabilities of the Company and the Seller under the Subscription shall be null and void and neither the Company nor the Seller shall have any claim against the other for costs, damages, compensation or otherwise.

Closing of the Subscription

Closing of the Subscription will take place on the second Business Day following the date upon which the last of the above conditions is fulfilled, provided it shall take place on a day no later than a day falling 14 days after the date of the Placing and Subscription Agreement, or such other day as agreed by the Seller and the Company in writing and in compliance with the Listing Rules.

Effect of the Placing and the Subscription on shareholding structure of the Company

	As at the date of this announcement		Immediately after the completion of the Placing, but before the completion of the Subscription		Immediately after the completion of the Placing and the Subscription	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholder						
Lei Jun ⁽²⁾	6,670,539,142	27.6	5,670,539,142	23.5	6,670,539,142	26.5
Placees	0	0.0	1,000,000,000	4.1	1,000,000,000	4.0
Other Shareholders	<u>17,471,472,162</u>	<u>72.4</u>	<u>17,471,472,162</u>	<u>72.4</u>	<u>17,471,472,162</u>	<u>69.5</u>
Total:	<u>24,142,011,304</u>	<u>100.0</u>	<u>24,142,011,304</u>	<u>100.0</u>	<u>25,142,011,304</u>	<u>100.0</u>

Notes:

- The above table assumes (i) no Shares will be issued pursuant to any Incentive Schemes of the Company or otherwise, no Shares will be purchased by the Company, (ii) no Shares will be purchased by Lei Jun and his associates and (iii) no Conversion Shares will be issued under the Bonds, in each case between the date of this announcement and the completion of the Subscription, save for the issue of the Subscription Shares and the Placing Shares being placed in full. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.
- Lei Jun is deemed to be interested in the Shares held by the Seller under the SFO. Taking into account the Class A shares of the Company held by Lei Jun which entitle him to exercise 10 votes per Class A share of the Company, Lei Jun is capable of exercising voting power through shares beneficially owned by him as to approximately 67.4% of the voting rights of the Company as at the date of this announcement; as to approximately 65.8% of the voting rights of the Company immediately after the completion of the Placing, but before the completion of the Subscription, as to approximately 66.4% of the voting rights of the Company immediately after the completion of the Placing and the Subscription.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION, THE PLACING AND THE SUBSCRIPTION

	As at the date of this announcement		Immediately after the completion of the Placing, but before the completion of the Subscription		Immediately after the completion of the Placing and the Subscription		Assuming the Bonds are fully converted into Shares (subject to adjustment) at the initial Conversion Price of HK\$36.74 per Share ⁽²⁾	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholder								
Lei Jun ⁽²⁾	6,670,539,142	27.6	6,670,539,142	23.5	6,670,539,142	26.5	6,670,539,142	26.3
Placees	0	0.0	1,000,000,000	4.1	1,000,000,000	4.0	1,000,000,000	3.9
Bondholders	0	0.0	0	0.0	0	0.0	180,447,244	0.7
Other Shareholders	17,471,472,162	72.4	17,471,472,162	72.4	17,471,472,162	69.5	17,471,472,162	69.0
Total:	<u>24,142,011,304</u>	<u>100.0</u>	<u>24,142,011,304</u>	<u>100.0</u>	<u>25,142,011,304</u>	<u>100.0</u>	<u>25,322,458,548</u>	<u>100.0</u>

Notes:

1. This assumes (i) no Shares will be issued pursuant to any Incentive Schemes of the Company or otherwise, no Shares will be purchased by the Company, (ii) no Shares will be purchased by Lei Jun and his associates and (iii) no Conversion Shares have been issued under the Bonds, in each case between the date of this announcement and the completion of the Subscription, save for the issue of the Subscription Shares and the Placing Shares being placed in full. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.
2. Lei Jun is deemed to be interested in the Shares held by the Seller under the SFO. Taking into account the Class A shares of the Company held by Lei Jun which entitle him to exercise 10 votes per Class A share of the Company, Lei Jun is capable of exercising voting power through shares beneficially owned by him as to approximately 67.4% of the voting rights of the Company as at the date of this announcement; as to approximately 65.8% of the voting rights of the Company immediately after the completion of the Placing, but before the completion of the Subscription, as to approximately 66.4% of the voting rights of the Company immediately after the completion of the Placing and the Subscription and as to approximately 66.2% of the voting rights of the Company assuming the Bonds are fully converted into Shares (subject to adjustment) at the initial Conversion Price of HK\$36.74 per Share.

USE OF PROCEEDS OF THE BONDS AND THE SUBSCRIPTION

The estimated net proceeds of the issue of the Bonds, after deduction of estimated expenses payable in connection with issue of the Bonds, will amount to approximately U.S.\$889.6 million.

The estimated net proceeds from the Subscription (after deducting all fees, costs and expenses properly incurred by the Seller and the Company (including the Managers' commission, the stamp duty, the Stock Exchange trading fee and the SFC transaction levy) to be borne by the Company, and other expenses incurred by the Company, in connection with the Placing and the Subscription) are expected to be approximately U.S.\$3.1 billion. The estimated net Subscription Price, after deducting such fees, costs and expenses, is therefore approximately HK\$23.65 per Subscription Share.

The Company intends to use the estimated net proceeds of the Bonds and the Subscription for (a) strengthening our working capital for business expansion; (b) investments to increase market share in key markets; (c) strategic ecosystem investments and (d) other general corporate purposes.

REASONS FOR THE ISSUE OF THE BONDS, THE PLACING AND THE SUBSCRIPTION

The Directors consider that the issue of the Bonds represents an opportunity to potentially enlarge and diversify the shareholder base of the Company, to improve the liquidity position of the Company, to reduce the financing costs of the Company and to raise further working capital for the Company. The Board currently intends to use the funds as mentioned above and considers it will facilitate the overall development and expansion of the Company. The Directors also consider the terms of the CB Subscription Agreement to be fair and reasonable in the interests of the Company and the Shareholders as a whole and that the CB Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Issuer, the Company and the Managers.

The Placing and the Subscription are being undertaken to further enlarge the Shareholders' equity base of the Company, optimize the capital structure of the Company and support a healthy and sustainable development of the Company. The Directors also consider the terms of the Placing and Subscription Agreement to be fair and reasonable in the interests of the Company and the Shareholders as a whole and that the Placing and Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company, the Seller and the Managers.

GENERAL MANDATE FOR THE ISSUE OF THE CONVERSION SHARES AND THE SUBSCRIPTION SHARES

Based on the initial Conversion Price of HK\$36.74 per Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into a maximum of 180,447,244 Conversion Shares.

By a resolution of the Shareholders passed at the annual general meeting of the Company on June 23, 2020, the Company granted a General Mandate to the Directors to exercise the power of the Company to allot, issue and deal with unissued Shares not exceeding 20% of the total number of issued shares of the Company as at the date of the granting of the mandate, such additional Shares amounting to not more than 4,815,116,090 Shares.

As at the date of this announcement, no Shares have been issued under General Mandate. The Conversion Shares and the Subscription Shares will be allotted and issued under the General Mandate, and therefore no Shareholders' approval is required for the issue of the Bonds, the Conversion Shares and the Subscription Shares.

EQUITY FUND RAISING BY THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any fund raising exercise by issuing equity securities during the 12 months immediately before the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable inquiries, the conversion of the Bonds will not result in the Company's non-compliance with the public float requirement under Rule 8.08 of the Listing Rules and will not trigger a mandatory general offer obligation under Rule 26.1 of the Code on Takeovers and Mergers on the part of the Bondholders.

INFORMATION ABOUT THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability on January 5, 2010. The Company is an investment holding company. The Company and its subsidiaries, including controlled structured entities (together, the “**Group**”) are principally engaged in development and sales of smartphones, internet of things (“**IoT**”) and lifestyle products, provision of internet services and investments holding in the People's Republic of China as well as globally.

The completion of the Subscription is subject to the satisfaction of the conditions precedent set out in the Placing and Subscription Agreement. As the completion of the Subscription may or may not take place, shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:01 a.m. on 2 December 2020 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 1 p.m. on 2 December 2020.

DEFINITIONS

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

“Alternative Stock Exchange”	in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in
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“Agency Agreement”	a paying and conversion agency agreement to be entered into between the Issuer, the Company, the Trustee, Citibank, N.A., London Branch as principal paying agent, principal conversion agent and principal transfer agent (collectively in such capacities, the “ Principal Agent ”), Citigroup Global Markets Europe AG as registrar (the “ Registrar ”) and the other paying agents, conversion agents and transfer agents appointed under it (each a “ Paying Agent ”, a “ Conversion Agent ” or, as applicable, a “ Transfer Agent ” and together with the Registrar and the Principal Agent, the “ Agents ”) relating to the Bonds
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Bonds from time to time
“Business Day”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“CB Subscription Agreement”	the subscription agreement entered into between the Company and the Managers dated December 1, 2020 in connection with the issue and subscription of the Bonds
“CB Closing Date”	the date (expected to be on December 17, 2020 or such other date as the Issuer and the Managers may agree) on which the Bonds are issued
“Change of Control”	<p>occurs when:</p> <ul style="list-style-type: none"> (iii) any Person or Persons acting together, except where such Person(s) is Controlled by the Permitted Holders, acquires Control of the Guarantor; (iv) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the assets of the Guarantor to any other Person or Persons acting together, except where such Person(s) is Controlled by the Permitted Holders; (v) the Permitted Holders together cease to hold (directly or indirectly) at least 50.0 per cent. of the voting rights of the issued share capital of the Guarantor; or <p>the Guarantor ceases to hold (directly or indirectly) 100 per cent. of the issued shares of the Issuer;</p>

“Class A Shares”	Class A ordinary shares in the share capital of the Company with a par value of U.S.\$0.0000025 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	Class B ordinary shares in the share capital of the Company with a par value of U.S.\$0.0000025 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings
“Company”	Xiaomi Corporation (小米集团), a company incorporated in Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 1810)
“Control”	the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Lei Jun and the directly and indirectly held companies through which Lei Jun has an interest in the Company, namely, Smart Mobile Holdings Limited and Smart Player Limited
“Bonds”	the U.S.\$855,000,000 Zero Coupon Guaranteed Convertible Bonds due 2027 to be issued by the Issuer and guaranteed by the Company
“Conversion Price”	the price per Share at which the Shares will be issued upon conversion and the initial conversion price being HK\$36.74 per Class B Share (subject to adjustments)
“Conversion Right”	the right of the holder of a Bond to convert such Bond into Share(s) credited as fully paid at any time during the Conversion Period
“Conversion Shares”	Shares to be allotted and issued by the Company on conversion of the Bonds
“Directors”	the directors of the Company

“General Mandate”	the general mandate granted to the Directors by a resolution of Shareholders passed at the annual general meeting of the Company on June 23, 2020 to allot, issue and deal with unissued Shares not exceeding 20% of the total number of shares of the Company in issue as at the date of the granting of the mandate
“Group”	the Company, its subsidiaries and its consolidated affiliated entities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
“Incentive Schemes”	the pre-IPO employee stock incentive scheme adopted by the Company on May 5, 2011, the post-IPO share option scheme adopted by the Company on June 17, 2018 and the share award scheme adopted by the Company on June 17, 2018
“Issuer”	Xiaomi Best Time International Limited, a public company incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of the Company
“Last Trading Date”	December 1, 2020, being the last trading day prior to the signing of the Placing and Subscription Agreement, which took place after trading hours
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time
“Managers”	Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc and Morgan Stanley & Co. International plc.
“Maturity Date”	December 17, 2027
“Lei Jun”	Mr. Lei Jun (雷軍), the founder of the Group, chairman of the Board, an executive Director and the chief executive officer of the Company. He is also our controlling shareholder
“Offering Circular”	the offering circular to be prepared by the Issuer and the Company for use in connection with the issue of the Bonds and the listing of the Bonds on the Stock Exchange and to be dated the Publication Date

“Ordinary Shares”	the Class A Shares, the Shares and fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Company authorised after the CB Closing Date which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company
“Permitted Holders”	the aggregate shareholding of Mr. Lei Jun and Mr. Lin Bin, and: <ul style="list-style-type: none"> (i) any heir, estate, lineal descendent (or spouse thereof), spouse or parent of any of Mr. Lei Jun or Mr. Lin Bin; or (ii) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners or owners are any of Mr. Lei Jun or Mr. Lin Bin and/or such other Persons referred to in paragraph (i) above
“Persons”	any individual, corporation, firm, limited liability company, partnership, joint venture, undertaking, association, joint stock company, trust, unincorporated organisation, trust, state, government or any agency or political subdivision thereof or any other entity (in each case whether or not being a separate legal entity)
“Placing”	the placement of 1,000,000,000 Placing Shares to independent investors at the Placing Price
“Placing and Subscription Agreement”	the placing and subscription agreement entered into between the Company, the Seller and the Managers dated December 1, 2020 in respect of the Placing and the Subscription
“Placing Closing Date”	the second business day (each being a day on which trading on the Hong Kong Stock Exchange takes place) after the date of the Placing and Subscription Agreement or at such other time and/or date as the Seller and the Managers agree
“Placing Price”	HK\$23.70
“Placing Shares”	the shares to be sold pursuant to the Placing and Subscription Agreement
“PRC”	The People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Publication Date”	the publication date of the Offering Circular, which is dated no later than three business days prior to the CB Closing Date or such other date as may be agreed between the Issuer and the Managers

“Relevant Event”

occurs when:

(i) when the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the Stock Exchange or the Alternative Stock Exchange; or

(ii) when there is a Change of Control; or

when (a) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a “**Change in Law**”) that results in (x) the Guarantor and its Controlled Entities (collectively, the “**Group**”) (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Guarantor’s consolidated financial statements for the most recent fiscal quarter and (y) the Guarantor being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Guarantor’s consolidated financial statements for the most recent fiscal quarter and (b) the Guarantor has not furnished to the Trustee, prior to the date that is 12 months after the date of the Change in Law, an opinion from an independent financial adviser or external legal counsel stating either (x) that the Guarantor is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in the Guarantor’s consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganisation plan of the Guarantor) or (y) that such Change in Law would not materially adversely affect the Issuer’s and the Guarantor’s ability to make principal and premium (if any) payments on the Bonds when due or to convert the Bonds in accordance with the Conditions.

“Reserved Matters”

those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to its articles of association, being (i) any amendment to its constitutional documents, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company

“Seller”	Smart Mobile Holdings Limited, a company registered in British Virgin Islands with limited liability on November 8, 2010, being one of the Controlling Shareholders of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Shares”	Class B ordinary shares with a par value of U.S.\$0.0000025 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Seller pursuant to the Placing and Subscription Agreement
“Subscription Shares”	an aggregate of 1,000,000,000 new Shares to be issued by the Company and subscribed by the Seller under the Placing and Subscription Agreement
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Terms and Conditions” or the “Conditions”	terms and conditions of the Bonds
“Trading Day”	a day when the Stock Exchange or, as the case may be, an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days
“Trustee”	Citicorp International Limited
“Trust Deed”	the trust deed to be entered into by the Issuer, the Company and the Trustee in relation to the Bonds
“U.S. Securities Act”	The United States Securities Act of 1933 (as amended)

“U.S.” or “United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“U.S.\$”	U.S. dollar(s), the lawful currency of the United States

By order of the Board
Xiaomi Corporation
Lei Jun
Chairman

Hong Kong, December 2, 2020

As at the date of this announcement, the directors of Xiaomi Best Time International Limited are Mr. Lin Bin and Mr. Chew Shou Zi.

As at the date of this announcement, the Board comprises Mr. Lei Jun as Chairman and Executive Director, Mr. Lin Bin as Vice-Chairman and Executive Director, Mr. Chew Shou Zi as Executive Director, Mr. Liu Qin as Non-executive Director, and Dr. Chen Dongsheng, Prof. Tong Wai Cheung Timothy and Mr. Wong Shun Tak as Independent Non-executive Directors.