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Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

UPDATE ON THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF BEIJING OFFICE SOFTWARE ON THE SCI-TECH BOARD

References are made to the announcements of the Company dated 23 April 2019 and 29 April 2019 (the “**Announcements**”) in relation to the proposed spin-off and listing of ordinary shares of Beijing Office Software. Unless otherwise defined, terms used in this announcement shall have the same meanings in the Announcements.

PROPOSED SPIN-OFF

The Board is pleased to announce that the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off under Practice Note 15 of the Listing Rules and granted the waiver from strict compliance with the requirement of Paragraph 3(f) of Practice Note 15 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors consider that the Proposed Spin-off will (i) marketize the value of Beijing Office Software; (ii) provide new, low-cost and more diversified funding sources to finance the existing operations and future expansion of Beijing Office Software and its subsidiaries; (iii) enhance the Beijing Office Software’s corporate profile and brand awareness; and (iv) drive Beijing Office Software to establish more advanced corporate regime, improve its corporate structure and governance structure, standardize the operation of the company and establish a reasonable information disclosure system. As such, the Board believes that there are clear commercial benefits to the Group under the Proposed Spin-off.

WAIVER FROM STRICT COMPLIANCE WITH PARAGRAPH 3(F) OF PRACTICE NOTE 15 OF THE LISTING RULES

Paragraph 3(f) of Practice Note 15 of the Listing Rules requires a listed company contemplating a spin-off to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in the spun-off entity, either by way of a distribution in specie of

existing shares in the spun-off entity or by way of preferred application in any offering of existing or new shares in the spun-off entity.

However, as advised by the PRC counsel of Beijing Office Software, according to the relevant laws and regulations of the PRC, A shares listed and traded on a stock exchange in the PRC can only be held by (i) PRC citizens; (ii) residents of Hong Kong, Taiwan and Macao working and residing in the PRC; (iii) qualified PRC institutional investors such as securities companies, insurance companies, securities investment funds, social security funds, etc.; (iv) qualified foreign institutional investors approved by the CSRC; and (v) foreign strategic investors approved by the Department of Commerce of the PRC. Further, according to the Securities Law of the PRC, Measures for the Administration of Initial Public Offering and Listing of Shares on the Science and Technology Innovation Board (Trial), Measures for the Administration of the Offering and Underwriting of Securities and other relevant laws and regulations of the PRC, unless otherwise prescribed by law, an applicant for initial public offering of its shares on a stock exchange in the PRC is prohibited from making any preferential allocations of the offer shares to any specific person(s) on the ground that all investors shall be treated equally.

Given the above PRC legal impediments, it is not feasible for the Company to comply with Paragraph 3(f) of Practice Note 15 of the Listing Rules in connection with the Proposed Spin-off. In addition, as elaborated in the announcement of the Company dated 29 April 2019, it is currently expected that the highest applicable percentage ratio in respect of the Proposed Listing on the Sci-Tech Board will be more than 5% but less than 25%. As such, the Proposed Listing on the Sci-Tech Board is not a major transaction and does not require shareholders' approval under the Listing Rules. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Paragraph 3(f) of Practice Note 15 of the Listing Rules.

After taking the above reasons into account, the Board is of the view that the Proposed Spin-off and the non-provision of an assured entitlement in relation to the Proposed Spin-off are fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

Shareholders and potential investors should note that, the Proposed Spin-off is subject to, among other things, the prevailing market conditions and approvals from relevant authorities, including the Shanghai Stock Exchange and the CSRC. Accordingly, Shareholders and potential investors should be aware that, the Company does not guarantee the proceeding of the Proposed Spin-off, nor the timing of proceeding. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 30 May 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.