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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)**

## **PROPOSED SPIN-OFF AND SEPARATE LISTING OF BEIJING OFFICE SOFTWARE ON THE SHENZHEN STOCK EXCHANGE**

The Board announces that Beijing Office Software submitted an application to the CSRC for the Proposed A Share Listing on the Chinext of the Shenzhen Stock Exchange on 8 May 2017.

It is expected that Beijing Office Software will remain as a subsidiary of the Company immediately after the Proposed A Share Listing.

The Proposed Spin-off will constitute a deemed disposal of the Company under Chapter 14 of the Listing Rules. It is currently expected that the highest applicable percentage ratio in respect of the Proposed Spin-off will be below 5%. As such, the Proposed Spin-off is not subject to the announcement or shareholders' approval under Chapter 14 of the Listing Rules.

The Company has submitted a proposal in relation the Proposed Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off. Further, the Company has also 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.

**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 CSRC and the Shenzhen Stock Exchange. 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.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 28 October 2016 in relation to the possible spin-off and separate listing of Beijing Office Software on a stock exchange in the PRC.

The Board announces that Beijing Office Software submitted an application to the CSRC for the Proposed A Share Listing on the Chinext of the Shenzhen Stock Exchange on 8 May 2017.

The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

## **THE PROPOSED SPIN-OFF**

It is expected that Beijing Office Software will effect an offering of up to 41,000,000 shares for subscription on the Shenzhen Stock Exchange, representing approximately 11.39% equity interest of the total issued shares of Beijing Office Software as at the date of this announcement.

Currently, the Company holds approximately 67.50% equity interest of the total issued shares of Beijing Office Software. Upon completion of the Proposed A Share Listing, the equity interest of the Company in Beijing Office Software is expected to decrease to approximately 60.60% assuming a total of 41,000,000 shares of Beijing Office Software are issued and allotted and there is no other change in the share capital of Beijing Office Software. As such, it is expected that Beijing Office Software will remain as a subsidiary of the Company immediately after the Proposed A Share Listing.

The Proposed Spin-off is conditional upon, among other things, the approval of the CSRC and the Shenzhen Stock Exchange to the Proposed A Share Listing and completion of the Offering. The terms of the Offering, including the size and price range of the Offering, and the timetable of the Proposed A Share Listing have not yet been fixed as at the date of this announcement.

Pursuant to the relevant PRC laws and regulations, Beijing Office Software and Kingsoft WPS Corporation Limited (the controlling shareholder of Beijing Office Software and a subsidiary of the Company) have made their respective undertakings to stabilise the market price of Beijing Office Software. Pursuant to the above undertakings, within three years after the Proposed A Share Listing, Beijing Office Software undertakes to repurchase its shares if the closing price of Beijing Office Software falls below the latest audited net asset per share of Beijing Office Software Group for 20 consecutive trading days. If such repurchase fails to be approved by the shareholders of Beijing Office Software, Kingsoft WPS Corporation Limited undertakes to acquire shares of Beijing Office Software when and where appropriate. In any event, the total consideration under the above undertakings shall not exceed RMB100 million, and the aggregate shares acquired/ repurchased thereunder will not exceed 2% of equity interest in Beijing Office Software. The Company will use its reasonable endeavour to procure that the sellers of the shares in Beijing Office Software and their respective ultimate beneficial owners will be third parties independent of and not connected with the Company and its connected persons. It is expected that the highest applicable percentage ratio in respect of these undertakings is below 5%. As such, the undertakings and the transactions contemplated thereunder are not subject to the announcement or shareholders' approval under Chapter 14 of the Listing Rules.

Further announcements in connection with the Proposed Spin-off will be made by the Company when and where applicable.

## **INFORMATION ON BEIJING OFFICE SOFTWARE**

Beijing Office Software is a leading provider of the office software and services in the PRC, primarily engaged in design, research and development and sales and marketing of the office software products and services of WPS Office.

## **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 Group; (iii) enhance the Beijing Office Software Group'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.

## **LISTING RULES IMPLICATION**

As the equity interest of the Company in Beijing Office Software is expected to decrease from approximately 67.50% to approximately 60.60% to a maximum extent upon completion of the Proposed A Share Listing, the Proposed Spin-off will constitute a deemed disposal of the Company under Chapter 14 of the Listing Rules. It is currently expected that the highest applicable percentage ratio in respect of the Proposed Spin-off will be below 5%. As such, the Proposed Spin-off is not subject to the announcement or shareholders' approval under Chapter 14 of the Listing Rules.

The Company has submitted a proposal in relation the Proposed Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has confirmed that the Company may proceed with 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 and 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. 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 CSRC and the Shenzhen Stock Exchange. 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.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Beijing Office Software”	Beijing Kingsoft Office Software, Inc.* (北京金山辦公軟件股份有限公司) (formerly known as “Beijing Kingsoft Office Software Co., Ltd.* (北京金山辦公軟件有限公司), a non-wholly owned subsidiary of the Company and a joint stock company established in the PRC with limited liability
“Beijing Office Software Group”	Beijing Office Software and its subsidiaries
“Board”	the board of Directors of the Company
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands and registered in the Cayman Islands as an exempted limited liability company, the securities of which are listed on the Stock Exchange
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offering”	the proposed initial public offering of the ordinary shares of Beijing Office Software in connection with the Proposed A Share Listing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Proposed A Share Listing”	the proposed listing of the ordinary shares of Beijing Office Software on the Chinext of the Shenzhen Stock Exchange
“Proposed Spin-off”	the proposed spin-off of Beijing Office Software and its subsidiaries on the Chinext of the Shenzhen Stock Exchange
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed in the Listing Rules
“%”	per cent

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

Hong Kong, 8 May 2017

*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.*