

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the [REDACTED], assuming that (i) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED], [(ii) the [REDACTED] is not exercised, (iii)] the options granted under the Pre-[REDACTED] ESOP are not exercised, (iv) each Preferred Share is converted into one class B ordinary share of US\$0.000025 each and (v) no Class A Shares are converted to Class B Shares.

1. Prior to the Share Subdivision and the [REDACTED] (assuming all Preferred Shares are converted into class B ordinary shares of US\$0.000025 each of the Company)

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
688,385,679	class A ordinary share of US\$0.000025 par value each	US\$17,209.64
3,852,458,618	class B ordinary share of US\$0.000025 par value each	US\$96,311.47
Total		US\$113,521.11

(ii) Issued and to be issued, fully paid or credited to be fully paid

669,518,772	class A ordinary share of US\$0.000025 par value each	US\$16,737.97
1,424,650,311	class B ordinary share of US\$0.000025 par value each	US\$35,616.26
Total		US\$52,354.23

2. Immediately following the completion of the Share Subdivision and the [REDACTED]

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
[REDACTED]	Class A Share	US\$[REDACTED]
[REDACTED]	Class B Share	US\$[REDACTED]
Total		US\$[REDACTED]

(ii) Issued and to be issued, fully paid or credited to be fully paid

[REDACTED]	Class A Share in issue	US\$[REDACTED]
[REDACTED]	Class B Share in issue	US\$[REDACTED]
[REDACTED]	Class B Shares to be issued pursuant to the [REDACTED]	US\$[REDACTED]
Total		US\$[REDACTED]

The tables above do not take into account any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors referred to below.

WEIGHTED VOTING RIGHTS STRUCTURE

The Company is proposing to adopt a weighted voting rights structure effective immediately upon the completion of the [REDACTED]. Under this structure the Company’s share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively, on any resolution tabled at the Company’s general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote.

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The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles, 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.

For further details, see the summary of the Articles of Association in Appendix III.

Immediately upon the completion of the Share Subdivision and [REDACTED], the WVR Beneficiaries will be Lei Jun and Lin Bin. Lei Jun will beneficially own [REDACTED] Class A Shares, representing approximately [REDACTED]% of the voting rights in the Company (assuming [the [REDACTED] is not exercised and assuming] the options granted under the Pre-[REDACTED] ESOP are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Smart Mobile Holdings Limited, a company indirectly wholly-owned by a trust established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Lin Bin will beneficially own [REDACTED] Class A Shares, representing approximately [REDACTED]% of the voting rights in the Company (assuming [the [REDACTED] is not exercised and assuming] the options granted under the Pre-[REDACTED] ESOP are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held on behalf of Lin Bin and his family members by Lin Bin as trustee of the Bin Lin Trust.

The Company is adopting the WVR structure to enable the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

The table below sets out the WVR structure of the Company upon the completion of the Share Subdivision and [REDACTED]:

	Number of Shares	Approximate percentage of issued share capital ⁽¹⁾	Approximate percentage of voting rights ⁽¹⁾⁽²⁾
Class A Shares	[REDACTED]	[REDACTED]%	[REDACTED]%
Class B Shares ⁽³⁾	[REDACTED]	[REDACTED]%	[REDACTED]%
Total	[REDACTED]	[REDACTED]%	[REDACTED]%

Notes:

- (1) The table above assumes [the [REDACTED] is not exercised and] the options granted under the Pre-[REDACTED] ESOP are not exercised.
- (2) On the basis that Class A Shares entitle the Shareholder to 10 votes per share and Class B Shares entitle the Shareholder to one vote per share.
- (3) Assuming each Preferred Share is converted into one Class B Share.

Class A Shares may be converted into Class B Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will

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issue [REDACTED] Class B Shares, representing approximately [REDACTED]% the total number of issued and outstanding Class B Shares (assuming [the [REDACTED] is not exercised and] the options granted under the Pre-[REDACTED] ESOP are not exercised).

The weighted voting rights attached to our Class A Shares will cease when none of the WVR Beneficiaries have beneficial ownership of any of our Class A Shares, in accordance with Listing Rule 8A.22. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Listing Rule 8A.17, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the Class A Shareholders have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Listing Rule 8A.18;
- (iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Listing Rule 8A.18(2); or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

Prospective [REDACTED] are advised to be aware of the potential risks of [REDACTED] in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders’ resolutions, irrespective of how other shareholders vote. Prospective [REDACTED] should make the decision to [REDACTED] in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to sections headed “Risk Factors—Risks Relating to the [REDACTED]—The concentration of our Share ownership limits our shareholders’ ability to influence corporate matters” and “Risk Factors—Risks Relating to the [REDACTED]—Holders of our Class A Shares may exert substantial influence over us and may not act in the best interests of our independent Shareholders.”

Save for the weighted voting rights attached to Class A Shares, the rights attached to all classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Shares and Class B Shares, please see the section headed “Summary of the Constitution of our Company and Cayman Companies Law—Summary of the Constitution of the Company—Articles of Association” in Appendix III for further details.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Class B Shares currently in issue or to be issued as mentioned in this [REDACTED], and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this [REDACTED].

ALTERATIONS OF CAPITAL

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders

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(i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of our Company and Cayman Companies Law—Summary of the Constitution of the Company—Articles of Association—Alteration of Capital” in Appendix III for further details.

SHARE OPTION SCHEMES

The Company has adopted the Pre-[REDACTED] ESOP and the Post-[REDACTED] Share Option Scheme. See the sections headed “Statutory and General Information—Share Option Schemes—Pre-[REDACTED] ESOP” and “Statutory and General Information—Share Option Schemes—Post-[REDACTED] Share Option Scheme” in Appendix IV for further details.

Xiaomi Finance has adopted XMF Share Option Scheme I and XMF Share Option Scheme II. See the sections headed “Statutory and General Information—Share Option Schemes—XMF Share Option Scheme I” and “Statutory and General Information—Share Option Schemes—The XMF Share Option Scheme II” in Appendix IV for further details.

Pinecone International has adopted Pinecone Share Option Scheme I and Pinecone Share Option Scheme II. See the sections headed “Statutory and General Information—Share Option Schemes—Pinecone Share Option Scheme I” and “Statutory and General Information—Share Option Schemes—Pinecone Share Option Scheme II” in Appendix IV for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate, exercisable on their behalf by Lei Jun, to allot, issue and deal with Class B Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED] (excluding any Class B Shares to be [[sold] pursuant to the exercise of the [REDACTED],] options which have been granted under the Pre-[REDACTED] ESOP, options which may be granted under the Post-[REDACTED] ESOP and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis); and
- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed “—General Mandate to Repurchase Shares” in this section.

This general mandate to issue Class B Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

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- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed “Statutory and General Information—Further Information about our Company and our Subsidiaries and Consolidated Affiliated Entities—Resolutions of the Shareholders of our Company dated [●] 2018” in Appendix IV for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate, exercisable on their behalf by Lei Jun, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [REDACTED] (excluding any Class B Shares to be [[sold] pursuant to the exercise of the [REDACTED],] options which have been granted under the Pre-[REDACTED] ESOP, options which may be granted under the Post-[REDACTED] ESOP and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—Further Information about our Company and our Subsidiaries—Repurchase of our Own Securities” in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed “Statutory and General Information—Further Information about our Company and our Subsidiaries—Repurchase of our Own Securities” in Appendix IV for further details of the repurchase mandate.