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In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. Our Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of our Group are primarily based in mainland China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely, Lin Bin, an executive Director, and So Ka Man, joint company secretary to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;
- (b) we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers) to each of the authorized representatives and to the Stock Exchange. This will ensure that each of the authorized representatives and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are traveling;
- (c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;
- (d) we have retained the services of a compliance advisor, being Guotai Junan Capital Limited (the "**Compliance Advisor**"), in accordance with Rule 8A.33 and Rule 8A.34 of the Listing Rules. The Joint Sponsors submit, on behalf of our Company, that the Compliance Advisor will serve as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Advisor will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our Company's

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authorized representatives and Directors who will provide to the Compliance Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties. The Compliance Advisor will also provide advice in compliance with Rule 8A.34 of the Listing Rules; and

- (e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rules 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

- (a) length of employment with the issuer and other issuers and the roles he or she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Steve Lin and So Ka Man of Tricor Services Limited as joint company secretaries of our Company. So Ka Man is a Chartered Secretary and an Associate of The Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Steve Lin joined our Group in February 2018 as the Director of Corporate Finance. Steve Lin has over 13 years of experience in business consulting and investment banking. Prior to joining the Group, he worked at McKinsey&Company from July 2005 to August 2008, Macquarie Capital Securities Limited from September 2008 to August 2010 and Deutsche Bank Group from September 2010 to February 2018.

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Accordingly, while Steve Lin does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Steve Lin may be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period on the condition that So Ka Man, as a joint company secretary of our Company, will work closely with, and provide assistance to, Steve Lin in the discharge of his duties as a joint company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if So Ka Man ceases to provide assistance to Steve Lin as the joint company secretary for the three-year period after the Listing. In addition, Steve Lin will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Steve Lin has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Immediately before the end of the three-year period, the qualifications and experience of Steve Lin and the need for on-going assistance of So Ka Man will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Steve Lin, having benefited from the assistance of So Ka Man for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed “Directors and Senior Management” for further information regarding the qualifications of Steve Lin and So Ka Man.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering, including transactions that will be treated as connected transactions as a result of us agreeing to treat Xiaomi Finance as a connected subsidiary. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders’ approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed “Connected Transactions.”

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO ESOP AND THE PINECONE SHARE OPTION SCHEME I

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation the share options granted by the Company (the “Share Option Disclosure Requirements”):

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this prospectus. The Company is also required to disclose in the

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Prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options. This requirement is applicable to both the Pre-IPO ESOP and the Pinecone Share Option Scheme I.

- (b) Paragraph 27 of Part A of Appendix 1 to the Listing Rules requires the Company to set out in the prospectus particulars of any capital of any member of the Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee. This requirement is applicable to both the Pre-IPO ESOP and the Pinecone Share Option Scheme I.
- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires the Company to set out in the prospectus, among other things, details of the number, description and amount of any shares in or debentures of the Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given. This requirement is applicable to the Pre-IPO ESOP.

As of June 14, 2018, the Company had granted share options and/or restricted share units (collectively, “**Awards**”) under the Pre-IPO ESOP to over 7,126 grantees including members of the senior management and other employees of the Group, to subscribe for an aggregate of 2,512,694,900 Class B Shares (adjusted after taking into account the Share Subdivision) representing (i) approximately 3.04% of the total voting rights of the Company (calculated on the basis that each Class A Share has 10 votes per share with respect of resolutions at the general meeting of the Company other than in relation to Reserved Matters and each Class B Share has one vote per share, and assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the exercise of any share options granted under the Pre-IPO ESOP); and (ii) approximately 11.23% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the exercise of any share options granted under the Pre-IPO ESOP). For the terms of the Pre-IPO ESOP, please see the section headed “Statutory and General Information—Share Option Schemes—Pre-IPO ESOP” in Appendix IV. The Company will not make any further grants under the Pre-IPO ESOP after the Listing. No share options or restricted share units were granted to Directors or other connected persons of the Company.

Pinecone International granted options under the Pinecone Share Option Scheme I to 177 grantees (the “**Existing Grant**”), all of whom are employees of the Group, to subscribe for an aggregate of 9,532,868 ordinary shares of Pinecone International of par value US\$0.0001 each (“**Pinecone Ordinary Shares**”), representing approximately 38.13% of the total Pinecone Ordinary Shares in issue. Assuming all classes of preferred shares of Pinecone International have been converted into Pinecone Ordinary Shares on a one to one basis, the Existing Grant is expected to represent approximately 10.83% of the total shares in issue. For the terms of the Pinecone Share Option Scheme I, please see the section headed “Statutory and General Information—Share Option Schemes—Pinecone Share Option Scheme I” in Appendix IV. No options under the Pinecone Share Option

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Scheme I have been granted to Directors, senior managers or other connected persons of the Company. Pinecone International will not make any further grants under the Pinecone Share Option Scheme I after the Listing.

Our Company has applied to the Stock Exchange and the SFC for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules and the condition to make available a full list of grantees with all the particulars required under paragraph 10(d) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 17.02(1)(b) of, and paragraph 27 of Part A of 1 to, the Listing Rules in relation to the Awards granted under the Pre-IPO ESOP and the share options granted under the Pinecone Share Option Scheme I, and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the Awards granted under the Pre-IPO ESOP, on the grounds that strict compliance with the above requirements or condition would be unduly burdensome for our Company for the following reasons:

- (a) given that over 7,300 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO ESOP and the Pinecone Share Option Scheme I in this prospectus on an individual basis would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing;
- (b) as of the Latest Practicable Date, the grantees under the Pre-IPO ESOP and the Pinecone Share Option Scheme I consist of 10 management grantees who are members of the senior management of our Company, and the remaining 7,293 grantees who are employees of our Group and are not connected persons of our Company, and as such, strict compliance with the Share Option Disclosure Requirements to disclose names, addresses, and entitlements on an individual basis will require substantial number of pages of additional disclosure;
- (c) the disclosure of the personal details of each grantee, including the number of options granted, would require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles which would be unduly burdensome for the Company to obtain such consents given the number of grantees;
- (d) the grant and exercise in full of the share options under the Pre-IPO ESOP and the Pinecone Share Option Scheme I is not expected to cause any material adverse impact in the financial position of our Company;
- (e) non-compliance with the above disclosure requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (f) material information relating to the Awards under the Pre-IPO ESOP and the share options under the Pinecone Share Option Scheme I will be disclosed in this prospectus, including the total number of Class B Shares subject to the Pre-IPO ESOP and the total number of Pinecone Ordinary Shares subject to the Pinecone Share Option Scheme I, the exercise price per share, the potential dilutive effect on the shareholding and impact on earnings per share upon issuance of shares pursuant to the Awards granted under the Pre-IPO ESOP

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and the exercise of share options granted under the Pinecone Share Option Scheme I. The Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of the Company in their investment decision making process will be included in this prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

The Stock Exchange has granted to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules with respect to the Awards granted under the Pre-IPO ESOP and the share options granted under Pinecone Share Option Scheme I on condition that:

- (a) on an individual basis, full details of the Awards granted under the Pre-IPO ESOP to each grantee who is a member of the senior management, a Director or other connected persons of the Company, if any, as required under Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be disclosed in the section headed “Statutory and General Information—Share Option Schemes—Pre-IPO ESOP” in Appendix IV;
- (b) in respect of the Awards granted under the Pre-IPO ESOP to other grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis, categorized into lots based on the number of Class B Shares underlying each individual grant, being: (1) 1 to 499,999 Class B Shares, (2) 500,000 to 999,999 Class B Shares, (3) 1,000,000 to 4,999,999 Class B Shares and (4) over 5,000,000 Class B Shares. For each lot of Class B Shares, the following disclosures will be made on an aggregated basis: (1) the aggregate number of grantees and number of Class B Shares underlying the Awards under the Pre-IPO ESOP, (2) the consideration paid for the grant of the Award under the Pre-IPO ESOP, and (3) the exercise period and the exercise price of the Awards granted under the Pre-IPO ESOP;
- (c) as of the Latest Practicable Date, the aggregate number of Class B Shares underlying the Awards granted under the Pre-IPO ESOP, the percentage to the Company’s total issued share capital represented by such number of Class B Shares and the percentage to the Company’s voting rights capital represented by such number of Class B Shares underlying the Awards granted pursuant to the Pre-IPO ESOP will be disclosed in this prospectus;
- (d) the dilutive effect and impact on earnings per Class B Share upon the full issuance of Class B Shares pursuant to Awards granted under the Pre-IPO ESOP will be disclosed in the section headed “Statutory and General Information—Share Option Schemes—Pre-IPO ESOP” in Appendix IV;
- (e) in respect of the options granted under the Pinecone Share Option Scheme I disclosure will be made, on an aggregate basis, of (1) the aggregate number of grantees and number of Pinecone Ordinary Shares underlying the options under the Pinecone Share Option Scheme I, (2) the consideration paid for the grant of the options under the Pinecone Share Option Scheme I and (3) the exercise period and the exercise price of the options granted

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under the Pinecone Share Option Scheme I, (4) the aggregate number of Pinecone Ordinary Shares underlying the options granted under the Pinecone Share Option Scheme I as of the Latest Practicable Date and (5) the percentage to the Pinecone International's total issued share capital represented by such number of Pinecone Ordinary Shares as of the Latest Practicable Date;

- (f) the dilutive effect upon full exercise of the options granted under the Pinecone Share Option Scheme I will be disclosed in this prospectus;
- (g) a summary of the major terms of the Pre-IPO ESOP and the Pinecone Share Option Scheme I will be disclosed in the section headed "Statutory and General Information—Share Option Schemes" in Appendix IV;
- (h) the particulars of the waiver will be disclosed in this prospectus; and
- (i) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the Awards granted under the Pre-IPO ESOP.

The SFC has granted to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the Awards granted under the Pre-IPO ESOP on condition that:

- (a) on an individual basis full details of the Awards granted under the Pre-IPO ESOP to each grantee who is a member of the senior management, a Director or other connected persons of the Company, if any, as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be disclosed in the section headed "Statutory and General Information—Share Option Schemes—Pre-IPO ESOP" in Appendix IV;
- (b) in respect of the Awards granted under the Pre-IPO ESOP to other grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis, categorized into lots based on the number of Class B Shares underlying each individual grant, being: (1) 1 to 499,999 Class B Shares, (2) 500,000 to 999,999 Class B Shares, (3) 1,000,000 to 4,999,999 Class B Shares and (4) over 5,000,000 Class B Shares. For each lot of Class B Shares, the following disclosures will be made on an aggregated basis: (1) the aggregate number of grantees and number of Class B Shares underlying the Awards under the Pre-IPO ESOP, (2) the consideration paid for the grant of the Awards under the Pre-IPO ESOP, and (3) the exercise period and the exercise price of the Awards granted under the Pre-IPO ESOP;
- (c) the particulars of the exemption will be disclosed in this prospectus; and
- (d) this prospectus is issued on or before June 25, 2018.

Further details of the Pre-IPO ESOP and the Pinecone Share Option Scheme I are set forth in the section headed "Statutory and General Information—Share Option Schemes—Pre-IPO ESOP" and

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“Statutory and General Information—Share Option Schemes—Pinecone Share Option Scheme I” in Appendix IV.

WAIVERS IN RELATION TO THE XMF SHARE OPTION SCHEME II

We adopted the XMF Share Option Scheme II on June 17, 2018. See the section headed “Statutory and General Information—Share Option Schemes—XMF Share Option Scheme II” in Appendix IV for further details. In particular, the XMF Share Option Scheme II has the following features:

- (a) the maximum number of shares of Xiaomi Finance represented by the options to be issued under the XMF Share Option Schemes shall comprise 60% of the total issued share capital of Xiaomi Finance;
- (b) the exercise price of the options to be granted under the XMF Share Option Scheme II shall be determined by the board of Xiaomi Finance and shall not be less than the per share valuation based on the most recent appraised value of Xiaomi Finance prior to the adoption of the XMF Share Option Scheme II; and
- (c) there will not be a maximum entitlement prescribed for each participant under the XMF Share Option Scheme II, save for Lei Jun (see “—Conditions to the waivers granted by the Stock Exchange” below).

The XMF Share Option Scheme II is not in full compliance with the requirements under Chapter 17 of the Listing Rules. Rule 17.02(1)(b) of the Listing Rules provides that, where a share option scheme of a new applicant does not comply with the requirements under Chapter 17 of the Listing Rules, no further options may be granted under the scheme after listing. We expect to grant options under the XMF Share Option Scheme II after the Listing. Therefore, we have applied for, and the Stock Exchange has granted, certain waivers from strict compliance with the requirements under the Listing Rules as detailed in this sub-section.

Background and operation of the XMF Share Option Schemes

Xiaomi Finance is in an early stage of development and primarily focuses on start-up businesses in the financial technology industry. In light of the novelty and competitiveness of the industry in which Xiaomi Finance operates in, we believe that the “employee-owned and managed” development model would be conducive to the recruitment and retention of highly sought-after talent in the financial technology industry, and in turn the long-term growth of Xiaomi Finance. It is our intention for management/employees of Xiaomi Finance to hold a significant stake in Xiaomi Finance going forward. To this end, we adopted the XMF Share Option Schemes and intend to grant options to suitable management/employees under the XMF Share Option Scheme II after the Listing. A share option scheme that is fully compliant with the restrictions set out in Chapter 17 of the Listing Rules would not be competitive in such an industry in attracting talent and would only provide marginal benefits to the long-term growth of Xiaomi Finance and may ultimately impact our ability to put in place the incentives that we desire to ensure the Xiaomi Finance management team is fully committed to growing the business over the long-term.

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As of the date of this prospectus, Xiaomi Finance had 100,000,000 shares in issue that were all held by our Company.

We currently expect that our executive Director, Founder, Chairman, Chief Executive Officer, and Controlling Shareholder, Lei Jun, will play a strategic role in the development of Xiaomi Finance. Lei Jun has been granted options under the XMF Share Option Scheme I representing 42,070,000 shares of Xiaomi Finance, which in turn represent (i) approximately 42.07% of the issued shares of Xiaomi Finance as of the Latest Practicable Date; and (ii) approximately 16.8280% of the issued shares of Xiaomi Finance (assuming that the options representing the maximum number of shares of Xiaomi Finance under the XMF Share Option Schemes have been granted and fully exercised). See the section headed “Statutory and General Information—Share Option Schemes—XMF Share Option Scheme I” in Appendix IV for further details. No further options under the XMF Share Option Scheme I will be granted after the Listing. Lei Jun’s participation in the XMF Share Option Scheme II is subject to a limit (see “—Conditions to the waivers granted by the Stock Exchange”).

The exercise of options under the XMF Share Option Schemes is at the discretion of the grantees subject to the terms and conditions of the grant. The exercise of such options over time will effectively dilute our interest in Xiaomi Finance. The maximum number of shares of Xiaomi Finance represented by the options to be issued under the XMF Share Option Schemes shall comprise 60% of the total issued share capital of Xiaomi Finance, thus, the potential dilution effect to our interest in Xiaomi Finance could be very significant. Assuming no other change to the share capital of Xiaomi Finance and the maximum number of shares having been issued pursuant to the exercise of all the options granted under the XMF Share Option Schemes, our interest in Xiaomi Finance will be diluted to 40%. We may lose control of Xiaomi Finance if our interest is diluted to the extent that we have less than a majority of the voting rights in Xiaomi Finance. If we lose control in Xiaomi Finance through such dilution, Xiaomi Finance may cease to be our subsidiary, and we may not be able to consolidate its results of operations into those of our Group. For further information relating to such dilution, please also see “Risk Factors—Exercise of options granted or to be granted under the XMF Share Option Schemes may significantly dilute our interest in Xiaomi Finance over time to the extent that the results of operations of Xiaomi Finance will no longer be consolidated into those of our Group.”

Xiaomi Finance’s businesses do not form our Group’s core businesses and did not contribute materially to our Group’s results during the Track Record Period. Accordingly, the potential financial and dilutive effect of the XMF Share Option Schemes is not currently expected to be significant to our Group as a whole. For the first quarter of 2018, the revenue and gross profit of Xiaomi Finance Group accounted for approximately 0.9% and 3.3% of those of our Group, respectively. As of March 31, 2018, the total assets of Xiaomi Finance Group accounted for approximately 13.5% of those of our Group. The subscription price per share of Xiaomi Finance in relation to each option under any of the XMF Share Option Schemes will be determined by the board of Xiaomi Finance at the time of grant and shall not be less than the per share valuation based on the most recent appraised value of Xiaomi Finance (assuming that the XMF Restructuring had been completed) prior to the adoption date of the schemes. Assuming that the XMF Restructuring had been completed, as of December 31, 2017, Xiaomi Finance had an equity appraised value of RMB383,250,000. On the basis that Xiaomi Finance has total issued shares of 100,000,000, such per share valuation of Xiaomi Finance is RMB3.8325.

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We believe that the implementation of the XMF Share Option Schemes aligns the interests of our Company (and our Shareholders as a whole) and the participants under the XMF Share Option Schemes with respect to the future growth of Xiaomi Finance. In particular, the implementation of the XMF Share Option Schemes with a large scheme limit enables Xiaomi Finance to identify suitable management personnel with an entrepreneurial vision and transition into an “employee-owned and managed” company in the long term.

Relevant provisions of the Listing Rules

Rule 17.02(1)(b) of the Listing Rules provides that where a share option scheme of a new applicant does not comply with the provisions of Chapter 17 of the Listing Rules, no further options may be granted under the scheme after Listing.

Note 1 to Rule 17.03(3) of the Listing Rules provides that the total number of securities that may be issued upon exercise of all options to be granted under the share option scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of a subsidiary in issue as at the date of the approval of the share option scheme. Note 1 also provides that the listed issuer may seek approval by its shareholders in general meeting for refreshing the 10% limit under the scheme, provided that the total number of securities that may be issued upon exercise of all options to be granted under all of the schemes of the subsidiary under the refreshed limit must not exceed 10% of the relevant class of securities in issue as at the date of approval of the limit.

Note 2 to Rule 17.03(3) of the Listing Rules provides that the total number of securities that may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other schemes must not exceed 30% of the relevant class of securities of the subsidiary.

Note 4 to Rule 17.03(4) of the Listing Rules provides that unless approved by shareholders in the manner set out in Note 4, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the subsidiary in issue.

Rule 17.04(1) of the Listing Rules provides each grant of any options to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates, under a scheme of any of the listed issuer’s subsidiaries must be approved by independent non-executive directors of the listed issuer. Where any grant of options to a substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates, under a scheme of its subsidiaries, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up and including the date of such grant representing in aggregate over 0.1% of the relevant class of securities in issue, such further grant of options must be approved by shareholders of the listed issuer.

Rules 14.20 and 14A.80 of the Listing Rules provide that, in complying with the size test requirements in categorizing the transactions under Chapter 14 or Chapter 14A of the Listing Rules, any percentage ratio that produces an anomalous result may be disregarded.

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Rule 14.29 of the Listing Rules provides that allotment of share capital by a subsidiary of a listed issuer may result in a reduction of the percentage equity interest of the listed issuer in such subsidiary, and such allotments give rise to deemed disposals.

Rule 14A.92(3)(b) of the Listing Rules provides that securities issued to a connected person under a share option scheme that complies with Chapter 17 or a share option scheme adopted by the listed issuer before its securities first start dealing on the Stock Exchange, and where the Stock Exchange has approved the listing of the securities to be issued under the scheme is fully exempt from the requirements under Chapter 14A of the Listing Rules.

Waivers

We have applied for, and the Stock Exchange has granted approval, subject to the conditions set forth in “—Conditions to the waivers granted by the Stock Exchange,” of the following:

1. the waivers from strict compliance with Rule 17.02(1)(b) of the Listing Rules, Notes 1 and 2 to Rule 17.03(3) of the Listing Rules, Note 4 to Rule 17.03(4) of the Listing Rules and Rule 17.04(1) of the Listing Rules in relation to the XMF Share Option Scheme II;
2. that, pursuant to Rules 14.20 and 14A.80 of the Listing Rules, the assets ratio test be disregarded when calculating the relevant ratio tests under Chapters 14 and 14A in relation to grants of options under the XMF Share Option Scheme II, as the assets ratio test would produce an anomalous result;
3. Rule 14A.92(3)(b) of the Listing Rules be applied to the issuance of shares pursuant to exercise of options granted under the XMF Share Option Schemes; and
4. Rule 14.29 of the Listing Rules shall not apply to issuances of shares by Xiaomi Finance pursuant to the exercise of options granted under the XMF Share Option Schemes.

The above waivers and dispensations apply only in relation to the XMF Share Option Schemes involving the shares of Xiaomi Finance and have no general application to the share option schemes of other members of our Group.

Rationale for the waivers

The reasons we have submitted to the Stock Exchange include:

1. the implementation of the XMF Share Option Schemes on the basis of the waivers sought aligns the interests of our Company (and our Shareholders as a whole) and the participants under the XMF Share Option Schemes with respect to the future growth of Xiaomi Finance. The implementation of the XMF Share Option Schemes with a large scheme limit enables Xiaomi Finance to identify suitable management personnel with an entrepreneurial vision and transition into an “employee-owned and managed” company in the long term. We believe that the practice of participatory management is paramount to the future growth and success of Xiaomi Finance, particular given the novelty of the financial technology industry that it operates in. In this connection, the individual limit to each participant under a share option scheme as prescribed in Note 4 to Rule 17.03(4) of the

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Listing Rules and Rule 17.04(1) of the Listing Rules may limit the upside of the participant in benefiting from the long term success of Xiaomi Finance and in turn the ability of our Company to attract and incentivize key employee-owners of Xiaomi Finance to develop its business with an entrepreneurial approach;

2. it would be unduly burdensome for our Company to convene multiple shareholders' meetings to approve and refresh the limits under the XMF Share Option Scheme II if it were to fully comply with Notes 1 and 2 to Rule 17.03(3) of the Listing Rules or to approve grants of options to participants exceeding the limits prescribed in Note 4 to Rule 17.03(4) of the Listing Rules and/or Rule 17.04(1) of the Listing Rules, and may ultimately impact our Company's ability to put in place the incentives it desires to ensure that the Xiaomi Finance management team is fully committed to growing the business over the long-term; and
3. Xiaomi Finance's business is not one of our Group's core businesses and did not contribute materially to our Group's results during the Track Record Period. Accordingly, the potential financial and dilutive effect of the XMF Share Option Schemes, even if implemented on the basis of the waivers sought, is not expected to be significant to our Group as a whole.

Conditions to the waivers granted by the Stock Exchange

The waivers granted by the Stock Exchange are subject to the following conditions that serve as safeguards to the interests of our Company (and therefore, our Shareholders) in Xiaomi Finance in light of the features of the XMF Share Option Scheme II that deviate from Chapter 17 of the Listing Rules:

1. **Non-competition undertaking.** Xiaomi Finance has entered into a non-competition undertaking in favor of us, pursuant to which Xiaomi Finance will not engage in businesses which will or are likely to compete with the business conducted by us from time to time (other than Xiaomi Finance).
2. **Connected subsidiary.** For as long as we account for Xiaomi Finance as a subsidiary, we will treat each member of the Xiaomi Finance Group as a "connected subsidiary" (as defined in Rule 14A.16 of the Listing Rules) after the Listing and will comply with the relevant connected transactions requirements under Chapter 14A of the Listing Rules with respect to transactions that occur between the XM Group and the Xiaomi Finance Group, save for the interest-free and one-off XMF Restructuring Loans advanced by our Company to Xiaomi Finance that arose in connection with the XMF Restructuring and were made on the basis that Xiaomi Finance was at the time, and as of the Latest Practicable Date remains, a wholly-owned subsidiary of our Company. For details of these transactions, see "Connected Transactions."
3. **Pre-emptive rights.** Xiaomi Finance has granted us pre-emptive rights in relation to any issuance of new shares by Xiaomi Finance (other than issuances to the exercise of options under the XMF Share Option Schemes).

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4. **Remuneration committee review.** In the case where any of our Directors or senior management members as identified in this prospectus will be granted any options under the XMF Share Option Scheme II, this would form part of the overall compensation package of such Directors / senior management members with us, and thus subject to the scrutiny and approval of our remuneration committee (which is chaired by an independent non-executive Director and comprises a majority of the independent non-executive Directors as required under the Listing Rules).
5. **Individual limit on Lei Jun.** The XMF Share Option Scheme II contains an express provision that the grant of options to Lei Jun will be subject to an overall limit such that no options may be granted to Lei Jun if the grant would result in Lei Jun's interest in Xiaomi Finance exceeding 28.0467% (being the effective interest of Lei Jun in the fully diluted share capital of our Company as of the Latest Practicable Date). Such assessment would be made on a "fully diluted" basis, assuming exercise in full of any options in respect of shares in Xiaomi Finance held by both Lei Jun and any other grantees under the XMF Share Option Schemes.

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6. **Chapter 14 / 14A of the Listing Rules.** For as long as we account for Xiaomi Finance as a subsidiary, we will treat any grant of options under the XMF Share Option Scheme II as a deemed disposal of our interest in Xiaomi Finance and will comply with (i) the requirements under Chapter 14A of the Listing Rules with respect to grants of options under the XMF Share Option Scheme II to our connected persons; and (ii) the requirements under Chapter 14 of the Listing Rules with respect to grants of options under the XMF Share Option Scheme II as a whole, in each case on the following basis:

(a) **Size test ratios.** The grant of options under the XMF Share Option Scheme II would be aggregated within any 12-month period pursuant to Rule 14.22 and/or Rule 14A.81 of the Listing Rules (as the case may be) on the basis set out below, and measured against the applicable size tests pursuant to Rule 14.07 of the Listing Rules. The following tables summarize the operations of Chapters 14 and 14A of the Listing Rules with respect to the grant of options under the XMF Share Option Scheme II:

(i) *announcement / shareholders' approval requirements with respect to grant of options*

<u>Compliance with Listing Rules</u>	<u>Announcement requirement</u>	<u>Shareholders' approval requirement</u>
1. Chapter 14	<p>Total of all grants made is aggregated within any 12-month period.</p> <p>If any of following ratios is $\geq 5\%$:</p> <ul style="list-style-type: none"> ● Consideration Ratio; ● Profits Ratio; and ● Revenue Ratio, <p>announcement is required under Chapter 14 of the Listing Rules.</p>	<p>Total of all grants made is aggregated within any 12-month period.</p> <p>If any of following ratios is $\geq 25\%$:</p> <ul style="list-style-type: none"> ● Consideration Ratio; ● Profits Ratio; and ● Revenue Ratio, <p>shareholders' approval is required under Chapter 14 of the Listing Rules.</p>
2. Chapter 14A	<p>Grants to any individual grantee who is a connected person are aggregated within any 12-month period.</p> <p>If any of following ratios is $\geq 0.1\%$ (or 1% if the grantee is connected at the Xiaomi Finance level only):</p> <ul style="list-style-type: none"> ● Consideration Ratio; and ● Revenue Ratio, <p>announcement is required under Chapter 14A of the Listing Rules.</p>	<p>Grants to any individual grantee who is a connected person are aggregated within any 12-month period.</p> <p>If any of following ratios is $\geq 5\%$:</p> <ul style="list-style-type: none"> ● Consideration Ratio; and ● Revenue Ratio, <p>independent shareholders' approval is required under Chapter 14A of the Listing Rules.</p>

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(ii) the applicability and calculation of the relevant size tests under Rule 14.07 of the Listing Rules for the above purposes

Size Test	Calculation	Notes
1. Assets Ratio	The assets ratio under Rule 14.07(1) of the Listing Rules is not applicable as it would lead to an anomalous result pursuant to Rule 14.2 and/or Rule 14A.80 of the Listing Rules (as the case maybe).	The asset profiles of our Company’s business and that of Xiaomi Finance are not comparable. With an “asset light” new economy company model, the majority of the assets of our Company lies in intellectual property, branding and the talents of its management and employees, rather than the extensive property, plant and equipment asset profile of traditional “asset heavy” old economy businesses. On the other hand, the financial services businesses of Xiaomi Finance have extensive capital requirements (including regulatory capital requirements where applicable) resulting in a significant balance sheet of financial assets (comprising, for example, the capital required to carry out the financial services businesses, customer loan receivables of the lending business, and investments / insurance assets of the insurance business).
2. Consideration Ratio	<p>For Chapter 14A: the total price paid for, and the total exercise price of, the options granted to the individual grantee who is a connected person in the last 12 months divided by total market capitalization of our Company.</p> <p>For Chapter 14: the total price paid for, and the total exercise price of, any options granted in the last 12 months divided by total market capitalization of our Company.</p>	Pursuant to Rule 14.15 of the Listing Rules, if the most recently appraised fair value of Xiaomi Finance becomes significantly higher than the one that was used to determine the exercise price of the option to be granted, the numerators will be modified to the higher fair value of Xiaomi Finance attributable to the equity interest represented by options granted to the individual grantee who is a connected person in the last 12 months (for Chapter 14A) or all the options granted in the last 12 months (for Chapter 14) and the total price paid for such options.
3. Profits Ratio	For Chapter 14: total percentage equity interest in Xiaomi Finance represented by the total options granted in the last 12 months multiplied by net profits of Xiaomi Finance divided by the net profits of our Company.	In the event of a grant of options under the XMF Share Option Scheme II that would result in Xiaomi Finance ceasing to be our subsidiary on a fully-diluted basis (assuming such option and all other outstanding options granted under the XMF Share Option Schemes have been fully exercised), for the purpose of the size tests, the numerator for the Profits Ratio would become 100% of the total net profits of Xiaomi Finance.

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Size Test	Calculation	Notes
4. Revenue Ratio	<p>For Chapter 14A: total percentage equity interest in Xiaomi Finance represented by grants to the individual grantee who is a connected person in the last 12 months x revenue of Xiaomi Finance divided by the revenue of our Company.</p> <p>For Chapter 14: total percentage equity interest in Xiaomi Finance represented by the total options granted in the last 12 months multiplied by revenue of Xiaomi Finance divided by the revenue of our Company.</p>	<p>In the event of a grant of options under the XMF Share Option Scheme II that would result in Xiaomi Finance ceasing to be our subsidiary on a fully-diluted basis (assuming such option and all other outstanding options granted under the XMF Share Option Schemes have been fully exercised), for the purpose of the size tests, the numerators for the Revenue Ratios would become 100% of the total revenue of Xiaomi Finance.</p>
5. Equity Ratio	<p>Capital The equity capital ratio under Rule 14.07(5) of the Listing Rules is not applicable.</p>	<p>No issue of consideration shares will be involved in the operation of the XMF Share Option Schemes.</p>
	<p>(b) WVR structure to apply. Consistent with Rule 8A.25 of the Listing Rules, our WVR structure as set forth in “Share Capital—Weighted Voting Rights Structure” shall apply to the relevant requirements to obtain shareholders’ approval under Chapters 14 and/or 14A of the Listing Rules, provided that any Shareholder with a material interest (i.e. proposed grantees of the options that are subject to the relevant approval) will abstain from voting pursuant to Rule 14.46 and/or Rule 14A.36 of the Listing Rules (as the case may be).</p>	
	<p>(c) Compliance requirements for the issue of shares of Xiaomi Finance pursuant to the exercise of options under the XMF Share Option Schemes. The issue of shares of Xiaomi Finance pursuant to the exercise of options granted under the XMF Share Option Schemes shall not be treated as a “deemed disposal” of our interest in Xiaomi Finance under Rule 14.29 of the Listing Rules, as (i) with respect to the option already granted under the XMF Share Option Scheme I, all relevant information is already disclosed to the investors in this prospectus; and (ii) with respect to the options to be granted under the XMF Share Option Scheme II after the Listing, we would have complied with the relevant requirements at the time of grant of the relevant options (see paragraph (a) above). Rule 14A.92(3)(b) of the Listing Rules shall apply to the XMF Share Option Schemes to the extent that the issue of shares of Xiaomi Finance to a connected person pursuant to the exercise of options under the XMF Share Option Schemes by such connected person shall be exempt from any annual review and shareholders’ approval requirements under Chapter 14A of the Listing Rules, provided that we will comply with the disclosure requirements under Rule 14A.61 of the Listing Rules such that we will make an announcement pursuant to Rule 2.07C of the Listing Rules in the event that any connected person exercises options granted under the XMF Share Option Schemes, notifies us that they will not exercise any options, or the options expire.</p>	

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WAIVER IN RELATION TO THE PINECONE SHARE OPTION SCHEME II

We adopted the Pinecone Share Option Scheme II on June 17, 2018. See the section headed “Statutory and General Information—Share Option Schemes—Pinecone Share Option Scheme II” in Appendix IV for further details.

Relevant provisions of the Listing Rules

Note 2 to Rule 17.03(3) of the Listing Rules provides that the total number of securities that may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other schemes must not exceed 30% of the relevant class of securities of the subsidiary (“**Note 2**”).

Waiver

As of the Latest Practicable Date, the share capital of Pinecone International comprised (i) ordinary shares (the “**Pinecone Ordinary Shares**”); and (ii) series A preferred shares (the “**Pinecone Series A Preferred Shares**”). As of the Latest Practicable Date, 25,000,000 Pinecone Ordinary Shares (which were held by shareholders of Pinecone International other than us) and 63,000,000 Pinecone Series A Preferred Shares (which were held by us) were in issue. Special rights attached to the Pinecone Series A Preferred Shares (the “**Special Rights**”) include dividends rights, liquidation rights, conversion rights, anti-dilution protection, other protective provisions requiring certain matters to be approved by holders of Pinecone Series A Preferred Shares and redemption rights. All Pinecone Series A Preferred Shares may be converted into Pinecone Ordinary Shares on a one to one basis, subject to certain adjustment events set forth in the articles of association of Pinecone International. The Pinecone Ordinary Shares and the Pinecone Series A Preferred Shares shall vote together on an “as converted” basis on all matters submitted to a vote of shareholders of Pinecone International.

The Pinecone Share Option Scheme II has the following features:

- (a) the maximum number of Pinecone Ordinary Shares that may be issued under exercise of options granted under the Pinecone Share Option Scheme II and any other share options schemes (the “**Pinecone Scheme Limit**”) is 2,467,132, representing approximately 9.87% of the Pinecone Ordinary Shares in issue;
- (b) the Pinecone Scheme Limit may be refreshed to 10% of the Pinecone Ordinary Shares in issue at the time of the approval of our Company’s Shareholders at general meeting;
- (c) the maximum number of Pinecone Ordinary Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pinecone Share Option Scheme II and any other schemes of Pinecone International is 48% of the Pinecone Ordinary Shares in issue (the “**Overall Limit**”);
- (d) the number of Pinecone Ordinary Shares issued and to be issued upon exercise of the options granted to each participant under the Pinecone Share Option Scheme II (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the Pinecone Ordinary Shares in issue unless approved by our Company’s Shareholders in general meeting; and

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- (e) any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, under the Pinecone Share Option Scheme II would result in the Pinecone Ordinary Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Pinecone Ordinary Shares in issue, such further grant of options must be approved by our Company's Shareholders in general meeting.

As of the Latest Practicable Date, options representing approximately 9,532,868 Ordinary Shares (“**Existing Grant**”) under the Pinecone Share Option Scheme I have been granted to 177 employees and have not been exercised. No options under the Pinecone Share Option Scheme I will be granted after the Listing. For further details, please see section headed “Statutory and General Information—Share Option Schemes—Pinecone Share Option Scheme I – Outstanding Pinecone Options Granted” in Appendix IV.

In light of the above features, we have applied for, and the Stock Exchange has granted a waiver from strict compliance with Note 2 to Rule 17.03(3) of the Listing Rules. The reasons we have submitted to the Stock Exchange include:

- (a) the Existing Grant represents approximately 38.13% of the total Pinecone Ordinary Shares in issue, which exceeds the 30% limit envisaged in Note 2. If the Pinecone Share Option Scheme II were to strictly comply with Note 2, assuming no options under the Existing Grant have been exercised, no options under the Pinecone Share Option Scheme II may be granted. This prevents Pinecone International utilizing the Pinecone Share Option Scheme II to incentivize and attract suitable employees. The exercise of the options under the Existing Grant is at the discretion of the grantees subject to the terms and conditions of the grant. It is impractical for Pinecone International to wait for the grantees to exercise the options granted to them under the Existing Grant to the extent that the Existing Grant represents less than 30% of the total Pinecone Ordinary Shares in issue before granting options under the Pinecone Share Option Scheme II;
- (b) under the terms of the Pinecone Share Option Scheme I, which was adopted by Pinecone International in July 2015, Pinecone International may grant options representing a total of 12,000,000 Pinecone Ordinary Shares (the “**Pinecone Option Pool**”). The Pinecone Option Pool was a result of negotiation among the shareholders of Pinecone International, who had envisaged that an option pool of such size would be essential to the future development of Pinecone International. The purpose of the Overall Limit of 48% of the Pinecone Ordinary Shares in issue is to give effect to the Pinecone Option Pool. On the basis Pinecone Share Option Scheme II is adopted with an Overall Limit of 48% of the Pinecone Ordinary Shares in issue, the total number of Pinecone Ordinary Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pinecone Share Option Scheme II and any other schemes (including the Existing Grant) would be equivalent to the Pinecone Option Pool, representing approximately 13.63% of the total Pinecone Ordinary Shares in issue on an as-converted basis;
- (c) as the Overall Limit of 48% Pinecone Ordinary Shares in issue represents approximately 13.63% of the Pinecone Ordinary Shares in issue on an as-converted basis, the maximum

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potential effective dilution effect (the “**Maximum Pinecone ESOP Dilution**”) to the Company’s interest in Pinecone International from the exercise of options that may be granted under all option schemes adopted by Pinecone International would be less than the limitation provided for in Note 2. Furthermore, such potential dilution impact was envisaged, accepted and agreed by the Company when it subscribed for the Pinecone Series A Preferred Shares in August 2015; and

- (d) based on publicly available information, we have compared the option pool of comparable employee share option plans adopted by a number of listed companies in the chipset technology industry, prior to and at the time of their initial public offering on NASDAQ or the New York Stock Exchange. The Pinecone Option Pool as a percentage of the total issued share capital of Pinecone International (on an as-converted basis) is approximately 13.64%, which is in the lower range of the size of option pools of the comparable companies. Accordingly, we are of the view that the total option pool of Pinecone International is reasonable in the industry. We also believe that chipset technology is characterized by lengthy gestation period and requires long term human capital commitment to research and development. Therefore adopting share option schemes with a reasonably sized option pool is both consistent with industry practice and necessary for our Group to attract and incentivize suitable personnel.

The Stock Exchange has granted the requested waiver on the condition that we will adopt the following safeguards to protect the interest of the other Shareholders:

- (a) **Only grant of options to subscribe for Pinecone Ordinary Shares.** To ensure that the maximum potential effective dilution effect to the Company’s interest in Pinecone International from the exercise of options that may be granted under all option schemes adopted by Pinecone International would not exceed the Maximum Pinecone ESOP Dilution, no options representing any class of shares other than the Pinecone Ordinary Shares may be granted under the Pinecone Share Option Scheme II.
- (b) **WVR Beneficiaries.** None of our WVR Beneficiaries currently holds any direct interest (including options) in Pinecone International. We currently do not anticipate granting any of our WVR Beneficiaries any options to subscribe for the Pinecone Ordinary Shares in the foreseeable future. As additional safeguards to protect the interests of the other Shareholders, we agree that (i) any grant of options to any of our WVR Beneficiaries be subject to the limitations set out in Rule 17.04(1) of the Listing Rules, such that where any grant of options to a WVR Beneficiary or any of its associates, under the Pinecone Share Option Scheme II would result in the Pinecone Ordinary Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Pinecone Ordinary Shares in issue, such further grant of options must be approved by the Shareholders in general meeting.
- (c) **Directors and senior management.** In the case where any of our Directors or senior management members as identified in this prospectus will be granted any options under the Pinecone Share Option Scheme II, this would form part of such Directors/senior management members overall compensation package with us and thus be subject to the

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scrutiny and approval of our remuneration committee (which is chaired by an independent non-executive Director and comprises a majority of the independent non-executive Directors as required under the Listing Rules), together with the individual participant of 1% in any 12-month period under Rule 17.03(4) of the Listing Rules and/or compliance with the relevant requirements under Rule 17.04(1) of the Listing Rules (as applicable).

- (d) **Compliance with Chapter 14 of the Listing Rules.** We do not intend that the share option schemes of Pinecone International will operate to de-consolidate the results of operations of Pinecone International from our Group and we do not presently have any intention to de-consolidate the results of operations of Pinecone International in the foreseeable future. However, we agree to comply with Chapter 14 of the Listing Rules in the event of a grant of options under the Pinecone Share Option Scheme II that would result in Pinecone International ceasing to be our subsidiary on a fully-diluted basis (assuming such option and all other outstanding options granted under the Pinecone Share Option Scheme I and the Pinecone Share Option Scheme II have been fully exercised) on the basis that it would be a “deemed disposal” of Pinecone International by the Company and the applicable size tests under Rule 14.07 of the Listing Rules will be measured against 100% of the total assets, total net profits and total revenue of Pinecone International at the relevant time.

WAIVER IN RELATION TO BUSINESS OR SUBSIDIARY ACQUIRED OR PROPOSED TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountant’s report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document (the “**Target Historical Financial Information**”).

In addition, our Group may also increase its equity interest in entities that are already majority controlled by, and consolidated in the financial statements of, our Group. However, as these do not involve the acquisition of a company or a business, and the financial contribution of the relevant entities are already reflected in our Group’s financial statements, our Company does not believe that these increases in its equity interests represent an acquisition for the purpose of Rules 4.04(2) and 4.04(4).

Pursuant to guidance letter HKEX-GL32-12 issued by the Stock Exchange (“**GL32-12**”), acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to GL32-12, the Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances. The Stock Exchange will ordinarily grant a waiver in relation to acquisitions of equity securities in the ordinary and usual course of business subject to the following conditions: (i) the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of each acquisition are all less than 5% by reference to the most recent financial year of the applicant’s trading record period, (ii) the applicant is neither able to exercise any control, nor has any significant influence, over the underlying company or business; and (iii) the listing document should include the

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reasons for the acquisitions and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are independent third parties of the applicant and its connected persons. In addition, the Stock Exchange will ordinarily grant a waiver in relation to acquisitions of a business or subsidiary subject to the following conditions: (i) the percentage ratio (as defined under Rule 14.04(9) of the Listing Rules) of the acquired or to be acquired business or subsidiary are all less than 5% by reference to the most recent financial year of the applicant’s trading record period; (ii) the historical financial information of the acquired or to be acquired business or subsidiary is not available or would be unduly burdensome to obtain or prepare; and (iii) the listing document should include at least the information that would be required for a discloseable transaction under Chapter 14 of the Listing Rules on each acquisition.

Investment in ecosystem partners

During the Track Record Period, our Group has made investments in a large number of companies both in mainland China and overseas (the “Investments”). These investee companies are generally members of the broader “ecosystem” related to our Group’s core business, and provide products, services and/or resources that our Group believes can help them efficiently expand product and service offerings to our Group’s users, or have developed proprietary technologies complementary to our Group, or have the ability to help our Group enter a new market to expand our international footprint. Our Group plans to continue to invest in businesses that are part of our Group’s ecosystem and complementary to its business and growth strategies.

The majority of the Investments made by our Group have been passive investments (usually no more than 30% equity interest in the target companies), such that the target companies of the Investments have not been consolidated into our Group, and our Group has no control over the board of the target companies.

During the Track Record Period, our Group invested in a range of emerging technology trends and breakthroughs that it believes offer significant opportunities to deliver value to its users and growth for our Group.

Save for seven investments whose investment amount are above US\$100 million each, the investment amount of the majority of the Investments are less than RMB20 million.

Since March 31, 2018 (being the date to which its latest audited accounts have been made up) and up to the Latest Practicable Date, our Group had made or proposed to make a number of investments, details of which are set out in below:

No.	Name of the target company	Investment amount ('000)	Percentage of shareholding / equity interest	Principal business	Basis for determining the investment amount
1.	Company A	US\$3,750	1.5%	Wifi and Bluetooth IoT solutions	Based on the valuation of latest round
2.	Company B	RMB400	10%	Virtual reality	Based on the capital required for the target’s operation

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No.	Name of the target company	Investment amount ('000)	Percentage of shareholding / equity interest	Principal business	Basis for determining the investment amount
3.	Company C	RMB3,000	10%	Coffee machines	Based on the capital required for the target's operation
4.	Company D	US\$12,000	4.9%	Distribution and retail of hardware	Based on the capital required for the target's operation to support its distribution and retail of our Group's products
5.	Company E	RMB20,000	10%	Pronunciation research	Based on the capital required for the target's operation
6.	Company F	RMB3,250	2.5%	Maternity and children's supplies	Based on the capital required for the target's operation
7.	Company G	RMB42,140	3.6%	Flexible printed circuit manufacturing	P/E ratio
8.	Company H	US\$11,780	20.8%	News aggregation	Strategic investment
9.	Company I	US\$1,500	15%	Smart Home and IoT devices	Strategic investment
10.	Company J	RMB26,240	6.02%	Manufacturing of filters	P/E ratio
11.	Company K	RMB60,000	2.4%	Manufacturing of batteries	P/E ratio
12.	Company L	RMB17,900	5%	Development and design of optical products to produce products such as precision optical filters and mirrors	P/E ratio
13.	Company M	RMB4,220	11%	Children's products	Based on the capital required for the target's operation
14.	Company N	US\$6,500	13%	Fintech	Based on the capital required for the target's operation

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No.	Name of the target company	Investment amount ('000)	Percentage of shareholding / equity interest	Principal business	Basis for determining the investment amount
15.	Company O	US\$3,000	1.83%	GaN power IC for Charger/ adapter, EV, Industry and Telecom application	P/E ratio
16.	Company P	RMB150,000	4.89%	Chip design	P/E ratio
17.	Company Q	RMB2,800	9.51%	Auto IoT	Based on the capital required for the target's operation
18.	Company R	US\$24,480	3.8%	App	Based on the capital required for the target's operation
19.	Company S	RMB5,000	5%	Healthcare	Based on the capital required for the target's operation
20.	Company T	US\$24,000	14.29%	Shared service	Based on the capital required for the target's operation
21.	Shenzhen CIGA DESIGN Co., Ltd. (深圳市靈佳創新有限公司)	RMB3,500	5%	Watches	P/E ratio
22.	上海墨咕智能科技有限公司	RMB2,000	10%	E-ink product	Based on the capital required for the target's operation
23.	寧波舜誠科技有限公司 (Pending establishment)	RMB1,500	10%	Optical instruments	Based on the capital required for the target's operation
24.	Windy Hill Pte., Ltd.	US\$2,000	16.6%	Virtual credit card	Based on the capital required for the target's operation
25.	Iflix Limited	US\$25,000	5%	Online entertainment service provider	Based on the capital required for the target's operation
26.	Guangzhou DeepSound Technology Co. Ltd (廣州深聲科技有限公司)	RMB18,000	15%	Artificial intelligence research and application	Based on the capital required for the target's operation
27.	Beijing Value Simplex Technology Co. Ltd (北京燭簡科技有限公司)	RMB10,000	5%	Data company	Based on the capital required for the target's operation

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No.	Name of the target company	Investment amount ('000)	Percentage of shareholding / equity interest	Principal business	Basis for determining the investment amount
28.	漾子家居(天津)有限公司	RMB3,200	10%	Furniture	Based on the capital required for the target's operation
29.	ShenZhen TuoYe Robot Automation Co., Ltd (深圳市拓野機器人自動化有限公司)	RMB20,000	5%	Automation systems	P/E ratio
30.	Mohalla Tech Private Limited	US\$17,060	3.55%	UGC content platform	Based on the capital required for the target's operation
31.	棉捷(北京)網絡科技有限公司	RMB2,500	10%	Apparel	Based on the capital required for the target's operation
32.	愛尚生活生活用品有限公司 (Pending establishment)	RMB1,000	10%	Daily necessities	Based on the capital required for the target's operation
33.	寧波小觀文化創意有限公司	RMB125	10%	IP derivatives	Based on the capital required for the target's operation
34.	Navi Travel Holding Limited	US\$590	2.5%	Travel service app	Based on the capital required for the target's operation
35.	Shen Zhen System Technology Co. Ltd. (深圳市鑫信騰科技有限公司)	RMB20,000	8%	Detection device	P/E ratio
36.	Shenzhen Blackheart Black Technology Co., Ltd. (深圳黑桃黑科技有限公司)	RMB1,250	12.5%	Industrial design studio	Based on the capital required for the target's operation
37.	Youmi Co., Ltd.	US\$340	5%	Distributor	Based on the capital required for the target's operation
38.	Nanjing Bianyu Liandong Technology Co., Ltd. (南京遍宇聯動科技有限公司)	RMB3,000	10%	Enterprise IoT solution	Based on the capital required for the target's operation
39.	Xiaoji Bio-tech (Shanghai) Co., Ltd. (小吉生物科技(上海)有限公司)	RMB10,000	10%	Smart hardware	Based on the capital required for the target's operation
40.	Shenzhen Qimian Garment Co., Ltd. (深圳七面服飾有限公司)	RMB1,500	10%	Leather products	Based on the capital required for the target's operation
41.	Shenzhen More Acoustics Technology Co., Ltd. (深圳魔耳智能聲學科技有限公司)	RMB2,300	11.5%	Speaker box	Based on the capital required for the target's operation

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No.	Name of the target company	Investment amount ('000)	Percentage of shareholding / equity interest	Principal business	Basis for determining the investment amount
42.	Xiamen Lefan Health Technology Co., Ltd. (廈門樂范健康科技有限公司)	RMB4,000	10%	Consumer goods (health related and massage related products)	Based on the valuation of the assets as at December 31, 2017
43.	Shanghai Kaco Industrial Co., Ltd (上海文采實業有限公司)	RMB6,000	8%	Consumer goods (stationery)	Based on the valuation of the assets as at December 31, 2017
44.	Finnov Private Limited	US\$280	1%	Fintech	Strategic investment
45.	ShenZhen Yunyinggu Technology Co, Ltd. (深圳雲英谷科技有限公司)	RMB2,500	0.42%	Display technology	Based on the capital required for the target's operation
46.	Hangzhou Xijiang Culture & Creative Corp. (杭州璽匠文化創意股份有限公司)	RMB67,223	4.13%	Bronze and wood crafts	Based on the capital required for the target's operation

Each of the above investments will be settled in cash. To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, all of the target companies set out above and their ultimate beneficial owners are third parties independent from our Company and its connected persons. In its ordinary course of business, our Company expects to continue to enter into further investments subsequent to the Latest Practicable Date and prior to the date of this prospectus (together with the investments listed above, the “**2018 Investments**”). The final terms of the 2018 Investments that have yet to be completed may be subject to change.

The reasons for the acquisitions for the 2018 Investments are to further expand members of the broader “ecosystem” related to the Group’s core business such that the Group could create strategic synergy and provide products, services and/or resources that the Group believes can help them efficiently expand product and service offerings to the Group’s users, or have developed proprietary technologies complementary to the Group, or have the ability to help the Group enter a new market to expand our international footprint.

Conditions to the waivers granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 4.04(2) and 4.04(4) of the Listing Rules in respect of the 2018 Investments on the following grounds:

1. Ordinary and usual course of business

Making equity investments of this nature is part of the ordinary course of business of our Group. Our Company started making investments in 2011, and conducted over 200 Investments to date and over 100 during the Track Record Period. Our Company has an investment team comprising of about 12 members responsible for conducting the Investments on a full-time basis.

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The Investments are investments classified as financial assets carried at fair value through profit or loss and are not consolidated into our Group's financial statements. Changes in the fair value are included in profit or loss in the period in which they arise and presented within "Fair value changes on investments" in the income statement. Upon disposal, the difference between the net sale proceeds and the carrying amount is also included in the income statement as "Other (losses)/gains, net."

2. The percentage ratios of each investment are all less than 5% by reference to the most recent financial year of our Company's Track Record Period

The percentage ratios for each of the 2018 Investments are all significantly less than 5% by reference to the most recent financial year of our Company's Track Record Period, and any subsequent investments are also expected to be so. To the best knowledge of our Company, the 2018 Investments are not subject to aggregation under Rule 14.22 of the Listing Rules.

Accordingly, we consider that the 2018 Investments are immaterial and do not expect them to have any material effect on the business, financial condition or operations of our Group.

3. The Company is neither able to exercise any control, nor has any significant influence, over the underlying company or business

We only hold a minority equity interest in each of the target companies under the 2018 Investments and does not control their boards of directors; and this is expected to remain the case for any subsequent investments. Given that our Group is neither able to exercise any control nor has any significant influence over each of the target companies under the 2018 Investments, we would not be able to compel or request the target companies of the 2018 Investments to cooperate with its audit work in order for us to comply with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

4. Alternative disclosure in this prospectus

We have provided in this section alternative information in connection with the 2018 Investments. Such information include, where applicable, those which would be required for a discloseable transaction under Chapter 14 of the Listing Rules including, for example, reasons for the investments and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are independent third parties of the Company and its connected persons. For the avoidance of doubt, the names of certain companies that are the subject of the 2018 Investments are not disclosed in this prospectus because (i) we have entered into confidentiality agreements with these companies and do not have consent from all of them for such disclosure and/or (ii) given that we have not yet entered into legally binding agreements with respect to all of these investments as of the Latest Practicable Date, disclosure of the names of the relevant companies in this prospectus is commercially sensitive and may jeopardize our ability to consummate the proposed investments and/or (iii) given the competitive nature of the industry in which we operate, it is commercially sensitive to disclose the identities of the companies we invested or propose to invest in to avoid our competitors to anticipate our plans of business growth.

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The Company does not expect to use any proceeds from the Proposed Listing to fund such Investments.

Acquisition of Company X (the “**Target**”)

We proposed to acquire the entire equity interest of the Target (the “**Proposed Acquisition**”) for a total consideration of RMB85 million, which is expected to be settled in cash. The consideration is based on arm’s length negotiations between the Target and the Company, taking into account a number of factors including the potential strategic alliance in the content aggregation business. We intend to use our internal resources to satisfy the cash consideration. As at the Latest Practicable Date, other than a term sheet, no definitive agreement has been entered into between the Target and the Company.

The Target commenced operations in 2004 and is engaged in the business of internet video. The Company confirms that the Proposed Acquisition aligns with our business and growth strategy. Completion of the Proposed Acquisition is expected to take place after the Listing.

The Directors believe that the terms of the Proposed Acquisition are fair and reasonable and in the interests of the Shareholders as a whole. To the best of the Director’s knowledge, information and belief, having made all reasonable enquiries, the Target and its ultimate beneficial owners are third parties independent from the Company and its connected persons.

Conditions to the waivers granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 4.04(2) and 4.04(4) of the Listing Rules in respect of the Proposed Acquisition on the following grounds:

1. The percentage ratios of the Proposed Acquisition are all less than 5% by reference to the most recent financial year of the Company’s Track Record Period

The percentage ratios for the Proposed Acquisition are all significantly less than 5% by reference to the most recent financial year of the Company’s Track Record Period. Accordingly, we consider that the Proposed Acquisition is immaterial and does not expect it to have any material effect on the business, financial condition or operations of the Group.

2. The historical financial information of the Target is not available or would be unduly burdensome to obtain or prepare

We do not currently have any equity interest in the Target and do not have any representation at the board of directors of the Target and is therefore unable to compel the Target to disclose its historical financial information in the Company’s prospectus. In addition, it will require considerable time and resources for us and our reporting accountant to fully familiarize with the management accounting policies of the Target and compile the necessary financial information and supporting documents for disclosure in our listing document. As such, it would be impracticable within the tight timeframe for us to disclose the audited financial information of the Target as required under Rules 4.04(2) and 4.04(4) of the Listing Rules.

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In addition, having considered the Proposed Acquisition is immaterial and does not expect to have any material effect on the business, financial condition or operations of the Group, it would not be meaningful and would be unduly burdensome for us to prepare and include the financial information of the Target during the Track Record Period in our listing documents.

3. Alternative disclosure in this prospectus

We have provided alternative information in this prospectus in connection with the Proposed Acquisition. Such information include, where applicable, those which would be required for a discloseable transaction under Chapter 14 of the Listing Rules including, for example, reasons for the investments and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are independent third parties of the Company and its connected persons. For the avoidance of doubt, the identity of the Target is not disclosed in this prospectus because (i) given that the Company has not yet entered into legally binding agreement with respect to the Proposed Acquisition as of the Latest Practicable Date, disclosure of the name of the Target in this prospectus is commercially sensitive and may jeopardize the Company's ability to consummate the proposed investment (including, for example, as a result of the Company's competitors approaching the Target with alternative investment proposals after seeing its names disclosed in our prospectus) and (ii) given the competitive nature of the industry in which the Company operate, it is commercially sensitive to disclose the identity of the Target to avoid our competitors to anticipate our plans of business growth.

We do not expect to use any proceeds from the Proposed Listing to fund the Proposed Acquisition.

**WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO
CHANGES IN SHARE CAPITAL**

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within the two years immediately preceding the issue of this prospectus.

We have identified seven entities that we consider are the major subsidiaries and Consolidated Affiliated Entities primarily responsible for the track record results of our Group (the "**Principal Entities**," and each a "**Principal Entity**"). For further details, please see section headed "History, Reorganization and Corporate Structure—Major subsidiaries and Consolidated Affiliated Entities." Globally, our Group has approximately 100 subsidiaries and Consolidated Affiliated Entities, across more than 10 different jurisdictions. It would be unduly burdensome for our Company to disclose this information, which would not be material or meaningful to investors. By way of illustration, for the financial year ended December 31, 2017, the aggregate revenue of the Principal Entities in respect of which the relevant information is disclosed represents approximately 92.9% of the Group's total revenue. Accordingly, the remaining subsidiaries and Consolidated Affiliated Entities in our Group are insignificant to the overall results of the Group.

As such, the particulars of the changes in the share capital of our Company and the Principal Entities are disclosed in the section headed "Statutory and General Information—Further information

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about our Company and our subsidiaries and Consolidated Affiliated Entities—Changes in the share capital of our subsidiaries and Consolidated Affiliated Entities” in Appendix IV. Further, all major shareholding changes and reorganization steps taken by our Group have been included in the section headed “History, Reorganization and Corporate Structure.”

WAIVER IN RESPECT OF CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of Class B Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Representative, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 152,571,000 Class B Shares, representing approximately 7% of the Offer Shares initially available under the Global Offering;
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 196,163,000 Class B Shares, representing approximately 9% of the Offer Shares initially available under the Global Offering; and
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 217,959,000 Class B Shares, representing approximately 10 % of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representative deem appropriate. In addition, the Joint Representative may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

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If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

See “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation.”