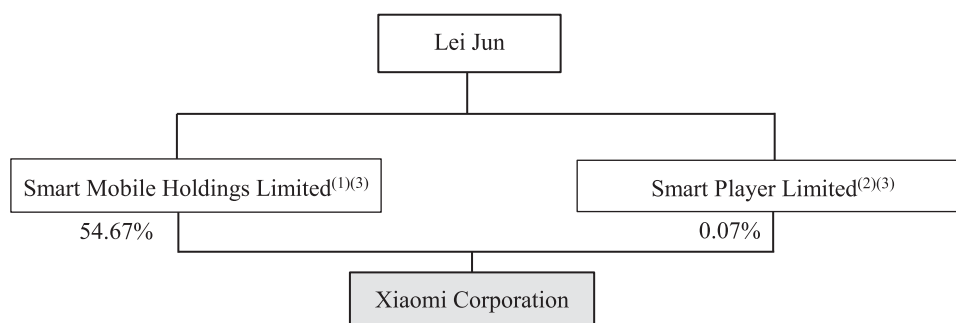

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, Lei Jun, our executive Director, Founder, Chairman and Chief Executive Officer, will be interested in and will control, through various intermediary entities, 4,295,187,720 Class A Shares and 2,283,106,380 Class B Shares (assuming all Preferred Shares are converted into Class B Shares upon Listing). Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the exercise of share options granted under the Pre-IPO ESOP, Lei Jun's aggregated shareholding will be approximately 29.40% of our issued share capital and he will hold approximately 54.74% of the voting rights in the Company through shares beneficially owned by him capable of being exercised on resolutions in 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). Therefore, Lei Jun will be a Controlling Shareholder after the Listing. Lei Jun holds his interests in the Company through various intermediary entities including Smart Mobile Holdings Limited and Smart Player Limited. Additionally, pursuant to the Voting Proxy Agreements, certain minority shareholders have also granted Lei Jun a voting proxy over Class B Shares representing approximately 1.69% of the issued share capital and approximately 0.46% of the voting rights of the Company in relation to resolutions other than the Reserved Matters.

The following diagram illustrates the ultimate beneficial interest of our Controlling Shareholders' voting rights for resolutions in general meetings with respect to matters other than the Reserved Matters, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the share options granted under the Pre-IPO ESOP are not exercised):



Notes:

- (1) Immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the share options granted under the Pre-IPO ESOP are not exercised), Smart Mobile Holdings Limited will hold 4,295,187,720 Class A Shares and 2,223,884,750 Class B Shares, representing an aggregate of approximately 54.67% of the voting rights in the Company. Each Class A Share has 10 votes per share and each Class B Share has one vote per share, capable of being exercised on resolutions in general meeting save for resolutions with respect to any Reserved Matters. For the Reserved Matters, the Class A Shares carry one vote per share, and in relation to the Reserved Matters, the aggregate percentage of voting rights Lei Jun may exercise is approximately 29.40%.
- (2) Immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the share options granted under the Pre-IPO ESOP are not exercised), Smart Player Limited will hold 59,221,630 Class B Shares, representing approximately 0.07% of the voting rights in the Company capable of being exercised on resolutions in general meetings save for resolutions with respect to any Reserved Matters, and approximately 0.26% of the voting rights in the Company in relation to the Reserved Matters.
- (3) Smart Mobile Holdings Limited and Smart Player Limited are both wholly-owned by Sunrise Vision Holdings Limited, which is in turn held by Parkway Global Holdings Limited. The entire interest in Parkway Global Holdings Limited is held through a trust which was established by Lei Jun (as the settlor) for the benefit of Lei Jun and his family.

For further information about the weighted voting rights attached to the Class A Shares, please refer to the section headed "Share Capital."

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Lei Jun is a renowned angel investor in mainland China. Apart from his interest and directorship in the Company, Lei Jun holds non-executive board positions and non-controlling equity interests in certain publicly listed companies. As these companies operate as separate businesses and have their own separate shareholder bases as listed companies, Lei Jun has no current intention to inject any of these interests into our Company.

Lei Jun is a co-founder of, and as of the Latest Practicable Date was a non-executive director, chairman of the board of directors, a member of the remuneration committee and controlled less than 30% of the voting power of, Kingsoft Corporation Limited (Hong Kong Stock Exchange Stock Code: 3888) (“**Kingsoft**”). Lei Jun also holds board positions in certain group companies of Kingsoft. Kingsoft is principally involved in (i) research and development of games, and provision of online games, mobile games and casual game services, (ii) provision of cloud storage and cloud computation services; and (iii) design, research and development and sales and marketing of the office software products and services of WPS Office.

From October 2010 to March 2018, Lei Jun was a director of Cheetah Mobile Inc. (NYSE ticker: CMCM) (“**Cheetah Mobile**”). Lei Jun held less than 2% of the issued share capital of Cheetah Mobile as of the Latest Practicable Date. Cheetah Mobile operates a platform that offers mobile and PC applications for their customers and global content promotional channels for their customers, based on Cheetah Mobile’s proprietary cloud-based data analytics engines.

From July 2011 to August 2016, Lei Jun was the chairman of YY Inc. (Nasdaq ticker: YY) (“**YY**”). Lei Jun held less than 20% of the issued share capital of YY as of the Latest Practicable Date. YY is a live streaming platform that enables users to interact in live online group activities through voice, text and video. YY allows its users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including music shows, online games, dating shows, live game broadcasting and e-learning.

As part of our triathlon business model, while we derived a significant majority of our revenue during the Track Record Period from sales of smartphones and other products, we also engage in internet services. We derive our internet services revenue primarily from advertising and other internet value-added services, including online games. We also provide cloud storage and cloud computing services to our users through Mi Cloud. For further details of our business operations, please see section headed “Business—Our Business.” While we operate in certain internet related sectors similar to Kingsoft, Cheetah Mobile and YY, our Directors consider that there is no material competition between Kingsoft, Cheetah Mobile or YY (on one hand) and our Group (on the other hand), because of the fundamental difference in business models between each of them and our Group when taken as a whole. In particular, we derived approximately 90% or more of our revenue from the sales of our smartphones, and our IoT and lifestyle products during the Track Record Period, while neither Kingsoft, Cheetah Mobile or YY is engaged in the design and production of smartphones and other IoT and lifestyle products. Furthermore, through our triathlon business model, we acquire our user base primarily through sales of our products and strategically provide internet services to this user base. Further, for certain businesses the target customer of Kingsoft, Cheetah Mobile and YY’s services and our target customers may differ. For instance, the cloud storage and cloud computation services provided by Kingsoft are targeted towards the general public, while the services provided by us are mainly targeted towards existing individual users of the Company’s products and services as well as our own Group entities.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Lei Jun is also a founding partner of Shunwei Capital (“**Shunwei**”), which consists of investment funds, specializing in incubation, start-ups, early to mid-stage and growth capital investments in internet and technology industries. While Shunwei may acquire non-controlling interests in certain businesses that operate in technology and internet sectors similar to those in which our Group operates, Shunwei is a pure financial investor, and generally has no management or shareholding control over any of its investee companies. We therefore do not believe that Shunwei competes in any material way with our Group. In addition to the minority investments held by Shunwei, Lei Jun also personally holds a number of minority interests in private companies in a variety of sectors, none of which, to the best of Lei Jun’s knowledge, materially compete with our Group.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and his close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of seven Directors comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, please see the section headed “Directors and Senior Management.”

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “—Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. Save as disclosed in the sections headed “Business—Our Business—Licenses, Permits and Approvals,” “Business—Our Business—Intellectual Property” and “Business—Our Business—Legal Proceedings and Compliance,” our Group (through our subsidiaries and Consolidated Affiliated Entities) holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the Listing.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

The Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. In light of this, the Company has established a corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. The members of the corporate governance committee are independent non-executive Directors with extensive experience in overseeing corporate governance related functions of private and Hong Kong listed companies. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company.

Under the Articles of Association, extraordinary general meetings of the Company may be convened on the written requisition of any one or more members holding, as at the date of deposit of

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. In addition, pursuant to the Shareholder communication policy to be adopted by the Company upon Listing, Shareholders are encouraged to put governance related matters to the Directors and to the Company directly in writing.

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, the relevant Controlling Shareholders or associate will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, remuneration committee, nomination committee and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. All of the members of our audit committee, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.