

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the Global Offering, assuming that (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised, (iii) the share options granted under the Pre-IPO ESOP are not exercised, (iv) each Preferred Share is converted into one Class B Share and (v) no Class A Shares are converted to Class B Shares.

1. Share capital at the date of this prospectus (assuming each Preferred Share is converted into one Class B Share)

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
6,883,856,790	Class A Share	US\$17,209.64
38,524,586,180	Class B Share	US\$96,311.47
Total		US\$113,521.11

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

6,695,187,720	Class A Share in issue	US\$16,737.97
14,246,503,110	Class B Share in issue	US\$35,616.26
Total		US\$52,354.23

2. Share capital immediately following the completion of the Global Offering

(i) Authorized share capital⁽¹⁾

Number	Description of Shares	Approximate aggregate nominal value of shares
70,000,000,000	Class A Share	US\$175,000.00
200,000,000,000	Class B Share	US\$500,000.00
Total		US\$675,000.00

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

6,695,187,720	Class A Share in issue	US\$16,737.97
14,246,503,110	Class B Share in issue	US\$35,616.26
1,434,440,000	Class B Shares to be issued pursuant to the Global Offering	US\$3,586.10
Total		US\$55,940.33

Note:

(1) Pursuant to the resolutions of the Shareholders on June 17, 2018, the authorized share capital of the Company will, following the conversion of all Preferred Shares to Class B shares, be increased from US\$113,521.11 divided into 6,883,856,790 Class A Shares with a nominal or par value of US\$0.0000025 each and 38,524,586,180 Class B Shares with a nominal or par value of US\$0.0000025 each to US\$675,000.00 divided into 70,000,000,000 Class A Shares of nominal or par value of US\$0.0000025 each and 200,000,000,000 Class B Shares of nominal or par value US\$0.0000025, with effect from the Listing Date.

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

WEIGHTED VOTING RIGHTS STRUCTURE

The Company is proposing to adopt a weighted voting rights structure effective immediately upon the completion of the Global Offering. Under this structure the Company's share capital will comprise

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Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively, on any resolution tabled at the Company's general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote.

The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the Company's auditors; and
- (iv) the voluntary liquidation or winding-up of the Company.

In addition, Shareholders, including holders of Class B Shares, holding not less than one-tenth of the paid up capital of the Company that carries the right of voting at general meetings are entitled to convene an extraordinary general meeting of the Company and add resolutions to the meeting agenda.

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

Immediately upon the completion of Global Offering, the WVR Beneficiaries will be Lei Jun and Lin Bin. Lei Jun will beneficially own 4,295,187,720 Class A Shares, representing approximately 51.98% of the voting rights in the Company (assuming the Over-allotment Option is not exercised and assuming the share options granted under the Pre-IPO ESOP are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Smart Mobile Holdings Limited, a company indirectly wholly-owned by a trust established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Lin Bin will beneficially own 2,400,000,000 Class A Shares, representing approximately 29.04% of the voting rights in the Company (assuming the Over-allotment Option is not exercised and assuming the share options granted under the Pre-IPO ESOP are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held on behalf of Lin Bin and his family members by Lin Bin as trustee of the Bin Lin Trust.

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

The table below sets out the ownership and voting rights to be held by the WVR Beneficiaries upon the completion of the Global Offering:

	<u>Number of Shares</u>	<u>Approximate percentage of issued share capital⁽¹⁾</u>	<u>Approximate percentage of voting rights⁽¹⁾⁽²⁾</u>
Class A Shares held by the WVR Beneficiaries	6,695,187,720	29.92%	81.02%
Class B Shares held by the WVR Beneficiaries ⁽³⁾	2,674,339,990	11.95%	3.24%
Total	9,369,527,710	41.87%	84.26%

Notes:

(1) The table above assumes the Over-allotment Option is not exercised and the share options granted under the Pre-IPO ESOP are not exercised.

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- (2) On the basis that Class A Shares entitle the Shareholder to 10 votes per share and Class B Shares entitle the Shareholder to one vote per share.
- (3) Assuming each Preferred Share is converted into one Class B Share.

Class A Shares may be converted into Class B Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 6,695,187,720 Class B Shares, representing approximately 42.70% of the total number of issued and outstanding Class B Shares or 29.92% of the enlarged issued share capital of the Company (assuming the Over-allotment Option is not exercised and the share options granted under the Pre-IPO ESOP are not exercised and no other share issuance).

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

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

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

WVR Beneficiaries

Immediately upon the completion of Global Offering, the WVR Beneficiaries will be Lei Jun and Lin Bin. Lei Jun will beneficially own 4,295,187,720 Class A Shares, representing approximately 51.98% of the voting rights in the Company (assuming the Over-allotment Option is not exercised and assuming the share options granted under the Pre-IPO ESOP are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Smart Mobile Holdings Limited, a company indirectly wholly-owned by a trust established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Lin Bin will beneficially own 2,400,000,000 Class A Shares, representing approximately 29.04% of the voting rights in the Company (assuming the Over-allotment Option is not exercised and assuming the share options granted under the Pre-IPO ESOP are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held on behalf of Lin Bin and his family members by Lin Bin as trustee of the Bin Lin Trust.

The Company is adopting the WVR structure to enable the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority

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economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

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

Undertakings by the WVR Beneficiaries

Pursuant to Rule 8A.43 of the Listing Rules, each WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On June 20, 2018, each of Lei Jun and Lin Bin made an undertaking to the Company (the "**Undertaking**"), that for so long as he is a WVR Beneficiary:

- (1) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his best endeavors to procure that that limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18, and 8A.24 of the Listing Rules from time to time in force (the "**Requirements**"); and
- (2) he shall use his best endeavors to procure that the Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. Each WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their shares. Each WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiary.

The Undertaking shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Stock Exchange; and (ii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of the Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

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RANKING

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

ALTERATIONS OF CAPITAL

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

SHARE OPTION SCHEMES

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

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

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

GENERAL MANDATE TO ISSUE SHARES

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

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

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

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

See the section headed “Statutory and General Information—Further Information about our Company and our Subsidiaries and Consolidated Affiliated Entities—Resolutions of the Shareholders of our Company dated June 17, 2018” in Appendix IV for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

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

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

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

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

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