
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$27,560.9 million after deducting the underwriting commissions and other estimated expenses paid and payable by us in relation to the Global Offering and taking into account any additional discretionary incentive fee (assuming the full payment of the discretionary incentive fee), assuming an Offer Price of HK\$19.50 per Share, being the mid-point of the indicative Offer Price range of HK\$17.00 to HK\$22.00 per Share. We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 30% (approximately HK\$8,268.3 million) for research and development as well as other efforts to develop our core in-house products, including our smartphones, smart TVs, laptops, AI speakers and smart routers. Our efforts include but are not limited to hiring engineers, designers, scientists and other talents, expanding our intellectual property portfolio, both domestically and internationally, and further investing in our IT infrastructure, AI technology and data analytics capabilities. We intend to use certain proceeds from this Offering to fund several major research and development projects involving (i) our SoC, camera and other smartphone core components, (ii) our smartphone and smart TV operating systems and (iii) our AI efforts. The results of these research and development projects will be applied in a series of future products that we plan to release;
- approximately 30% (approximately HK\$8,268.3 million) for investments to expand and strengthen our ecosystem primarily in the fields of IoT and lifestyle products and mobile internet services, including AI. As of March 31, 2018, we have invested in and managed an ecosystem of over 210 companies. Many of our investments have since become highly successful. For example, the number one power bank, air purifier and electric scooter companies globally, and the number one smart wearable company in mainland China by unit shipments in 2017 and in the first quarter of 2018, respectively, according to iResearch, are companies that we invested in. We intend to continue to identify, invest in and incubate promising companies, primarily in the fields of IoT and mobile internet services, that share the same philosophy and value with us and can help further strengthen and expand our product and service offerings to further improve our user experience. We may also increase our equity interest in entities that are already majority controlled by us and consolidated in our financial statements. Our investment strategy is to further expand members of the broader “ecosystem” related to our core business such that we could create strategic synergy and provide products, services and/or resources that we believe can help them efficiently expand product and service offerings to our users, or have developed proprietary technologies complementary to us, or have the ability to help us enter a new market to expand our international footprint. See section headed “Waivers from Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance—Waiver in relation to Business or Subsidiary Acquired or Proposed to be Acquired after the Track Record Period” for details of our proposed acquisition as of the Latest Practicable Date. We do not plan to use the proceeds from the Global Offering for such proposed acquisition;

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- approximately 30% (approximately HK\$8,268.3 million) for our global expansion, including but not limited to hiring local teams across business functions and investing in our retail partners. We intend to leverage our strong execution capabilities to extend and localize our unique business model internationally in order to grow our user base and to increase user monetization. In addition to strengthening our market leadership position in India, we will focus on penetrating into additional markets. For this year, we intend to enter or deepen our market presence in South East Asia and Europe, including Indonesia and Spain where we have achieved initial success. In 2019 and going forward, we plan to further expand our geographic reach across Europe, Asia and other regions; and
- approximately 10% (approximately HK\$2,756.1 million) for working capital and general corporate purposes.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$3,586.1 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

We estimate the net proceeds to the Selling Shareholders from the sale of Sale Shares pursuant to the Global Offering, assuming the Over-allotment Option is not exercised, to be approximately HK\$14,347.6 million (assuming an Offer Price of HK\$19.50 per Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by the Selling Shareholders. We also estimate the net proceeds to the Selling Shareholders from the sale of Option Shares pursuant to the Global Offering, assuming the Over-allotment Option is exercised in full, to be approximately HK\$2,415.5 million (assuming an Offer Price of HK\$19.50 per Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by the Option Grantor. We estimate the additional net proceeds from the issue of Option Shares pursuant to the Global Offering, assuming the Over-allotment Option is exercised in full, to be approximately HK\$3,879.6 million (assuming an Offer Price of HK\$19.50 per Offer share, being the mid-point of the indicative Offer Price range).

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our subsidiaries in mainland China such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under the laws of mainland China and regulations. There are no costs associated with registering loans or capital contributions with relevant authorities of mainland China, other than nominal processing charges. Under the laws of mainland China and regulations, the governmental authorities of mainland China are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all.

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This is because regulation of loans and direct investment of mainland China by offshore holding companies to entities in mainland China may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.