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XIAOMI CORPORATION

小米集团

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

(Stock Code: 1810)

RESULTS ANNOUNCEMENT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

The board (the "**Board**") of directors (the "**Directors**") of Xiaomi Corporation 小米集团 (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three and nine months ended September 30, 2018 (the "**Reporting Period**"). These interim results have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", and reviewed by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company (the "**Audit Committee**").

In this announcement, "we", "us", and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

KEY HIGHLIGHTS

	Unaudited Three months ended				
	September 30, 2018	September 30, 2017	Year-on-year change	June 30, 2018	Quarter-on-quarter change
	(RMB in millions, unless specified)				
Revenue	**50,846.2**	34,099.9	49.1%	45,235.5	12.4%
Gross profit	**6,577.5**	5,202.1	26.4%	5,651.8	16.4%
Operating profit/(loss)	**2,210.6**	3,587.8	-38.4%	(7,592.0)	N/A
Profit/(loss) before income tax	**2,363.6**	(10,263.7)	N/A	14,908.4	-84.1%
Profit/(loss) for the period	**2,480.5**	(10,992.7)	N/A	14,632.6	-83.0%
Non-IFRS Measure:					
Adjusted profit	**2,885.2**	2,459.4	17.3%	2,116.8	36.3%

	Unaudited Nine months ended September 30, 2018	September 30, 2017	Year-on-year change
	(RMB in millions, unless specified)		
Revenue	**130,494.0**	79,510.7	64.1%
Gross profit	**16,530.8**	11,513.8	43.6%
Operating (loss)/profit	**(2,016.8)**	9,201.6	-121.9%
Profit/(loss) before income tax	**10,583.0**	(29,126.2)	N/A
Profit/(loss) for the period	**10,085.7**	(30,826.3)	N/A
Non-IFRS Measure: Adjusted profit	**6,701.3**	4,811.5	39.3%

BUSINESS REVIEW AND OUTLOOK

1. Overall financial performance

In the third quarter of 2018, we achieved RMB50.8 billion in revenue, representing an increase of 49.1% over the corresponding period of the previous year. Adjusted profit grew by 17.3% year-on-year to RMB2.9 billion. All business segments achieved strong revenue growth, with the IoT and lifestyle products segment experiencing the fastest growth.

2. Smartphones

On October 26, 2018, our total shipment of smartphones for 2018 exceeded 100 million units, according to management accounts. Our smartphones segment recorded approximately RMB35.0 billion in revenue for the third quarter of 2018, representing an increase of 36.1% over the corresponding period of the previous year. The growth in revenue was driven by increases in both smartphone sales volume and our average selling price ("**ASP**"). Smartphone sales volume for the period under review reached 33.3 million units, up 20.4% over the corresponding quarter of the previous year.

In the third quarter of 2018, we continued to optimize our product portfolio to strengthen our presence in the mid- to high-end range smartphone market in mainland China. According to management accounts, by October 9, 2018, shipment of our flagship *Mi 8* series had reached 6 million units, with the series proving popular among users. During the Singles' Day shopping festival in 2018, our *Mi 8* ranked 1st in terms of sales volume in the RMB2,000 to RMB3,000 price range in the smartphone category on Tmall.com and JD.com, according to Tmall.com and JD.com, as well as in the RMB2,000 to RMB2,499 price range in the smartphone category on Suning.com, according to Suning.com. As a result, our smartphone ASP in mainland China continued its ascent from the second quarter of 2018. For the period under review, our smartphone ASP in mainland China was 16% higher over the corresponding quarter of the previous year and was 4% higher over the second quarter of 2018.

Our smartphone ASP outside mainland China also increased by 18%, which can be attributed to the increase in the proportion of shipments in Western Europe. In the third quarter of 2018, the percentage of revenue from smartphones over RMB2,000 accounted for 31% of our total smartphones revenue, according to management accounts.

3. IoT and lifestyle products

In the third quarter of 2018, revenue of the IoT and lifestyle products segment increased by 89.8% to RMB10.8 billion over the corresponding period of the previous year. This revenue increase was primarily due to a rapid growth in our sales of smart TVs. In addition to the strong growth of smart TVs, laptops and several of our ecosystem products such as Mi Band and Mi Electric Scooter also experienced robust sales growth.

The global sales volume of our smart TVs grew 198.5% year-on-year for the third quarter of 2018. For the first nine months of 2018, the global sales volume of our smart TVs reached 5.2 million units. Our smart TVs monthly sales volume exceeded 1 million for the first time in October 2018. During the Singles' Day shopping festival in 2018, the sales volume and sales value of our smart TVs both ranked 1st among all the TV brands on Tmall.com, JD.com and Suning.com, according to Tmall.com, JD.com, and Suning.com, respectively. We launched our smart TVs in the India market in February 2018 and we are now the leading smart TV brand in India, according to IDC Consulting (Beijing) Ltd. ("**IDC**").

During the period under review, we continued to broaden our IoT product portfolio. On July 23, 2018, we launched Mi Air Conditioner, which received positive reviews from users.

As of the end of the third quarter of 2018, there were about 1.98 million users who own more than five Xiaomi IoT devices, excluding smartphones and laptops, representing a quarter-on-quarter rise of 16.5%.

4. Internet services

Revenue from our internet services segment grew 85.5% year-on-year to RMB4.7 billion in the third quarter of 2018, driven primarily by increasing monetization in mainland China. Advertising revenue grew by 109.8% year-on-year to RMB3.2 billion, driven by continuous optimization of our recommendation algorithm, users' increasing engagement of our internet services, as well as higher pre-installation revenue.

Revenue from our internet value-added services also grew 49.7% year-on-year to RMB1.5 billion, of which revenue from gaming accounted for RMB652.5 million, a 12.0% year-on-year increase. Revenue from our other internet value-added services grew by 98.6% year-on-year to RMB892.7 million, primarily due to an increase in revenue contribution from our internet finance business and Youpin e-commerce platform.

As a result of increased sales of smartphones and user adoption, monthly active users ("**MAU**") of MIUI increased 43.4% from 156.5 million in September 2017 to 224.4 million in September 2018. The average revenue per MIUI user ("**ARPU**") for the quarter under review increased by 29.4% over the corresponding period of the previous year to RMB21.1.

Monetization of our overseas internet services businesses is showing early promise. In the third quarter of 2018, our overseas internet services revenue accounted for 4.4% of all our internet services revenue.

The MAU of our Mi TV and Mi Box also achieved strong growth, reaching 15.9 million in September 2018. We are also seeing a more significant contribution to internet services revenue from non-smartphone devices. For example, TV internet services revenue accounted for 5.4% of our total internet services revenue in the third quarter of 2018.

5. International markets

We experienced revenue growth in both mainland China and our international markets in the third quarter of 2018. Our mainland China revenue grew 20.9% year-on-year to RMB28.5 billion while our international markets revenue grew 112.7% year-on-year to RMB22.3 billion in the third quarter of 2018. Revenue from international markets accounted for 43.9% of our total revenue in the third quarter of 2018.

Overseas shipments of our smartphones continued to demonstrate strong growth momentum. According to Canalys, our smartphone shipments for Western Europe grew 386% year-on-year and we were ranked fourth in terms of smartphone shipments in the third quarter of 2018. Our smartphone shipments for India grew 31% year-on-year in the third quarter of 2018 and achieved the number one market share position in terms of shipments for four consecutive quarters, according to Canalys. For the Diwali Festival in India this year, during the period from October 9, 2018 to November 8, 2018, we recorded orders of more than 6 million smartphones and orders of more than US$1 billion for all of our products. In Indonesia, we were ranked second in terms of smartphone shipments with year-on-year growth of 337%, according to Canalys.

According to Canalys, we were ranked top five in the smartphone markets of 30 countries and regions in terms of shipments in the third quarter of 2018.

6. Others

AI+IOT

Artificial intelligence ("**AI**") + IoT forms one of Xiaomi's core strategies. As of September 2018, our AI assistant ("小愛同學") had more than 34 million MAU, making it one of the most used AI voice interactive platforms in mainland China.

Xiaomi's development of AI has been widely recognized and we have won numerous awards. At the World Internet Conference in November 2018, Xiaomi's AI Open Platform for Smart Homes won the "World Leading Internet Scientific and Technological Achievements" award. At the 2018 China Big Data Industry Ecology Conference, we were selected as one of the "Top 50 Chinese Big Data Enterprises". At the third AI WORLD 2018 World Artificial Intelligence Summit, we were selected as one of the "TOP 10 AI Leading Enterprises in China". At the 2018 World Artificial Intelligence Conference, our AI assistant ("小愛同學") was shortlisted for the SAIL Award, the conference's most prestigious award.

We continued to promote the development of the AI industry by open sourcing more technologies. During the third quarter of 2018, we announced that MobileAIBench, our end-to-end benchmark tool for hardware and neural network frameworks testing on mobile devices, would become a fully open source platform.

Empowered by AI, our IoT platform continues to grow and maintain a leading position in the industry. As of the end of the third quarter of 2018, the number of connected IoT devices (excluding smartphones and laptops) on our IoT platform reached approximately 132 million units, an increase of 13.8% from the previous quarter.

Efficiency

In the third quarter of 2018, we continued to expand our efficient offline channels while enhancing our online channels. As of September 30, 2018, we had 499 *Mi Homes* in mainland China, mainly in first- and second-tier cities. Moreover, to further penetrate lower tier cities and rural areas of China, by the end of the third quarter of 2018, we had more than 1,100 authorized stores in total, compared with more than 360 authorized stores in the second quarter this year. Despite the rapid expansion of our offline channels, our overall operation remained highly efficient with our operating expense ratio at 8.5% for the third quarter of 2018.

Brand Strategy

We adopted a multi-brand strategy to better target different user segments. In response to tech enthusiasts' preference for extreme smartphone performance, we launched POCO, a new smartphone brand. The POCO smartphone, first released in India on August 22, 2018, is now available in most of our international markets and is widely popular among tech enthusiasts. We also launched a gaming smartphone brand, Black Shark, through one of our investee companies. Black Shark brings together powerful hardware, cutting-edge innovation, refined build and design, polished software, and gamer-centric services to deliver the ultimate gaming experience to users.

On November 19, 2018, the Company and Meitu, Inc. ("**Meitu**") entered into a strategic cooperation agreement in relation to, among others, the exclusive global license of the Meitu brand and global license of certain technologies and domain names in relation to all future Meitu branded smartphones under the cooperation and certain smart hardware products.

Through this strategic partnership, Meitu's image-related algorithms and technologies can help us to provide better photographic experiences to our users. At the same time, the strength of Meitu's brand among females can also help us continue to expand and diversify our user base.

Leveraging on our leading capabilities in hardware, software, AI, internet services, supple chain and efficient new retail network, we believe the strategic partnership can provide a new growth opportunity to our smartphone business.

Organization Restructuring

As we continue to build a sustainable future for the company, we believe organizational management and strategic planning must be prioritized. In this spirit, we implemented several changes that will not only strengthen the capabilities of our headquarters, but also provide opportunities for young talent to rise through the ranks. In the third quarter of 2018, we formed two new departments to further strengthen the management function of our headquarters. The Organization Department, with co-founder, Senior Vice President Liu De as its head, is responsible for recruitment, promotion, training, assessment and remuneration for mid- to senior-level management, as well as the organizational structure of each department. The Strategic Advisory Department, headed by co-founder, Senior Vice President Wang Chuan, will be responsible for assisting the CEO in formulating company strategy and supervising the strategic execution of each business unit. To streamline our businesses and promote the next generation of leaders, we reorganized Mi TV, Mi Ecosystem, MIUI and Entertainment into 10 new business units, including four internet business units (Internet I, II, III and IV), four hardware product divisions (Mi TV, Mi Notebook, Smart Hardware, Mi Ecosystem), one technology platform (IoT Platform), and one e-commerce division (Youpin E-commerce).

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2018 Compared with Third Quarter of 2017

The following table sets forth the comparative figures for the third quarter of 2018 and the third quarter of 2017:

	Unaudited Three months ended **September 30, 2018**	September 30, 2017
	(RMB in millions)	
Revenue	**50,846.2**	34,099.9
Cost of sales	**(44,268.7)**	(28,897.8)
Gross profit	**6,577.5**	5,202.1
Selling and marketing expenses	**(2,186.9)**	(1,446.7)
Administrative expenses	**(583.3)**	(296.9)
Research and development expenses	**(1,534.4)**	(804.8)
Fair value changes on investments measured at fair value through profit or loss	**65.3**	672.5
Share of losses of investments accounted for using the equity method	**(184.4)**	(66.7)
Other income	**259.1**	106.1
Other (losses)/gains, net	**(202.3)**	222.2
Operating profit	**2,210.6**	3,587.8
Finance income, net	**100.1**	18.2
Fair value changes of convertible redeemable preferred shares	**52.9**	(13,869.7)
Profit/(loss) before income tax	**2,363.6**	(10,263.7)
Income tax income/(expenses)	**116.9**	(729.0)
Profit/(loss) for the period	**2,480.5**	(10,992.7)
Non-IFRS Measure: Adjusted profit	**2,885.2**	2,459.4

Revenue

Revenue increased by 49.1% to RMB50,846.2 million for the third quarter of 2018 on a year-on-year basis. The following table sets forth our revenue by line of business for the third quarter of 2018 and the third quarter of 2017:

	Unaudited Three months ended			
	September 30, 2018		September 30, 2017	
	Amount	**% of total revenue**	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	**34,982.5**	**68.8%**	25,710.9	75.4%
IoT and lifestyle products	**10,804.8**	**21.3%**	5,692.4	16.7%
Internet services	**4,728.7**	**9.3%**	2,549.6	7.5%
Others	**330.2**	**0.6%**	147.0	0.4%
Total revenue	**50,846.2**	**100%**	34,099.9	100%

Smartphones

Revenue from our smartphones segment increased by 36.1% from RMB25.7 billion in the third quarter of 2017 to RMB35.0 billion in the third quarter of 2018, driven by strong growth in both sales volume and ASP. We sold approximately 33.3 million smartphone units in the third quarter of 2018, compared with approximately 27.6 million units in the third quarter of 2017. The ASP of our smartphones was RMB1,052.0 per unit in the third quarter of 2018, compared with RMB930.7 per unit in the third quarter of 2017. The increase in ASP was primarily due to the robust sales of our mid- to high-end models in mainland China, such as the *Mi 8*, and increasing proportion of international smartphone shipments to Western Europe.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment increased by 89.8% from RMB5.7 billion in the third quarter of 2017 to RMB10.8 billion in the third quarter of 2018, primarily due to the rapid growth in demand of our smart TVs, laptops and several sought-after ecosystem products such as Mi Band and Mi Electric scooter. Revenue from smart TVs and laptops, increased by 100.3% from RMB2.1 billion in the third quarter of 2017 to RMB4.2 billion in the third quarter of 2018.

Internet services

Revenue from our internet services segment increased by 85.5% from RMB2.5 billion in the third quarter of 2017 to RMB4.7 billion in the third quarter of 2018, primarily due to greater advertising revenue. Our MIUI MAU increased by 43.4% from 156.5 million in September 2017 to 224.4 million in September 2018. Average internet services revenue per user, calculated as internet services revenue for the three months ended September 30 divided by the MAU in the corresponding year's month of September increased from RMB16.3 in the third quarter of 2017 to RMB21.1 in the third quarter of 2018.

Others

Other revenue increased by 124.6% from RMB147.0 million in the third quarter of 2017 to RMB330.2 million in the third quarter of 2018, primarily due to an increase in the revenue from hardware repair services.

Cost of Sales

Our cost of sales increased by 53.2% from RMB28.9 billion in the third quarter of 2017 to RMB44.3 billion in the third quarter of 2018.

	Unaudited Three months ended			
	September 30, 2018		September 30, 2017	
	Amount	**% of total revenue**	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	**32,847.4**	**64.6%**	22,704.8	66.6%
IoT and lifestyle products	**9,672.8**	**19.0%**	5,113.9	15.0%
Internet services	**1,494.9**	**2.9%**	988.9	2.9%
Others	**253.6**	**0.6%**	90.2	0.2%
Total cost of sales	**44,268.7**	**87.1%**	28,897.8	84.7%

Smartphones

Cost of sales related to our smartphones segment increased by 44.7% from RMB22.7 billion in the third quarter of 2017 to RMB32.8 billion in the third quarter of 2018, primarily due to the increased sales of our smartphones and the appreciation of the United States dollar against the RMB and Indian Rupee.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment increased by 89.1% from RMB5.1 billion in the third quarter of 2017 to RMB9.7 billion in the third quarter of 2018, primarily due to the increased sales of smart TVs and laptops and the appreciation of the United States dollar against the RMB.

Internet services

Cost of sales related to our internet services segment increased by 51.2% from RMB988.9 million in the third quarter of 2017 to RMB1,494.9 million in the third quarter of 2018, primarily due to increased infrastructure service spending as a result of higher user traffic and engagement.

Others

Cost of sales related to our others segment increased by 180.8% from RMB90.2 million in the third quarter of 2017 to RMB253.6 million in the third quarter of 2018, primarily due to increased hardware repair costs.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 26.4% from RMB5.2 billion in the third quarter of 2017 to RMB6.6 billion in the third quarter of 2018. The gross profit margin from our smartphones segment decreased from 11.7% in the third quarter of 2017 to 6.1% in the third quarter of 2018. The fluctuation of currency exchange rate continued to put pressure on our smartphone gross margin in the third quarter of 2018. We will continue to closely monitor changes in the exchange rates of the Unites States dollar against the RMB and Indian Rupee and will take necessary measures to mitigate exchange rate impact. The gross profit margin from our IoT and lifestyle products segment increased from 10.2% to 10.5%, while the gross profit margin from our internet services segment increased from 61.2% in the third quarter of 2017 to 68.4% in the third quarter of 2018. Thus, cumulatively, our gross profit margin decreased from 15.3% in the third quarter of 2017 to 12.9% in the third quarter of 2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 51.2% from RMB1.4 billion in the third quarter of 2017 to RMB2.2 billion in the third quarter of 2018, primarily due to our enhanced marketing efforts, such as advertising in relation to the World Cup and several TV shows, as well as the expansion of our marketing department. Salaries and benefits relating to our selling and marketing personnel increased primarily due to the increased headcount to accommodate for the rapid growth of our business.

Administrative Expenses

Our administrative expenses increased by 96.4% from RMB296.9 million in the third quarter of 2017 to RMB583.3 million in the third quarter of 2018, primarily due to the expansion of our administration departments, including the management, human resources and accounting teams, as well as increases in the consultancy and professional service fees. Salaries and benefits relating to our administrative personnel increased primarily due to the increased headcount to accommodate for the rapid growth of our business.

Research and Development Expenses

Our research and development expenses increased by 90.7% from RMB804.8 million in the third quarter of 2017 to RMB1,534.4 million in the third quarter of 2018, primarily due to the expansion of our research and development efforts for our smartphone and internet services businesses. Salaries and benefits relating to our research and development personnel increased primarily due to the increased headcount to accommodate for the rapid growth of our business.

Fair Value Changes on Investments Measured at Fair Value Through Profit or Loss

Our fair value changes on investments measured at fair value through profit or loss decreased by 90.3% from RMB672.5 million in the third quarter of 2017 to RMB65.3 million in the third quarter of 2018, primarily due to the smaller changes in fair value gains of our equity and preferred share investments in the third quarter of 2018.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method increased by 176.3% from RMB66.7 million in the third quarter of 2017 to RMB184.4 million in the third quarter of 2018, primarily due to share of loss of iQIYI, Inc. (NASDAQ Stock Exchange Stock Code: IQ) in the third quarter of 2018.

Other Income

Our other income increased by 144.3% from RMB106.1 million in the third quarter of 2017 to RMB259.1 million in the third quarter of 2018, primarily due to increase in government grants and increase of income from wealth management products.

Other (Losses)/Gains, Net

Our other (losses)/gains, net changed from RMB222.2 million net gains in the three months ended September 30, 2017 to RMB202.3 million net losses in the three months ended September 30, 2018, primarily resulting from the foreign currency loss recorded in the third quarter of 2018 due to the appreciation of the United States dollar against the RMB. Comparing to foreign currency gain recorded in the third quarter of 2017.

Finance Income, Net

Our net finance income increased by 448.9% from RMB18.2 million in the third quarter of 2017 to RMB100.1 million in the third quarter of 2018, primarily due to increase in our interest income. Our interest income increased primarily due to more bank deposits which generated higher interest received.

Fair Value Changes of Convertible Redeemable Preferred Shares

Changes in the fair value of our convertible redeemable preferred shares were recorded as "fair value changes of convertible redeemable preferred shares". Fair value changes of convertible redeemable preferred shares changed from a loss of RMB13.9 billion in the third quarter of 2017 to a gain of RMB52.9 million in the third quarter of 2018. After the completion of the Global Offering, all of our Preferred Shares were converted to our Class B Shares. The fair value of each of Preferred Share is equivalent to the fair value of each of our ordinary shares on the conversion date, which is the Offer Price in the Global Offering.

Income Tax Income/(Expenses)

Our income tax expenses changed from RMB729.0 million in the third quarter of 2017 to an income tax income of RMB116.9 million in the third quarter of 2018, primarily due to: 1) an increase of deferred tax assets, and 2) a subsidiary becoming qualified as a "Key Software Enterprise" which enjoys a preferential income tax rate of 10%, which result in a reversal of over accrued income tax expense during the third quarter of 2018.

Profit/(Loss) for the Period

As a result of the foregoing, we had a loss of RMB11.0 billion and profit of RMB2.5 billion in the third quarter of 2017 and the third quarter of 2018, respectively.

Third Quarter of 2018 Compared with Second Quarter of 2018

The following table sets forth the comparative figures for the third quarter of 2018 and the second quarter of 2018:

	Unaudited Three months ended	
	September 30, 2018	June 30, 2018
	(RMB in millions)	
Revenue	**50,846.2**	45,235.5
Cost of sales	**(44,268.7)**	(39,583.7)
Gross profit	**6,577.5**	5,651.8
Selling and marketing expenses	**(2,186.9)**	(2,075.7)
Administrative expenses	**(583.3)**	(10,456.9)
Research and development expenses	**(1,534.4)**	(1,363.6)
Fair value changes on investments measured at fair value through profit or loss	**65.3**	526.9
Share of losses of investments accounted for using the equity method	**(184.4)**	(128.5)
Other income	**259.1**	207.3
Other (losses)/gains, net	**(202.3)**	46.7
Operating profit/(loss)	**2,210.6**	(7,592.0)
Finance income/(expense), net	**100.1**	(32.3)
Fair value changes of convertible redeemable preferred shares	**52.9**	22,532.7
Profit before income tax	**2,363.6**	14,908.4
Income tax income/(expenses)	**116.9**	(275.8)
Profit for the period	**2,480.5**	14,632.6
Non-IFRS Measure: Adjusted profit	**2,885.2**	2,116.8

Revenue

Revenue increased by 12.4% to RMB50,846.2 million for the third quarter of 2018 on a quarter-on-quarter basis. The following table sets forth our revenue by line of business for the third quarter of 2018 and the second quarter of 2018:

	Unaudited Three months ended			
	September 30, 2018		June 30, 2018	
	Amount	**% of total revenue**	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	**34,982.5**	**68.8%**	30,501.1	67.4%
IoT and lifestyle products	**10,804.8**	**21.3%**	10,378.8	22.9%
Internet services	**4,728.7**	**9.3%**	3,958.2	8.8%
Others	**330.2**	**0.6%**	397.4	0.9%
Total revenue	**50,846.2**	**100%**	45,235.5	100%

Smartphones

Revenue from our smartphones segment increased by 14.7% from RMB30.5 billion in the three months ended June 30, 2018 to RMB35.0 billion in the three months ended September 30, 2018, driven by growth in both the sales volume and ASP of our smartphones. We sold approximately 33.3 million units of smartphones in the three months ended September 30, 2018, compared with approximately 32.0 million units in the three months ended June 30, 2018. The ASP of our smartphones was RMB1,052.0 per unit in the three months ended September 30, 2018, compared with RMB952.3 per unit in the three months ended June 30, 2018. The increase in ASP was primarily due to the strong sales of our mid- to high-end models such as the *Mi 8* and increasing proportion of international smartphone shipments to Western Europe.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment increased by 4.1% from RMB10.4 billion in the three months ended June 30, 2018 to RMB10.8 billion in the three months ended September 30, 2018, primarily due to the growth in revenue for our existing products, particularly laptops and other smart hardware products. Revenue from smart TVs and laptops, increased by 1.2% from RMB4,178.0 million in the three months ended June 30, 2018 to RMB4,227.2 million in the three months ended September 30, 2018.

Internet services

Revenue from our internet services segment increased by 19.5% from RMB4.0 billion in the three months ended June 30, 2018 to RMB4.7 billion in the three months ended September 30, 2018, primarily due to a rise in our advertising revenue. MIUI MAU increased by 8.5% from 206.9 million in June 2018 to 224.4 million in September 2018. Average internet services revenue per user, calculated as the ratio of internet services revenue for the three months ended June 30 and September 30, respectively, divided by the respective MAU in June and September of each period, increased from RMB19.1 in the three months ended June 30, 2018 to RMB21.1 in the three months ended September 30, 2018.

Others

Other revenue decreased by 16.9% from RMB397.4 million in the three months ended June 30, 2018 to RMB330.2 million in the three months ended September 30, 2018, primarily due to service revenue decline in India resulted from a change in distribution arrangements.

Cost of Sales

Our cost of sales increased by 11.8% from RMB39.6 billion for the three months ended June 30, 2018 to RMB44.3 billion for the three months ended September 30, 2018.

	Unaudited Three months ended			
	September 30, 2018		June 30, 2018	
	Amount	**% of total revenue**	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	**32,847.4**	**64.6%**	28,458.9	62.9%
IoT and lifestyle products	**9,672.8**	**19.0%**	9,399.5	20.8%
Internet services	**1,494.9**	**2.9%**	1,473.0	3.3%
Others	**253.6**	**0.6%**	252.3	0.5%
Total cost of sales	**44,268.7**	**87.1%**	39,583.7	87.5%

Smartphones

Cost of sales related to our smartphones segment increased by 15.4% from RMB28.5 billion in the three months ended June 30, 2018 to RMB32.8 billion in the three months ended September 30, 2018, primarily due to the increased sales of smartphones and the appreciation of the United States Dollar against the RMB and Indian Rupee in the third quarter of 2018.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment increased by 2.9% from RMB9.4 billion in the three months ended June 30, 2018 to RMB9.7 billion in the three months ended September 30, 2018, primarily due to the increased sales of smart TVs and laptops and the appreciation of the United States Dollar against the RMB in the third quarter of 2018.

Internet services

Cost of sales related to our internet services segment increased by 1.5% from RMB1,473.0 million in the three months ended June 30, 2018 to RMB1,494.9 million in the three months ended September 30, 2018, primarily due to increased infrastructure service spending as a result of higher user traffic and engagement.

Others

Cost of sales related to our others segment increased by 0.5% from RMB252.3 million in the three months ended June 30, 2018 to RMB253.6 million in the three months ended September 30, 2018, primarily due to increased hardware repair costs.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 16.4% from RMB5.7 billion in the three months ended June 30, 2018 to RMB6.6 billion in the three months ended September 30, 2018. The gross profit margin from our smartphones segment decreased from 6.7% in the three months ended June 30, 2018 to 6.1% in the three months ended September 30, 2018. The fluctuation of the currency exchange rate continued to put pressure on our smartphone gross margin in the third quarter of 2018. We will continue to closely monitor changes in currency exchange rates of the Unites States dollar against the RMB and Indian Rupee and will take necessary measures to mitigate exchange rate impact. The gross profit margin from our IoT and lifestyle products segment increased from 9.4% to 10.5%. The gross profit margin from our internet services segment increased from 62.8% in the three months ended June 30, 2018 to 68.4% in the three months ended September 30, 2018. Thus, cumulatively, our gross profit margin increased from 12.5% in the three months ended June 30, 2018 to 12.9% in the three months ended September 30, 2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 5.4% from RMB2.1 billion in the three months ended June 30, 2018 to RMB2.2 billion in the three months ended September 30, 2018, primarily due to higher packaging and transportation expenses and salaries and benefits for our selling and marketing personnel. Salaries and benefits for our selling and marketing personnel increased primarily due to the increased headcount to accommodate for the growth of our business.

Administrative Expenses

Our administrative expenses decreased by 94.4% from RMB10,456.9 million in the three months ended June 30, 2018 to RMB583.3 million in the three months ended September 30, 2018, primarily due to a one-off share-based compensation in the second quarter of 2018.

Research and Development Expenses

Our research and development expenses increased by 12.5% from RMB1,363.6 million in the three months ended June 30, 2018 to RMB1,534.4 million in the three months ended September 30, 2018, primarily due to the increase in total compensation relating to our research and development personnel. Salaries and benefits relating to research and development personnel increased primarily due to the increased headcount to accommodate for the growth in our business.

Fair Value Changes on Investments Measured at Fair Value Through Profit or Loss

Our fair value changes on investments measured at fair value through profit or loss decreased by 87.6% from RMB526.9 million in the three months ended June 30, 2018 to RMB65.3 million in the three months ended September 30, 2018, primarily due to the lesser changes in fair value gains of our equity and preferred share investments.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method increased by 43.5% from RMB128.5 million in the three months June 30, 2018 to RMB184.4 million in the three months ended September 30, 2018, primarily due to the share of loss of iQIYI, Inc. (NASDAQ Stock Exchange Stock Code: IQ) in the third quarter of 2018.

Other Income

Our other income increased by 25.0% from RMB207.3 million in the three months ended June 30, 2018 to RMB259.1 million in the three months ended September 30, 2018, primarily due to the increase in government grants and increase of income from wealth management products.

Other (Losses)/Gains, Net

Our other (losses)/gains, net changed from RMB46.7 million net gains in the three months ended June 30, 2018 to RMB202.3 million net losses in the three months ended September 30, 2018, primarily resulting from the foreign currency loss recorded in the third quarter of 2018 due to the appreciation of the United States dollar against the RMB.

Finance Income/(Expense), Net

We had net finance expense of RMB32.3 million in the three months ended June 30, 2018 and a net finance income of RMB100.1 million in the three months ended September 30, 2018, primarily due to increase in our interest income. Our interest income increased primarily due to more bank deposits which generated higher interest received.

Fair Value Changes of Convertible Redeemable Preferred Shares

Changes in the fair value of convertible redeemable preferred shares were recorded as "fair value changes of convertible redeemable preferred shares". Fair value changes of convertible redeemable preferred shares decreased from a gain of RMB22.5 billion in the three months ended June 30, 2018 to a gain of RMB52.9 million in the three months ended September 30, 2018. After the completion of the Global Offering, all of our Preferred Shares were converted to our Class B Shares. The fair value of each of Preferred Share is equivalent to the fair value of each of our ordinary shares on the conversion date, which is the Offer Price in the Global Offering.

Income Tax Income/(Expenses)

Our income tax expenses changed from RMB275.8 million in the three months ended June 30, 2018 to income tax income of RMB116.9 million in the three months ended September 30, 2018 primarily due to a subsidiary becoming qualified as a "Key Softare Enterprise" which enjoys a preferential income tax rate of 10% commencing from 2018, which resulted in a reversal of over accrued income tax expense during the third quarter of 2018.

Profit for the Period

As a result of the foregoing, we had profit of RMB14.6 billion and profit of RMB2.5 billion in the three months ended June 30, 2018 and September 30, 2018, respectively.

Non-IFRS Measure: Adjusted Profit

To supplement our consolidated results which are prepared and presented in accordance with International Financial Reporting Standards (the "**IFRS**"), we utilize adjusted profit as an additional financial measure. Adjusted profit is not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management regarding financial and business trends in relation to our financial condition and results of operation, by eliminating any potential impact of items that our management does not consider to be indicative of our operating performance, such as certain non-cash items and the impact of certain investment transactions. We also believe that non-IFRS measures are appropriate for evaluating the Group's operating performance. However, the use of this particular non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Group's non-IFRS measures for the third quarter of 2018 and 2017, respectively, the second quarter of 2018, and the first nine months of 2018 and 2017, respectively, to the nearest measures prepared in accordance with IFRS:

Three Months Ended September 30, 2018

	As reported	**Adjustments: Fair value changes of convertible redeemable preferred shares**	**Adjustments: Share-based compensation**	**Adjustments: Net fair value gains on investments[1]**	**Adjustments: Amortization of intangible assets resulting from acquisitions[2]**	**Non-IFRS**
	(RMB in thousand, unless specified)					
Profit for the period	**2,480,484**	**(52,934)**	**701,813**	**(246,437)**	**2,294**	**2,885,220**
Net margin	**4.9%**					**5.7%**

Three Months Ended June 30, 2018

	As reported	Adjustments: Fair value changes of convertible redeemable preferred shares	Adjustments: Share-based compensation	Adjustments: Net fair value gains on investments[1]	Adjustments: Amortization of intangible assets resulting from acquisitions[2]	Non-IFRS
	(RMB in thousand, unless specified)					
Profit for the period	14,632,647	(22,532,721)	10,527,322	(510,945)	521	2,116,824
Net margin	32.3%					4.7%

Three Months Ended September 30, 2017

	As reported	Adjustments: Fair value changes of convertible redeemable preferred shares	Adjustments: Share-based compensation	Adjustments: Net fair value gains on investments[1]	Adjustments: Amortization of intangible assets resulting from acquisitions[2]	Non-IFRS
	(RMB in thousand, unless specified)					
(Loss)/profit for the period	(10,992,669)	13,869,666	251,910	(670,085)	611	2,459,433
Net margin	-32.2%					7.2%

	Nine Months Ended September 30, 2018					
		Adjustments				
	As reported	**Fair value changes of convertible redeemable preferred shares**	**Share-based compensation**	**Net fair value gains on investments(1)**	**Amortization of intangible assets resulting from acquisitions(2)**	**Non-IFRS**
	(RMB in thousand, unless specified)					
Profit for the period	**10,085,720**	**(12,514,279)**	**11,717,371**	**(2,590,803)**	**3,335**	**6,701,344**
Net margin	**7.7%**					**5.1%**

	Nine Months Ended September 30, 2017					
		Adjustments				
	As reported	Fair value changes of convertible redeemable preferred shares	Share-based compensation	Net fair value gains on investments(1)	Amortization of intangible assets resulting from acquisitions(2)	Non-IFRS
	(RMB in thousand, unless specified)					
(Loss)/profit for the period	(30,826,259)	38,338,310	570,295	(3,272,723)	1,834	4,811,457
Net margin	-38.8%					6.1%

Notes:

(1) Includes fair value gains on equity investments and preferred shares investments deducting the cumulative fair value changes for investments disposed in the current period, the impairment provision for investments, remeasurement of loss of significant influence in an associate and re-measurement of investments transferring from financial asset measured at fair value through profit or loss to investments using the equity method, net of tax.

(2) Represents amortization of intangible assets resulting from acquisitions, net of tax.

Liquidity and Financial Resources

Other than the fund raised through our Global Offering in July 2018, we have historically funded our cash requirements principally from cash generated from our operations and bank borrowings. Cash and cash equivalents increased by 136.4% from RMB14.9 billion as of June 30, 2018 to RMB35.2 billion as of September 30, 2018, primarily due to the completion of the Global Offering of the Company. The net proceeds received by the Company was approximately HK$27.5 billion (equivalent to approximately RMB23.3 billion).

Note:

The cash resources which the Group considered in cash management including but not limited to cash and cash equivalents, restricted cash, short-term deposits and short-term investments measured at fair value through profit or loss. As of September 30, 2018, the aggregate amount of cash resources of the Group is RMB47.1 billion, increased by 72.1% from RMB27.4 billion as of June 30, 2018.

Consolidated Statement of Cash Flow

	Unaudited Three months ended	
	September 30, 2018	June 30, 2018
	(in thousands of RMB)	
Net cash (used in)/generated from operating activities[(1)]	**(1,335,297)**	7,399,225
Net cash used in investing activities	**(2,228,180)**	(4,286,376)
Net cash generated from/(used in) financing activities[(1)]	**23,002,448**	(2,144,294)
Net increase in cash and cash equivalents	**19,438,971**	968,555
Cash and cash equivalents at beginning of period	**14,894,150**	14,027,013
Effects of exchange rate changes on cash and cash equivalents	**875,672**	(101,418)
Cash and cash equivalents at end of period	**35,208,793**	14,894,150

Note:

(1) Excluding (1) the increase in loan and interest receivables mainly resulting from the internet finance business; (2) the decrease in trade payables resulting from the finance factoring business; and (3) the increase in restricted cash resulting from the internet finance business, the net cash generated from operating activities was RMB1.1 billion for the three months ended September 30, 2018 and RMB8.2 billion for the three months ended June 30, 2018, respectively; excluding the change of borrowings for the internet finance business, the net cash generated from financing activities was RMB23.8 billion for the three months ended September 30, 2018 and the net cash used in financing activities was RMB0.7 billion for the three months ended June 30, 2018, respectively. The information in this footnote is based on the management accounts of the Group, which have not been audited or reviewed by the Group's auditor. The accounting policies applied in the preparation of the management accounts are consistent with those used for other figures in this announcement.

Net Cash (Used In)/Generated From Operating Activities

Net cash (used in)/generated from our operating activities represents the cash (used in)/generated from our operations minus the income tax paid. Cash (used in)/generated from our operations primarily comprises our profit for the period adjusted by non-cash items and changes in working capital.

For the three months ended September 30, 2018, net cash used in our operating activities amounted to RMB1.3 billion, representing cash used in operations of RMB1.0 billion plus income tax paid of RMB0.3 billion. Cash used in operations was primarily attributable to our profit before income tax of RMB2.4 billion, as adjusted by (i) the addback of non-cash items, primarily comprising share-based compensation of RMB0.7 billion and the impairment provision for inventories of RMB0.5 billion, and (ii) changes in working capital, which primarily comprised an increase in trade payables of RMB7.7 billion, offset by the increase in inventories of RMB5.3 billion, and the increase in prepayments and other receivables of RMB5.4 billion, and the increase in loan and interest receivables of RMB1.7 billion.

Net Cash Used In Investing Activities

For the three months ended September 30, 2018, our net cash used in investing activities was RMB2.2 billion, which was primarily attributable to the net cash used in purchase of short-term investments measured at fair value through profit or loss of RMB44.8 billion, the net cash used in capital expenditures of RMB0.5 billion, the net cash used in the placement of short-term bank deposits of RMB0.7 billion, and offset by the net cash generated from proceeds from the maturity of short-term investments measured at fair value through profit or loss of RMB44.0 billion.

Net Cash Generated From/(Used In) Financing Activities

For the three months ended September 30, 2018, our net cash generated from financing activities was RMB23.0 billion, which was primarily attributable to proceeds from the issuance of ordinary shares relating to the Global Offering of RMB23.3 billion and the withdrawal of restricted cash of RMB3.9 billion, partially offset by repayments of borrowings of RMB4.9 billion.

Borrowings

As of June 30, 2018 and September 30, 2018, we had total borrowings of RMB12.6 billion and RMB9.9 billion, respectively.

Convertible Redeemable Preferred Shares

As of June 30, 2018 and September 30, 2018, our convertible redeemable preferred shares had fair values of RMB150.6 billion and nil, respectively. As of June 30, 2018, our convertible redeemable preferred shares had fair value of RMB150.6 billion. After the completion of the Global Offering on July 9, 2018, all of our Preferred Shares were converted into Class B shares. Therefore, no convertible redeemable preferred shares were recognized as of September 30, 2018.

Capital Expenditure

	Three months ended	
	September 30, 2018	June 30, 2018
	(in thousands of RMB)	
Capital expenditures	**518,971**	308,642
Placement of long-term investments[1]	**561,050**	310,400
Total	**1,080,021**	619,042

Note:

(1) Placement of long-term investments represents equity investments and preferred share investments.

Our capital expenditures primarily included expenditures on property and equipment resulting from the construction of and improvements made to our office complex, as well as on our intangible assets.

Off-Balance Sheet Commitments and Arrangements

As of September 30, 2018, except for our financial guarantee contracts, we had not entered into any off-balance sheet commitments or arrangements.

Future Plans for Material Investments and Capital Assets

As of September 30, 2018, we did not have other future plans for material investments or capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the nine months ended September 30, 2018, we did not have any material acquisitions or disposals of our subsidiaries and affiliated companies.

Employee and Remuneration Policy

As of September 30, 2018, we had 16,129 full-time employees, 15,351 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India, Taiwan, Indonesia and Hong Kong. We expect to continue to increase our headcount in mainland China and our key target markets in the rest of the world. As of September 30, 2018, our research and development personnel, totaling 7,137 employees, were staffed across our various departments.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive compensation packages. As of September 30, 2018, over 6,203 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, for the three months ended September 30, 2018 were RMB1,982.1 million, representing a decrease of 83.0% as compared with the three months ended June 30, 2018, primarily due to a one-off share-based compensation in the second quarter of 2018.

Foreign Exchange Risk

The transactions of our Company are denominated and settled in our functional currency, the United States Dollar. Our Group's subsidiaries primarily operate in the People's Republic of China and other regions such as India, and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar. Therefore, foreign exchange risk primarily arises from recognized assets and liabilities in our subsidiaries when receiving foreign currencies from, or paying foreign currencies to our overseas business partners.

We will continue to monitor changes in currency exchange rates and will take necessary measures to mitigate exchange rate impact.

Pledge of Assets

As of September 30, 2018, we had pledged a restricted deposit of RMB2,321.8 million, compared with June 30, 2018, which was RMB4,587.1 million.

Contingent Liabilities

As of September 30, 2018 and June 30, 2018, we did not have any material contingent liabilities.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Unaudited Condensed Consolidated Income Statements

For the three months and nine months ended September 30, 2018
(Expressed in Renminbi ("RMB"))

	Note	**Unaudited Three months ended September 30, 2018 RMB'000**	Unaudited Three months ended September 30, 2017 RMB'000	**Unaudited Nine months ended September 30, 2018 RMB'000**	Unaudited Nine months ended September 30, 2017 RMB'000
Revenue	3	**50,846,214**	34,099,880	**130,494,049**	79,510,682
Cost of sales	4	**(44,268,656)**	(28,897,847)	**(113,963,252)**	(67,996,900)
Gross profit		**6,577,558**	5,202,033	**16,530,797**	11,513,782
Selling and marketing expenses	4	**(2,186,907)**	(1,446,663)	**(5,665,445)**	(3,317,034)
Administrative expenses	4	**(583,250)**	(296,940)	**(11,505,489)**	(765,988)
Research and development expenses	4	**(1,534,441)**	(804,787)	**(4,001,835)**	(2,116,787)
Fair value changes on investments measured at fair value through profit or loss	8	**65,306**	672,472	**2,355,084**	3,590,472
Share of losses of investments accounted for using the equity method	5	**(184,396)**	(66,733)	**(296,579)**	(217,747)
Other income		**259,080**	106,066	**624,621**	303,123
Other (losses)/gains, net		**(202,327)**	222,310	**(58,003)**	211,732
Operating profit/(loss)		**2,210,623**	3,587,758	**(2,016,849)**	9,201,553
Finance income, net		**100,050**	18,229	**85,554**	10,588
Fair value changes of convertible redeemable preferred shares	12	**52,934**	(13,869,666)	**12,514,279**	(38,338,310)
Profit/(loss) before income tax		**2,363,607**	(10,263,679)	**10,582,984**	(29,126,169)
Income tax income/(expenses)	6	**116,877**	(728,990)	**(497,264)**	(1,700,090)
Profit/(loss) for the period		**2,480,484**	(10,992,669)	**10,085,720**	(30,826,259)
Profit/(loss) attributable to:					
— Owners of the Company		**2,498,788**	(10,989,808)	**10,144,983**	(30,796,250)
— Non-controlling interests		**(18,304)**	(2,861)	**(59,263)**	(30,009)
		2,480,484	(10,992,669)	**10,085,720**	(30,826,259)
Earnings/(loss) per share (expressed in RMB per share)	7				
Basic		**0.117**	(1.126)	**0.731**	(3.156)
Diluted		**0.100**	(1.126)	**(0.102)**	(3.156)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the three months and nine months ended September 30, 2018
(Expressed in RMB)

	Note	Unaudited Three months ended September 30, 2018 RMB'000	Unaudited Three months ended September 30, 2017 RMB'000	Unaudited Nine months ended September 30, 2018 RMB'000	Unaudited Nine months ended September 30, 2017 RMB'000
Profit/(loss) for the period		**2,480,484**	(10,992,669)	**10,085,720**	(30,826,259)
Other comprehensive income/(loss):					
Items that may be reclassified to profit or loss					
Share of other comprehensive income of investments accounted for using the equity method	5	**53,461**	85,309	**164,614**	78,412
Currency translation differences		**(229,382)**	(24,572)	**(628,626)**	(47,238)
Item that will not be reclassified subsequently to profit or loss					
Currency translation differences		**452,912**	2,699,786	**(1,027,867)**	5,576,446
Other comprehensive income/(loss) for the period, net of tax		**276,991**	2,760,523	**(1,491,879)**	5,607,620
Total comprehensive income/(loss) for the period		**2,757,475**	(8,232,146)	**8,593,841**	(25,218,639)
Attributable to:					
— Owners of the Company		**2,768,393**	(8,216,502)	**8,643,851**	(25,171,804)
— Non-controlling interests		**(10,918)**	(15,644)	**(50,010)**	(46,835)
		2,757,475	(8,232,146)	**8,593,841**	(25,218,639)

Unaudited Condensed Consolidated Balance Sheets

As of September 30, 2018
(Expressed in RMB)

	Note	**Unaudited As of September 30, 2018 RMB'000**	Audited As of December 31, 2017 RMB'000
Assets			
Non-current assets			
Land use rights		**3,358,096**	3,416,359
Property and equipment		**2,612,690**	1,730,872
Intangible assets		**2,092,122**	2,274,352
Investments accounted for using the equity method	5	**8,093,629**	1,710,819
Long-term investments measured at fair value through profit or loss	8	**16,487,178**	18,856,961
Deferred income tax assets		**1,384,830**	591,576
Other non-current assets		**221,364**	150,361
		34,249,909	28,731,300
Current assets			
Inventories	10	**26,538,036**	16,342,928
Trade receivables	9	**8,495,973**	5,469,507
Loan receivables		**10,400,945**	8,144,493
Prepayments and other receivables		**20,579,297**	11,393,910
Short-term investments measured at amortized cost	8	**—**	800,000
Short-term investments measured at fair value through profit or loss	8	**8,897,231**	4,488,076
Short-term bank deposits		**699,100**	225,146
Restricted cash		**2,321,849**	2,711,119
Cash and cash equivalents		**35,208,793**	11,563,282
		113,141,224	61,138,461
Total assets		**147,391,133**	89,869,761

	Note	Unaudited As of September 30, 2018 RMB'000	Audited As of December 31, 2017 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**362**	150
Reserves		**67,218,233**	(127,272,511)
		67,218,595	(127,272,361)
Non-controlling interests		**(55,416)**	61,670
Total equity		**67,163,179**	(127,210,691)
Liabilities			
Non-current liabilities			
Borrowings	11	**5,708,849**	7,251,312
Deferred income tax liabilities		**813,444**	1,018,651
Warranty provision		**383,021**	191,404
Convertible redeemable preferred shares	12	**—**	161,451,203
Other non-current liabilities	13	**2,661,988**	35,211
		9,567,302	169,947,781
Current liabilities			
Trade payables	14	**52,647,873**	34,003,331
Other payables and accruals		**5,100,939**	4,223,979
Advance from customers		**5,102,674**	3,390,650
Borrowings	11	**4,155,734**	3,550,801
Income tax liabilities		**761,302**	421,113
Warranty provision		**2,892,130**	1,542,797
		70,660,652	47,132,671
Total liabilities		**80,227,954**	217,080,452
Total equity and liabilities		**147,391,133**	89,869,761

Unaudited Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2018
(Expressed in RMB)

	Unaudited Nine months ended September 30,	
	2018	2017
	RMB’000	RMB’000
Net cash generated from operating activities	**4,786,246**	3,294,922
Net cash used in investing activities	**(6,053,909)**	(5,469,570)
Net cash generated from financing activities	**24,195,630**	4,410,662
Net increase in cash and cash equivalents	**22,927,967**	2,236,014
Cash and cash equivalents at the beginning of the period	**11,563,282**	9,230,320
Effects of exchange rate changes on cash and cash equivalents	**717,544**	(211,329)
Cash and cash equivalents at end of the period	**35,208,793**	11,255,005

Notes:

1 General information

Xiaomi Corporation (formerly known as Top Elite Limited) (the "Company"), was incorporated in the Cayman Islands on January 5, 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including controlled structured entities (together, the "Group") are principally engaged in development and sales of smartphones, internet of things ("IoT") and lifestyle products, provision of internet services and investments holding in the People's Republic of China and other countries or regions.

Lei Jun is the ultimate controlling shareholder of the Company as of the date of this financial information.

The condensed consolidated financial information comprises the condensed consolidated balance sheet as of September 30, 2018, the condensed consolidated income statements and the condensed consolidated statements of comprehensive income for the three months and nine months periods then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes (the "Financial Information"). The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

On July 9, 2018, the Company has successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and made an offering of 2,179,585,000 class B ordinary shares (excluding any class B ordinary shares issued pursuant to the exercise of the over-allotment option) at a price at HK$17.00 per share. Additionally, the Company issued and allotted 201,486,000 class B ordinary shares on July 20, 2018 pursuant to the full exercise of the over-allotment option as disclosed in the announcement of the Company dated July 18, 2018. The gross proceeds received by the Company was approximately HK$27,810,742,000 (equivalent to approximately RMB23,525,107,000). All convertible redeemable preferred shares ("Preferred Shares") were converted into class B ordinary shares upon completion of the initial public offering on July 9, 2018.

2 Basis of preparation

The Financial Information has been prepared in accordance with International Accounting Standard ("IAS") 34,"Interim Financial Reporting", issued by the International Accounting Standards Board ("IASB").

The Financial Information does not include all the notes of the type normally included in an annual financial statements. Accordingly, it should be read in conjunction with the financial information for the year ended December 31, 2017 as set out in the accountant's report (the "Accountant's Report") included in Appendix I to the prospectus of the Group in connection with the initial public offering of the Company's shares on the Main Board of the Stock Exchange dated June 25, 2018.

The accounting policies and method of computation used in the preparation of the Financial Information are consistent with those used in the financial information for the years ended December 31, 2015, 2016 and 2017, and the three months ended March 31, 2018, as set out in the Accountant's Report.

Amendments to International Financial Reporting Standards ("IFRS") effective for the financial year ending December 31,2018 do not have a material impact on the Group's Financial Information.

3 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Smartphones
- IoT and lifestyle products
- Internet services
- Others

There were no material inter-segment sales during the three months and nine months ended September 30, 2017 and 2018. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated income statements.

The segment results for the three months and nine months ended September 30, 2017 and 2018 are as follows:

	Three months ended September 30, 2018				
	Smartphones RMB'000	**IoT and lifestyle products RMB'000**	**Internet services RMB'000**	**Others RMB'000**	**Total RMB'000**
(Unaudited)					
Segment revenues	**34,982,470**	**10,804,839**	**4,728,698**	**330,207**	**50,846,214**
Cost of sales	**(32,847,406)**	**(9,672,751)**	**(1,494,945)**	**(253,554)**	**(44,268,656)**
Gross profit	**2,135,064**	**1,132,088**	**3,233,753**	**76,653**	**6,577,558**

	Three months ended September 30, 2017				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
(Unaudited)					
Segment revenues	25,710,893	5,692,399	2,549,557	147,031	34,099,880
Cost of sales	(22,704,840)	(5,113,853)	(988,861)	(90,293)	(28,897,847)
Gross profit	3,006,053	578,546	1,560,696	56,738	5,202,033

	Nine months ended September 30, 2018				
	Smartphones	**IoT and lifestyle products**	**Internet services**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
(Unaudited)					
Segment revenues	**88,723,082**	**28,880,203**	**11,918,268**	**972,496**	**130,494,049**
Cost of sales	**(83,199,653)**	**(25,947,245)**	**(4,187,357)**	**(628,997)**	**(113,963,252)**
Gross profit	**5,523,429**	**2,932,958**	**7,730,911**	**343,499**	**16,530,797**

	Nine months ended September 30, 2017				
	Smartphones	IoT and lifestyle products	Internet services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenues	57,123,483	14,933,939	6,998,784	454,476	79,510,682
Cost of sales	(51,721,581)	(13,289,887)	(2,702,606)	(282,826)	(67,996,900)
Gross profit	5,401,902	1,644,052	4,296,178	171,650	11,513,782

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in mainland China. For the three months and nine months ended September 30, 2017 and 2018, the geographical information on the total revenues is as follows:

	Three months ended September 30,				**Nine months ended September 30,**			
	2018		2017		**2018**		2017	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**	RMB'000	%
	(Unaudited)		(Unaudited)		**(Unaudited)**		(Unaudited)	
Mainland China	**28,547,830**	**56.1**	23,617,429	69.3	**79,313,040**	**60.8**	58,203,498	73.2
Rest of the world (Note)	**22,298,384**	**43.9**	10,482,451	30.7	**51,181,009**	**39.2**	21,307,184	26.8
	50,846,214		34,099,880		**130,494,049**		79,510,682	

Note: Revenues outside mainland China are mainly from India, Indonesia and Western Europe.

The major customers which contributed more than 10% of the total revenue of the Group for the three months and nine months ended September 30, 2017 and 2018 are listed as below:

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
	%	%	**%**	%
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Customer A	**7.9**	11.4	**10.7**	13.6

Except for customer A, all the revenues derived from other single external customer were less than 10% of the Group's total revenues during the nine months ended September 30, 2018. And all the revenues derived from single external customer were less than 10% of the Group's total revenues during the three months ended September 30, 2018.

4 Expenses by nature

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Cost of inventories sold	**39,937,963**	26,082,550	**102,922,246**	61,125,382
Provision for impairment of inventories	**520,302**	49,604	**1,034,770**	213,843
Royalty fees	**1,240,598**	1,122,608	**3,196,729**	2,457,056
Employee benefit expenses	**1,982,105**	1,046,115	**15,144,285**	2,654,233
Depreciation of property and equipment	**64,636**	35,315	**160,598**	126,874
Amortization of intangible assets	**127,924**	34,495	**375,651**	98,174
Promotion and advertising expenses	**748,378**	612,317	**1,872,475**	1,190,164
Content fees to game developers and video providers	**390,873**	299,170	**1,292,738**	912,657
Provision for loan receivables	**65,328**	67,968	**298,082**	173,684
Consultancy and professional service fees	**140,500**	101,508	**425,480**	269,250
Cloud service, bandwidth and server custody fees	**507,944**	232,936	**1,241,141**	658,974
Office rental expenses	**152,656**	83,229	**385,131**	213,444
Warranty expenses	**945,655**	631,796	**2,354,547**	1,418,256

5 Investments accounted for using the equity method

	As of September 30, 2018	As of December 31, 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investments in associate accounted for using the equity method		
— Listed entities	**6,511,620**	386,490
— Unlisted entities	**1,582,009**	1,324,329
	8,093,629	1,710,819

	Nine months ended September 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	**1,710,819**	1,852,563
Additions (Note (a))	**6,470,163**	116,051
Disposals	**(100)**	(42,298)
Share of losses	**(296,579)**	(217,747)
Share of other comprehensive income	**164,614**	78,412
Share of changes of other reserves	**44,712**	17,452
Dividends	**—**	(33,155)
At the end of the period	**8,093,629**	1,771,278

Note:

(a) On September 25, 2018, Viomi Technology Co., Ltd ("VIOT"), an investment engaging in the operation of developing and selling IoT-enabled smart home products in the People's Republic of China, for which the Group accounted as long-term investments measured at fair value through profit or loss, has undergone initial public offering by listing certain of its new ordinary shares on the Nasdaq Stock Exchange, and a fair value change gain amounting to approximately RMB375,051,000 was recognized by the Group. The conversion of the preference shares in VIOT owned by the Group into ordinary shares was completed on September 25, 2018, following which the Group reclassifies the investment in associate measured at fair value through profit or loss to an investment accounted for using the equity method.

6 Income tax income/(expenses)

The income tax income/(expenses) of the Group during all the periods presented are analyzed as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current income tax	**(551,065)**	(783,994)	**(1,499,275)**	(1,462,151)
Deferred income tax	**667,942**	55,004	**1,002,011**	(237,939)
Income tax income/(expenses)	**116,877**	(728,990)	**(497,264)**	(1,700,090)

Income tax income/(expenses) is recognized based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

7 Earnings/(loss) per share

On June 17, 2018, pursuant to the shareholders' resolution, each existing issued and unissued share of US$0.000025 each in the share capital of the Company were subdivided into 10 shares of US$0.0000025 each ("Share Subdivision"). Following the Share Subdivision, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the three months ended September 30, 2017 and nine months ended September 30, 2017 and 2018 has been retrospectively adjusted.

(a) Basic

Basic earnings or loss per share for the three months and nine months ended September 30, 2017 and 2018 are calculated by dividing the profit or loss attributable to the Company's owners by the weighted average number of ordinary shares in issue during the periods.

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Net profit/(loss) attributable to the owners of the Company	**2,498,788**	(10,989,808)	**10,144,983**	(30,796,250)
Weighted average number of ordinary shares in issue (Note) (thousand shares)	**21,327,777**	9,758,173	**13,875,393**	9,758,173
Basic earnings/(loss) per share (Note) (expressed in RMB per share)	**0.117**	(1.126)	**0.731**	(3.156)

Note: Weighted average number of ordinary shares in issue and basic earnings/(loss) per share were calculated taken into account the effect of the Share Subdivision.

As of September 30, 2018, 24,000,000 ordinary shares were issued to several employees. However, the shareholders' rights of these shares were restricted and would be vested over certain service periods. Accordingly, these shares were accounted for as restricted stock units (RSUs). The Group did not include these ordinary shares in the calculation of basic earnings/(loss) per share for the three months and nine months ended September 30, 2018 as these shares are not considered outstanding for earnings/(loss) per share calculation purposes.

(b) Diluted

Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the Group incurred losses for the three months and nine months ended September 30, 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the three months and nine months ended September 30, 2017 is same as basic loss per share of respective periods.

For the three months and nine months ended September 30, 2018, diluted earnings/(loss) per share was calculated by considering that the impact of share options of Xiaomi Finance Inc., a wholly owned subsidiary of the Company ("Xiaomi Finance") granted to Lei Jun were not dilutive, as Xiaomi Finance was in loss position for the three months and nine months ended September 30, 2018.

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Net profit/(loss) attributable to the owners of the Company	**2,498,788**	(10,989,808)	**10,144,983**	(30,796,250)
Less: Fair value gain of Preferred Shares	**(52,934)**	—	**(12,514,279)**	—
Net earnings/(loss) used to determine diluted loss per share	**2,445,854**	(10,989,808)	**(2,369,296)**	(30,796,250)
Weighted average number of ordinary shares in issue (Note) (thousand shares)	**21,327,777**	9,758,173	**13,875,393**	9,758,173
Adjustments for Preferred Shares (Note) (thousand shares)	**1,027,655**	—	**7,311,118**	—
Adjustments for RSUs and share options granted to employees (Note) (thousand shares)	**1,999,493**	—	**1,998,010**	—
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share (Note) (thousand shares)	**24,354,925**	9,758,173	**23,184,521**	9,758,173
Diluted earnings/(loss) per share (Note) (expressed in RMB per share)	**0.100**	(1.126)	**(0.102)**	(3.156)

Note: Weighted average number of ordinary shares in issue, adjustments for RSUs and share options granted to employees, adjustments for Preferred Shares, weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share and diluted earnings/(loss) per share were calculated taken into account the effect of the Share Subdivision.

8 Investments

	As of September 30, 2018 RMB'000 (Unaudited)	As of December 31, 2017 RMB'000 (Audited)
Current assets		
Short-term investments measured at		
— Amortized cost	**—**	800,000
— Fair value through profit or loss	**8,897,231**	4,488,076
	8,897,231	5,288,076
Non-current assets		
Long-term investments measured at fair value through profit or loss		
— Equity investments	**7,914,702**	7,448,251
— Preferred shares investments	**8,572,476**	11,408,710
	16,487,178	18,856,961

Amounts recognized in profit or loss

	Three months ended September 30,		**Nine months ended September 30,**	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	**2018 RMB'000 (Unaudited)**	2017 RMB'000 (Unaudited)
Fair value changes on equity investments	**(754,065)**	7,584	**(568,161)**	1,338,477
Fair value changes on preferred shares investments	**812,742**	659,315	**2,884,114**	2,231,777
Fair value changes on short-term investments measured at fair value through profit or loss	**6,629**	5,573	**39,131**	20,218
	65,306	672,472	**2,355,084**	3,590,472

9 Trade receivables

The Group allows a credit period within 180 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	As of September 30, 2018 RMB'000 (Unaudited)	As of December 31, 2017 RMB'000 (Audited)
Trade receivables		
Up to 3 months	**8,118,940**	5,099,590
3 to 6 months	**319,165**	302,354
6 months to 1 year	**53,150**	39,028
1 to 2 years	**19,462**	53,613
Over 2 years	**46,917**	31,742
	8,557,634	5,526,327
Less: allowance for impairment	**(61,661)**	(56,820)
	8,495,973	5,469,507

Majority of the Group's trade receivables were denominated in RMB and India Rupee.

Trade receivables balances as of December 31, 2017 and September 30, 2018 mainly represented amounts due from certain channel distributors and customers in mainland China and India who usually settle the amounts due by them within 180 days.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

10 Inventories

	As of September 30, 2018 RMB'000 (Unaudited)	As of December 31, 2017 RMB'000 (Audited)
Raw materials	**8,847,486**	5,117,285
Finished goods	**12,841,195**	8,461,798
Work in progress	**3,178,991**	1,352,886
Spare parts	**1,133,346**	1,569,040
Others	**1,091,356**	510,061
	27,092,374	17,011,070
Less: provision for impairment	**(554,338)**	(668,142)
	26,538,036	16,342,928

11 Borrowings

	As of September 30, 2018 RMB'000 (Unaudited)	As of December 31, 2017 RMB'000 (Audited)
Included in non-current liabilities		
Asset-backed securities (Note (a))	**919,999**	2,400,105
Fund raised through trusts (Note (b))	**—**	400,000
Secured borrowings (Note (c))	**942,044**	714,107
Unsecured borrowings (Note (e))	**3,846,806**	3,737,100
	5,708,849	7,251,312
Included in current liabilities		
Pledged borrowings (Note (d))	**902,398**	729,404
Asset-backed securities (Note (a))	**1,724,996**	1,491,147
Fund raised through trusts (Note (b))	**1,058,340**	1,170,250
Unsecured borrowings (Note (e))	**470,000**	160,000
	4,155,734	3,550,801

Notes:

(a) The Group has securitized certain loan receivables and completed several rounds of issuance of its asset-backed securities ("ABS") during the nine months ended September 30, 2018. During the nine months ended September 30, 2018, the total issuance amount was RMB1,300,000,000 of which RMB1,165,000,000 represented senior tranche, RMB40,000,000 represented mezzanine tranche and RMB95,000,000 represented subordinate tranches. The subordinate tranches were fully acquired by the Group. These ABS bore interest at 5.1%–8.0% per annum in 2018. ABS amounting to RMB2,451,257,000 of senior tranches were repaid in 2018.

(b) The Group has securitized certain loan receivables and raised several rounds of funds through third party trusts. During the nine months ended September 30, 2018, the funds amounting to RMB2,074,900,000 were repaid and RMB1,562,990,000 were issued. As of September 30, 2018, borrowings of RMB1,058,340,000 bore interest at 6.0%–6.2% per annum in 2018. The Group is committed to unconditionally repurchase the aforementioned securitized loan receivables. The borrowings will mature in 2018 and 2019.

(c) As of September 30, 2018, RMB942,044,000 of long-term borrowings were secured by construction in progress and land use rights amounting to approximately RMB4,082,853,000. The interest rate of these borrowings was 4.655%–4.900% per annum. These borrowings should be repaid by the Group by the end of September, 2032.

(d) During the nine months ended September 30, 2018, RMB350,000,000 pledged borrowings were received from Bank of Ningbo and US$80,300,000 pledged borrowings were received from China Merchants Bank. US$58,064,000 of short-term borrowings and RMB350,000,000 were repaid by the Group in 2018.

As of September 30, 2018, the secured short-term borrowings were collateralized by a pledge of bank deposits of US$32,000,000 (equivalent to approximately RMB220,134,000) and RMB697,000,000, which were recorded as "restricted cash" in the consolidated balance sheets. The interest rate of these borrowings was 3.019%–5.220% per annum.

(e) The Group entered into a three-year bank loan facility agreement on July 26, 2017. The available commitment is US$1,000,000,000 (equivalent to approximately RMB6,879,200,000) including US$500,000,000 (equivalent to approximately RMB3,439,600,000) term loan and US$500,000,000 (equivalent to approximately RMB3,439,600,000) revolving loan. As of December 31, 2017 and September 30, 2018, the total loan amount was US$500,000,000 (equivalent to approximately RMB3,439,600,000) of term loan at LIBOR plus 2.15% per annum and should be repaid by the Group in July 25, 2020. On March 28, 2018, the Group drew down US$400,000,000 (equivalent to approximately RMB2,751,680,000) revolving loan at LIBOR plus 2.15% per annum and repaid on July 27, 2018.

As of December 31, 2017, the Group had RMB490,000,000 borrowings from Bank of Beijing with interest rate 4.750% per annum. During the nine months ended September 30, 2018, the Group repaid RMB20,000,000 to Bank of Beijing. As of September 30, 2018, RMB20,000,000 of these outstanding borrowings should be repaid by the Group within the next twelve months and RMB450,000,000 should be repaid by the Group by March 1, 2022.

As of December 31, 2017, the Group had RMB140,000,000 borrowings from China Resources Bank of Zhuhai Co., Ltd. with interest rate 5.873% per annum. During the nine months ended September 30, 2018, the Group drew down RMB410,000,000 from China Resources Bank of Zhuhai Co., Ltd. with an interest rate of 6.960% per annum and RMB100,000,000 were repaid. As of September 30, 2018, RMB450,000,000 outstanding borrowings should be repaid by the Group in 2018 and 2019.

For the nine months ended September 30, 2018, the interest rate of the interest-bearing liabilities ranges from 3.02% to 8.80% per annum.

12 Convertible redeemable preferred shares

Since the date of incorporation, the Company has completed several rounds of financing by issuing Preferred Shares. The movement of the Preferred Shares is set out as below:

	RMB'000
(Unaudited)	
At January 1, 2018	**161,451,203**
Changes in fair value	**(12,514,279)**
Currency translation differences	**2,163,584**
Conversion of preferred shares to ordinary shares	**(151,100,508)**
At September 30, 2018	**—**
At January 1, 2017	115,802,177
Issuance of Series F1 Preferred Shares	89,214
Changes in fair value	38,338,310
Currency translation differences	(5,988,925)
At September 30, 2017	148,240,776

The Group has used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares as of the dates of issuance and as of September 30, 2017. Key valuation assumptions used to determine the fair value of Preferred Shares as of September 30, 2017 include discount rate (post-tax) of 17.00%, risk-free interest rate ranging from 2.05% to 2.21%, DLOM of 10.00% and volatility ranging from 29.34% to 35.42%.

On July 9, 2018, the Company has successfully listed on the Main Board of the Stock Exchange and made an offering of 2,179,585,000 class B ordinary shares (excluding any class B ordinary shares issued pursuant to the exercise of the over-allotment option) at a price at HK$17.00 per share. All Preferred Shares were converted into class B ordinary shares upon completion of the initial public offering on July 9, 2018. The fair value of each of Preferred Share on the conversion date was equal to the Offer Price in the Global Offering.

Changes in fair value of Preferred Shares were recorded in "fair value changes of convertible redeemable preferred shares" in the condensed consolidated income statements. Management considered that fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are not significant.

13 Other non-current liabilities

	As of September 30, 2018 RMB'000 (Unaudited)	As of December 31, 2017 RMB'000 (Audited)
Investment from investors (Note)	**2,631,000**	—
Others	**30,988**	35,211
	2,661,988	35,211

Note: Two subsidiaries of the Group together with other limited partners newly launched a RMB fund named Hubei Yangtze River Industry Investment Fund Partner (Limited Partnership) (湖北小米長江產業基金合夥企業(有限合夥)) (the "Hubei Fund") in Wuhan, Hubei province in mainland China in 2017. The size of the Hubei Fund is RMB12,000,000,000. The Group controls the Hubei Fund as the Group is exposed to, and has rights to, variable returns from its involvement with the Hubei Fund and has the ability to affect those returns through its power over the Hubei Fund. Hubei Fund has limited operation during the current period. The amount due to limited partners is classified as financial liability in the consolidated financial statements.

14 Trade payables

Trade payables primarily include payables for inventories and royalty fees. As of December 31, 2017 and September 30, 2018, the carrying amounts of trade payables were primarily denominated in RMB.

Trade payables and their aging analysis based on invoice date are as follows:

	As of September 30, 2018 RMB'000 (Unaudited)	As of December 31, 2017 RMB'000 (Audited)
Up to 3 months	**51,224,973**	32,859,302
3 to 6 months	**508,020**	936,690
6 months to 1 year	**855,138**	180,060
1 to 2 years	**53,356**	22,525
Over 2 years	**6,386**	4,754
	52,647,873	34,003,331

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on January 5, 2010 with limited liability, and the class B ordinary shares in the share capital of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 9, 2018. Accordingly, the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") have been applicable to the Company since July 9, 2018.

The Company is committed to maintaining and promoting stringent corporate governance standards. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders.

Save for code provision A.2.1 of the CG Code, the Company has complied with all the code provisions set out in the CG Code during the period from July 9, 2018 to September 30, 2018.

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Lei Jun currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

AUDIT COMMITTEE

The Audit Committee (comprising one non-executive Director and two independent non-executive Directors, namely, Dr. Chen Dongsheng, Mr. Koh Tuck Lye and Mr. Wong Shun Tak) has reviewed the unaudited interim results of the Group for the three and nine months ended September 30, 2018. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the issuance of 201,486,000 class B ordinary shares on July 20, 2018 pursuant to the full exercise of the over-allotment option as disclosed in the announcement of the Company dated July 18, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the period from July 9, 2018 to September 30, 2018.

MATERIAL LITIGATION

As of September 30, 2018, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Upon the listing of the shares of the Company on the Stock Exchange on July 9, 2018, the proceeds from the Global Offering will be utilized for the purposes as set out in the prospectus of the Company published on June 25, 2018.

By order of the Board
Xiaomi Corporation
Lei Jun
Chairman

Hong Kong, November 19, 2018

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Lei Jun as Chairman and Executive Director and Mr. Lin Bin as Executive Director, Mr. Koh Tuck Lye and Mr. Liu Qin as Non-executive Directors, and Dr. Chen Dongsheng, Dr. Lee Ka Kit and Mr. Wong Shun Tak as Independent Non-executive Directors.