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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 Codes: 1810 (HKD counter) and 81810 (RMB counter)**

# RESULTS ANNOUNCEMENT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

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 six months ended June 30, 2023. 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. The interim results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

## KEY HIGHLIGHTS

	Unaudited Three months ended				Quarter- over- quarter change
	June 30, 2023	June 30, 2022	Year- over-year change	March 31, 2023	
	(Renminbi (“ <b>RMB</b> ”) in millions, unless specified)				
Revenue	<b>67,354.9</b>	70,170.9	-4.0%	59,477.1	13.2%
Gross profit	<b>14,161.0</b>	11,768.1	20.3%	11,591.5	22.2%
Operating profit	<b>4,040.5</b>	1,733.2	133.1%	5,900.2	-31.5%
Profit before income tax	<b>4,955.7</b>	1,737.0	185.3%	5,470.7	-9.4%
Profit for the period	<b>3,665.5</b>	1,365.4	168.5%	4,216.1	-13.1%
Non-IFRS measure <sup>1</sup> :					
Adjusted Net Profit	<b>5,140.3</b>	2,081.3	147.0%	3,233.3	59.0%

<sup>1</sup> See the section entitled “Non-IFRS Measure: Adjusted Net Profit” for more information about the non-IFRS measure.

**Unaudited  
Six months ended**

	<b>June 30, 2023</b>	June 30, 2022	Year- over-year change
	(RMB in millions, unless specified)		
Revenue	<b>126,832.0</b>	143,522.4	-11.6%
Gross profit	<b>25,752.6</b>	24,477.8	5.2%
Operating profit	<b>9,940.7</b>	821.8	1,109.7%
Profit before income tax	<b>10,426.4</b>	1,320.9	689.3%
Profit for the period	<b>7,881.7</b>	834.8	844.1%
Non-IFRS measure: Adjusted Net Profit	<b>8,373.5</b>	4,939.9	69.5%

## **BUSINESS REVIEW AND OUTLOOK**

### **1. Overall performance**

In the second quarter of 2023, we continued to execute our key corporate strategy of “dual emphasis on scale and profitability”. We maintained our leading market position in each of our business segments, while managed to reduce costs and enhance efficiency, resulting in strong financial performance. In the second quarter of 2023, our total revenue amounted to RMB67.4 billion and our adjusted net profit was RMB5.1 billion, which included RMB1.4 billion in expenses related to our smart Electric Vehicle (“EV”) business and other new initiatives.

We continued to strengthen our core “Smartphone × AIoT” strategy. According to Canalys, in the second quarter of 2023, our global smartphone shipments ranked among top three, with a market share of 12.9%, up 1.6 percentage points quarter-over-quarter. We have ranked among top three smartphone brands globally for twelve consecutive quarters. According to Canalys, in the second quarter of 2023, our smartphone shipments ranked in the top three across 51 countries and regions globally and ranked in the top five across 61 countries and regions globally. In the second quarter of 2023, our smartphone shipments ranking rose to No. 2 in Europe with a market share of 21.2% and rose to No. 2 in the Middle East with a market share of 17.1%. Meanwhile, our global monthly active users (“MAU”) of MIUI reached another record high. In June 2023, the global MAU of MIUI reached 606.0 million, an increase of 10.8% year-over-year. As of June 30, 2023, the number of connected IoT devices on our AIoT platform (excluding smartphones, tablets and laptops) increased to 654.5 million, up 24.2% year-over-year.

We steadily advanced our smartphone premiumization strategy. We adhere to our three design principles on premium smartphones<sup>2</sup>, namely all-round performance with no shortcoming, focusing on user experience instead of specifications and deep integration of software and hardware. Over the past year, we received tremendous receptions from our users to our premium smartphone models<sup>3</sup>, infusing our smartphone premiumization strategy with strong

<sup>2</sup> Premium smartphones are defined as smartphones priced at or above RMB3,000 in mainland China.

<sup>3</sup> Including *the Xiaomi 12S Ultra, the Xiaomi MIX Fold 2, the Xiaomi 13, the Xiaomi 13 Pro, the Xiaomi 13 Ultra and the Xiaomi MIX Fold 3*.

momentum. By enhancing our premium product capabilities and accruing our insights into user mindset, we are better positioned to achieve greater results on various operational fronts, including increasing our market share in premium smartphones, expanding our contribution as a percentage of total premium smartphone sales and raising our smartphone ASP in mainland China.

In August 2023, we unveiled the *Xiaomi MIX Fold 3*, our next-generation foldable smartphone in mainland China, featuring a slim and lightweight design while maintaining all the flagship smartphone features. The *Xiaomi MIX Fold 3* marks another milestone in our technological innovation for foldable smartphones. The successful launch of multiple premium smartphones recently has elevated our position in the premium smartphone market. According to third-party data, in the second quarter of 2023, our smartphone units sold in the RMB4,000–RMB6,000 price segment in mainland China garnered a market share of 12.7%, a year-over-year increase of 6.2 percentage points. In the second quarter of 2023, our premium smartphone units sold as a percentage of our overall smartphone units sold in mainland China increased 3.3 percentage points to 20.1%, according to third-party data. In the second quarter of 2023, the average selling price (“ASP”) of our smartphones in mainland China also increased by over 24% year-over-year.

Our core philosophy is to continuously invest in technologies that will benefit humanity. We have invested and are actively engaged in 12 technical fields and 99 verticals. As we continue to explore new cutting-edge technologies, we will follow our key paths and principles, namely deep cultivation of underlying technology, continuous and long-term investment, deep integration of hardware and software, and AI<sup>4</sup> empowerment. In the second quarter of 2023, our research and development expenses were RMB4.6 billion, up 21.0% year-over-year. We expect our R&D investment to exceed RMB100 billion during the five years between 2022 to 2026. As of June 30, 2023, we had 16,834 research and development personnel, accounting for nearly 52% of our employees. In addition, we continued to extend our intellectual property capabilities to foster innovation. As of June 30, 2023, we have obtained more than 33,000 patents worldwide.

AI is an area we have invested in since 2016. Over the years, we have established our AI capabilities in areas such as visual, audio, acoustics, knowledge graphs, NLP<sup>5</sup>, machine learning, multimodal AI, among others. We currently have more than 3,000 top-tier AI professionals. In addition, we are fully embracing large language models. We officially established our dedicated large language model team in April 2023. In terms of self-developed large language models, we have focused on light large language models and on-device deployment, and have made meaningful breakthroughs. Our 6 billion-parameter self-developed large language model ranked No. 1 on the C-EVAL list among peer models with same-level parameters and ranked No. 1 on the CMMLU list of Chinese-language large language models.<sup>6</sup> Furthermore, we empowered our intelligent voice-based AI Assistant (“小愛同學”) with large language models, and have started invitation-based testing.

4 Artificial Intelligence.

5 Natural language processing.

6 Results as of August 11, 2023.

We continued to explore new frontiers of cutting-edge technologies. We are committed to the technical field of robots and aim to empower industrial development. In August 2023, we unveiled the *CyberDog2*, our next-generation bio-inspired quadruped robot in mainland China. Equipped with our self-developed CyberGear micro-actuators and a powerful multimodal AI-backed fusion sensing and decision-making system, the *CyberDog2* boasts improved mobility and enhanced force control. By virtue of the continued open source ecosystem, with the involvement of more developers, the *CyberDog2* will be further optimized to turbocharge the evolution of bionic robots.

As we pursue our 2023 operating strategy of “storefront integration”, we steadily improved the efficiency of our new retail business. In the second quarter of 2023, the monthly average single-store gross merchandise value (“GMV”)<sup>7</sup> of our offline stores increased by over 20% year-over-year. Our offline channels are effective channels for us to promote our premium smartphones. According to third-party data, in the second quarter of 2023, offline channels contributed over 46% of our total premium smartphone units sold in mainland China. We plan to advance premiumization across our offline channels and further reinforce the synergy between our online and offline channels, elevating the operations of our stores in a more holistic manner.

We continued to pursue our strategy of “dual emphasis on scale and profitability”. In the second quarter of 2023, the Group’s gross profit margin reached 21.0%. By segment, the gross profit margin of our smartphone business reached 13.3% this quarter, an increase of 4.7 percentage points year-over-year. The gross profit margin of our IoT and lifestyle products rose to 17.6% this quarter, up 3.3 percentage points year-over-year. In the second quarter of 2023, we set new highs in gross profit margin of the Group as well as our smartphone and our IoT and lifestyle products businesses. Owing to our relentless efforts in cost savings and efficiency enhancements, the Group’s overall expenses in the second quarter were RMB10.2 billion, down 2.3% year-over-year. The Group’s adjusted net profit was RMB5.1 billion, up 147.0% year-over-year.

We have further optimized our inventory management measures and improved inventory turnover. In the second quarter of 2023, our total inventory was RMB38.5 billion, down 33.5% year-over-year, hitting its lowest level in the past ten quarters. Both our raw materials inventory and finished goods inventory decreased by over 30% year-over-year. We will further advance our inventory management system to support our healthy business operations.

We commit to fulfill our corporate social responsibility and contribute to proactively counter climate changes. To uphold our mission of letting everyone in the world enjoy a better life through innovative technology, we have pledged to achieve carbon neutrality in the operations of our existing businesses<sup>8</sup> along with 100% renewable energy utilization by 2040.

7 Average single-store GMV per month is calculated as the total GMV generated from offline retail stores during the period divided by the average of the number of offline retail stores at the beginning and the end of the period, then divided by the number of months during that period.

8 Based on our latest earnings announcement, our existing businesses include smartphones, IoT and lifestyle products, internet services, and others.

## 2. Smartphones

In the second quarter of 2023, the global smartphone market continued to experience soft demand. According to Canalys, global smartphone shipments in the second quarter decreased by 10.1% year-over-year, marking the sixth consecutive quarter of year-over-year decline. According to Canalys, in the second quarter of 2023, we maintained our No. 3 global smartphone shipment ranking with a 12.9% market share, an increase of 1.6 percentage points quarter-over-quarter. In the second quarter of 2023, our smartphone revenue reached RMB36.6 billion and our global smartphone shipments amounted to 32.9 million units. Additionally, in the second quarter, our smartphone ASP reached RMB1,112, an increase of 2.8% year-over-year, while our smartphone ASP in mainland China was up by more than 24% year-over-year as a result of our continued pursue of smartphone premiumization strategy.

We continued to execute our dual-brand strategy. Under the Xiaomi brand, in August 2023, we unveiled the *Xiaomi MIX Fold 3* in mainland China, illustrating our persistent innovation in foldable smartphones. The *Xiaomi MIX Fold 3* features our proprietary hinge, which adopts a 3-element connecting rod structure and has up to 14 micro-hinges. The tightly stacked rotating mechanism is much slimmer, lighter and more reliable with enhanced durability. In addition, this allows for more room to fit our quad camera system with Leica optical lenses, setting a new bar for image processing on lightweight and ultra-thin foldable smartphones. Powered by a dual Xiaomi Surge battery structure and a new-generation of silicon-carbon negative electrode technology combined with multiple optimizations, the *Xiaomi MIX Fold 3* significantly extends the battery life on foldable smartphones. With its ultra-thin, lightweight and flagship experience, the *Xiaomi MIX Fold 3* consolidates our leading position in the premium foldable smartphone market. In the first five minutes after hitting the shelf, the sale of *Xiaomi MIX Fold 3* reached 2.25 times of its last generation, setting a new record for our foldable smartphones.

Under the Redmi brand, in August 2023, Redmi announced its cooperation with MediaTek and Pixelworks on joint innovation with a focus on synergistic coordination between software and hardware. In August 2023, we unveiled the *Redmi K60 Ultra* in mainland China. Powered by the MediaTek Dimensity 9200+ flagship chipset and the Pixelworks X7 chip that works as a display processor, the *Redmi K60 Ultra* is equipped with the Rage Engine 2.0, firmly consolidating five underlying modular capabilities to achieve profound synergistic coordination between software and hardware, delivering superior functions and experience. The circulated cooling system of the *Redmi K60 Ultra* ensures that it maintains low temperature when performing complex tasks. Its second-generation 1.5K display delivers a mesmerizing visual spectacle with better eye protection. In addition, with the native frame rate of 144 FPS, the *Redmi K60 Ultra* offers hardcore gamers an unparalleled superior gaming experience. Within five minutes of its first sales, the *Redmi K60 Ultra* broke the sales volume record of all Ultra versions of the Redmi K-Series, exceeding 220,000 units sold.

### 3. IoT and lifestyle products

In the second quarter of 2023, our IoT and lifestyle products revenue and gross profit margin both grew on a year-over-year basis. Revenue from our IoT and lifestyle products was RMB22.3 billion, an increase of 12.3% year-over-year, and its gross profit margin reached 17.6%, up 3.3 percentage points year-over-year, setting a new record high.

As of June 30, 2023, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 654.5 million, an increase of 24.2% year-over-year; the number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) reached 13.0 million, representing a year-over-year increase of 27.8%. In June 2023, the MAU of our Mi Home App grew to 82.9 million, an increase of 17.1% year-over-year.

In the second quarter of 2023, our smart large home appliances<sup>9</sup> continued to demonstrate robust growth momentum, with revenue surging by more than 70% year-over-year. In the second quarter of 2023, shipments of our air conditioners and refrigerators both reached all-time highs. Our focus on innovation and proprietary technology development drives the diversification of our home appliance product mix, continually offering our users smarter options with higher standards. In the second quarter of 2023, our air conditioner shipments increased by over 90% year-over-year. According to All View Cloud (“AVC”), in the second quarter of 2023, the retail volume of refrigerators and washing machines across all channels in mainland China dropped by 6.1% and 3.9% year-over-year, respectively. Despite the sector-wide pressure, in the second quarter of 2023, both our refrigerator and washing machine businesses outperformed the market. Our refrigerator shipments exceeded 500,000 units and our washing machine shipments exceeded 300,000 units.

According to AVC, in the first half of 2023, our TV shipments ranked No. 1 in mainland China. We continued to introduce large-screen TV to the market and enrich our premium product lineup. In August 2023, we unveiled our premium smart TV the *Xiaomi TV S Pro 100*” in mainland China. With its 100-inch giant screen, a peak brightness at 1,000 nits and a powerful 384 partition backlight control supporting high levels of brightness, the *Xiaomi TV S Pro 100*” features vivid brightness and superb contrast. In addition, our proprietary algorithm enables the ability to sharpen image quality and a 4K screen featuring a refresh rate as high as 144Hz to bring users an exceptionally smooth large-screen experience.

We are committed to meeting the diverse needs of our users on all fronts and strengthening the interconnectivity of other key AIoT products in various user scenarios. For smart office and entertainment scenarios, in the second quarter of 2023, our tablet shipments in mainland China increased by more than 50% year-over-year. According to Canalys, in the second quarter of 2023, we achieved the No. 3 tablet shipment ranking in mainland China. In August 2023, we unveiled the *Xiaomi Pad 6 Max 14*. It boasts a 14-inch super large display with an impressive 2.8K resolution and eight speakers on board with Dolby Atmos, captivating users with a cosmic viewing experience and providing greater possibilities for people to work anywhere, anytime.

9 Including air conditioners, refrigerators and washing machines.

For health and fitness scenarios, in the second quarter of 2023, the shipments of our TWS earbud ranked No. 1 in mainland China and our wearable bands<sup>10</sup> shipments ranked No. 2 in mainland China, according to Canalys. We unveiled the *Xiaomi Smart Band 8 Pro* in August 2023. Boasting an all-new 1.74-inch AMOLED narrow-edge large screen, a smoother 60Hz refresh rate and a wide array of pin-and-tuck straps, the *Xiaomi Smart Band 8 Pro* is equipped with an upgraded dual-channel monitoring system for more precise health and fitness management. Moreover, its built-in voice assistant enables users to remotely access and shift between smart scenarios on our Mi Home App, making interconnection even more seamless.

#### 4. Internet services

In the second quarter of 2023, our internet services revenue was RMB7.4 billion, an increase of 6.8% year-over-year, hitting a quarterly record high. While the gross profit margin of our internet services reached 74.1%, an increase of 1.1 percentage points year-over-year.

In the second quarter of 2023, our global internet user base continued to expand. The MAU of MIUI globally and in mainland China, once again, both hit record highs. In June 2023, the global MAU of MIUI reached 606.0 million, an increase of 10.8% year-over-year, while the MAU of MIUI in mainland China reached 149.3 million, up 6.5% year-over-year. In June 2023, the global MAU of our smart TV<sup>11</sup> exceeded 62 million, increasing by over 18% year-over-year.

In the second quarter of 2023, our advertising revenue reached RMB5.1 billion, an increase of 13.0% year-over-year, setting a record high. As we stepped up the refined operations of our advertising business and due to the growing pool of premium smartphone users, revenue from both domestic and overseas performance-based and brand advertising registered new quarterly highs.

In the second quarter of 2023, our gaming business enjoyed year-over-year growth for the eighth consecutive quarter. By leveraging our diverse operations for attracting new users and our refined management of paid users, our gaming revenue reached RMB1.0 billion in the second quarter, an increase of 7.5% year-over-year.

We continued to unlock partnership opportunities worldwide while optimizing the monetization channels of our advertising business and enhancing our content and service offerings. In the second quarter of 2023, revenue from our overseas internet services increased 19.7% year-over-year to RMB2.0 billion, hitting a record high, accounting for 26.8% of our total internet services revenue, up 2.9 percentage points year-over-year.

<sup>10</sup> Including basic bands, basic watches and smart watches.

<sup>11</sup> Including *Xiaomi Box* and *Xiaomi TV Stick*.

## 5. Corporate social responsibility (CSR)

Climate change has become a critical challenge for human society. Faced with increasingly severe climatic issues, corporate citizens are taking proactive actions to reduce carbon emissions for sustainable development. To uphold our mission of letting everyone in the world enjoy a better life through innovative technology, we pledge to achieve carbon neutrality in our own operations of our existing businesses along with 100% renewable energy utilization by 2040. We plan to release our Carbon Neutralization Action Report by the end of 2023 to disclose further details of our climate strategies and carbon-neutral roadmaps.

We are immensely committed to public welfare and actively fulfill our corporate social responsibility. Beijing and Hebei Province were recently hit by severe flooding due to intense rainfall. Beijing Xiaomi Foundation donated RMB25 million on August 2 to emergency relief efforts in safeguarding the security of those affected, providing emergency supplies and post-disaster recovery. Beyond swift action to catastrophic events, we have also attached great importance to technology innovation and talent development. In June 2023, we officially launched our 2023 “Xiaomi Scholarships” program and “Xiaomi Young Talents” program. So far, Beijing Xiaomi Foundation has partnered with multiple colleges and universities to encourage talent in the science and technology sectors to pursue innovative projects, and to support universities in advancing cutting-edge research and course development.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Second Quarter of 2023 Compared to Second Quarter of 2022

The following table sets forth the comparative figures for the second quarter of 2023 and the second quarter of 2022:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2023</b>	<b>2022</b>
	<b>(RMB in millions)</b>	
<b>Revenue</b>	<b>67,354.9</b>	70,170.9
Cost of sales	<b>(53,193.9)</b>	(58,402.8)
<b>Gross profit</b>	<b>14,161.0</b>	11,768.1
Research and development expenses	<b>(4,554.8)</b>	(3,763.4)
Selling and marketing expenses	<b>(4,476.8)</b>	(5,332.2)
Administrative expenses	<b>(1,143.2)</b>	(1,315.4)
Fair value changes on investments measured at fair value through profit or loss	<b>(275.8)</b>	513.6
Share of net profits of investments accounted for using the equity method	<b>74.0</b>	62.7
Other income	<b>184.8</b>	186.2
Other gains/(losses), net	<b>71.3</b>	(386.4)
<b>Operating profit</b>	<b>4,040.5</b>	1,733.2
Finance income, net	<b>915.2</b>	3.8
<b>Profit before income tax</b>	<b>4,955.7</b>	1,737.0
Income tax expenses	<b>(1,290.2)</b>	(371.6)
<b>Profit for the period</b>	<b>3,665.5</b>	1,365.4
<b>Non-IFRS measure: Adjusted Net Profit</b>	<b>5,140.3</b>	2,081.3

## Revenue

Revenue decreased by 4.0% to RMB67.4 billion in the second quarter of 2023 from RMB70.2 billion in the second quarter of 2022. The following table sets forth our revenue by line of business in the second quarter of 2023 and the second quarter of 2022.

	Unaudited Three months ended			
	June 30, 2023		June 30, 2022	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	36,595.5	54.3%	42,268.1	60.2%
IoT and lifestyle products	22,253.9	33.0%	19,811.6	28.2%
Internet services	7,444.1	11.1%	6,971.1	9.9%
Others	1,061.4	1.6%	1,120.1	1.7%
Total revenue	<u>67,354.9</u>	<u>100.0%</u>	<u>70,170.9</u>	<u>100.0%</u>

### *Smartphones*

Revenue from our smartphones segment decreased by 13.4% from RMB42.3 billion in the second quarter of 2022 to RMB36.6 billion in the second quarter of 2023, primarily due to the decrease in our smartphone shipments, partially offset by an increase in our smartphone average selling price (“ASP”). Our smartphone shipments decreased by 15.8% from 39.1 million units in the second quarter of 2022 to 32.9 million units in the second quarter of 2023, primarily due to the continued weakened market demand for smartphones globally. The ASP of our smartphones increased by 2.8% from RMB1,081.7 per unit in the second quarter of 2022 to RMB1,112.2 per unit in the second quarter of 2023, primarily due to the increased ASP in mainland China.

### *IoT and lifestyle products*

Revenue from our IoT and lifestyle products segment increased by 12.3% from RMB19.8 billion in the second quarter of 2022 to RMB22.3 billion in the second quarter of 2023, primarily due to the increased revenue from smart large home appliances, tablets and certain lifestyle products, partially offset by the decreased revenue from smart TVs and laptops.

Our smart large home appliances continued to deliver strong growth with revenue increasing by over 70% year-over-year in the second quarter of 2023, primarily due to the significant increase in shipments of our smart air conditioners which reached a new quarterly high in mainland China.

Revenue from tablets increased by 27.3% year-over-year in the second quarter of 2023, primarily due to the increased sales of Xiaomi Pad 6 series tablets which we introduced in April 2023.

Revenue from smart TVs and laptops decreased by 10.1% from RMB5.3 billion in the second quarter of 2022 to RMB4.7 billion in the second quarter of 2023, primarily due to the decreased revenue from smart TVs and laptops in the overseas market, partially offset by the increase in shipments of smart TVs in mainland China.

#### *Internet services*

Revenue from our internet services segment increased by 6.8% from RMB7.0 billion in the second quarter of 2022 to RMB7.4 billion in the second quarter of 2023, primarily due to the increase in revenue from our advertising business.

#### *Others*

Other revenue decreased by 5.2% from RMB1,120.1 million in the second quarter of 2022 to RMB1,016.4 million in the second quarter of 2023, primarily due to the decrease in revenue from sale of office buildings, partially offset by the increase in revenue from installation services provided for smart air conditioners.

### **Cost of Sales**

Our cost of sales decreased by 8.9% from RMB58.4 billion in the second quarter of 2022 to RMB53.2 billion in the second quarter of 2023. The following table sets forth our cost of sales by line of business in the second quarter of 2023 and the second quarter of 2022:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>June 30, 2023</b>		<b>June 30, 2022</b>	
	<b>Amount</b>	<b>% of total revenue</b>	<b>Amount</b>	<b>% of total revenue</b>
	(RMB in millions, unless specified)			
Smartphones	<b>31,720.5</b>	<b>47.1%</b>	38,605.3	55.0%
IoT and lifestyle products	<b>18,343.8</b>	<b>27.2%</b>	16,983.6	24.2%
Internet services	<b>1,926.2</b>	<b>2.9%</b>	1,881.0	2.7%
Others	<b>1,203.4</b>	<b>1.8%</b>	932.9	1.3%
	<hr/> <b>53,193.9</b> <hr/>	<hr/> <b>79.0%</b> <hr/>	<hr/> 58,402.8 <hr/>	<hr/> 83.2% <hr/>
Total cost of sales				

#### *Smartphones*

Cost of sales related to our smartphones segment decreased by 17.8% from RMB38.6 billion in the second quarter of 2022 to RMB31.7 billion in the second quarter of 2023, primarily due to the decreased sales of our smartphones, the decreased inventory impairment provisions in the overseas market, as well as the decreased price of key components.

### *IoT and lifestyle products*

Cost of sales related to our IoT and lifestyle products segment increased by 8.0% from RMB17.0 billion in the second quarter of 2022 to RMB18.3 billion in the second quarter of 2023, primarily due to the increased sales of our IoT and lifestyle products.

### *Internet services*

Cost of sales related to our internet services segment remained stable at RMB1.9 billion in the second quarter of 2023 compared to the second quarter of 2022.

### *Others*

Cost of sales related to our others segment increased by 29.0% from RMB932.9 million in the second quarter of 2022 to RMB1,203.4 million in the second quarter of 2023, primarily due to the increase in cost from installation services provided for smart air conditioners, as well as the disposal of certain obsolete materials.

## **Gross Profit and Margin**

As a result of the foregoing, our gross profit increased by 20.3% from RMB11.8 billion in the second quarter of 2022 to RMB14.2 billion in the second quarter of 2023.

The gross profit margin from our smartphones segment increased from 8.7% in the second quarter of 2022 to 13.3% in the second quarter of 2023, mainly due to improved gross profit margin in mainland China due to increased contribution from our premium smartphone shipments, the decreased inventory impairment provisions in the overseas market, as well as the decreased price of key components.

The gross profit margin from our IoT and lifestyle products segment increased from 14.3% in the second quarter of 2022 to 17.6% in the second quarter of 2023, mainly due to improved gross profit margin of certain lifestyle products, as well as the strong growth in certain IoT products with higher gross profit margins, such as tablets.

The gross profit margin from our internet services segment increased from 73.0% in the second quarter of 2022 to 74.1% in the second quarter of 2023, mainly due to higher revenue contribution from advertising business.

As a result of the foregoing, our gross profit margin increased from 16.8% in the second quarter of 2022 to 21.0% in the second quarter of 2023.

## **Research and Development Expenses**

Our research and development expenses increased by 21.0% from RMB3.8 billion in the second quarter of 2022 to RMB4.6 billion in the second quarter of 2023, primarily due to the increase in R&D expenses related to our smart electric vehicle business and other new initiatives.

## **Selling and Marketing Expenses**

Our selling and marketing expenses decreased by 16.0% from RMB5.3 billion in the second quarter of 2022 to RMB4.5 billion in the second quarter of 2023, primarily due to the decrease in packaging and transportation expenses and promotion and advertising expenses.

Promotion and advertising expenses decreased by 18.2% from RMB1.8 billion in the second quarter of 2022 to RMB1.5 billion in the second quarter of 2023, primarily due to the decrease in marketing expenses in the overseas market.

## **Administrative Expenses**

Our administrative expenses decreased by 13.1% from RMB1.3 billion in the second quarter of 2022 to RMB1.1 billion in the second quarter of 2023, primarily due to the decrease in compensation for administrative personnel and professional service fees.

## **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 changed from a gain of RMB0.5 billion in the second quarter of 2022 to a loss of RMB0.3 billion in the second quarter of 2023, primarily due to the fair value losses of listed equity investments, partially offset by the fair value gains of preferred shares investments in the second quarter of 2023.

## **Share of Net Profits of Investments Accounted for Using the Equity Method**

Our share of net profits of investments accounted for using the equity method increased by 18.1% from RMB62.7 million in the second quarter of 2022 to RMB74.0 million in the second quarter of 2023.

## **Other Income**

Our other income decreased by 0.8% from RMB186.2 million in the second quarter of 2022 to RMB184.8 million in the second quarter of 2023.

## **Other Gains/(Losses), Net**

Our other net gains/(losses) changed from a net loss of RMB386.4 million in the second quarter of 2022 to a net gain of RMB71.3 million in the second quarter of 2023. This was mainly due to lower foreign exchange loss due to US dollar appreciation in the second quarter of 2023.

## **Finance Income, Net**

Our net finance income increased from RMB3.8 million in the second quarter of 2022 to RMB915.2 million in the second quarter of 2023, primarily due to the rise of US dollar deposit interest rate, as well as the change of value of the financial liabilities payable to the fund investors.

## Income Tax Expenses

Our income tax expenses increased from RMB0.4 billion in the second quarter of 2022 to RMB1.3 billion in the second quarter of 2023, primarily due to the increase of operating profit in the second quarter of 2023.

## Profit for the Period

As a result of the foregoing, we had a profit of RMB3.7 billion in the second quarter of 2023, compared with a profit of RMB1.4 billion in the second quarter of 2022.

## Adjusted Net Profit

Our adjusted net profit increased by 147.0% from RMB2.1 billion in the second quarter of 2022 to RMB5.1 billion in the second quarter of 2023.

## Second Quarter of 2023 Compared to First Quarter of 2023

The following table sets forth the comparative figures for the second quarter of 2023 and the first quarter of 2023:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>June 30,</b>	<b>March 31,</b>
	<b>2023</b>	<b>2023</b>
	(RMB in millions)	
<b>Revenue</b>	<b>67,354.9</b>	59,477.1
Cost of sales	<b>(53,193.9)</b>	(47,885.6)
<b>Gross profit</b>	<b>14,161.0</b>	11,591.5
Research and development expenses	<b>(4,554.8)</b>	(4,113.3)
Selling and marketing expenses	<b>(4,476.8)</b>	(4,103.8)
Administrative expenses	<b>(1,143.2)</b>	(1,135.2)
Fair value changes on investments measured at fair value through profit or loss	<b>(275.8)</b>	3,453.3
Share of net profits/(losses) of investments accounted for using the equity method	<b>74.0</b>	(133.1)
Other income	<b>184.8</b>	164.8
Other gains, net	<b>71.3</b>	176.0
<b>Operating profit</b>	<b>4,040.5</b>	5,900.2
Finance income/(costs), net	<b>915.2</b>	(429.5)
<b>Profit before income tax</b>	<b>4,955.7</b>	5,470.7
Income tax expenses	<b>(1,290.2)</b>	(1,254.6)
<b>Profit for the period</b>	<b>3,665.5</b>	4,216.1
<b>Non-IFRS measure: Adjusted Net Profit</b>	<b>5,140.3</b>	3,233.3

## Revenue

Revenue increased by 13.2% to RMB67.4 billion in the second quarter of 2023 from RMB59.5 billion in the first quarter of 2023. The following table sets forth our revenue by line of business in the second quarter of 2023 and the first quarter of 2023.

	Unaudited			
	Three months ended		March 31, 2023	
	June 30, 2023		March 31, 2023	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	36,595.5	54.3%	34,984.7	58.8%
IoT and lifestyle products	22,253.9	33.0%	16,833.8	28.3%
Internet services	7,444.1	11.1%	7,028.1	11.8%
Others	1,061.4	1.6%	630.5	1.1%
Total revenue	<u>67,354.9</u>	<u>100.0%</u>	<u>59,477.1</u>	<u>100.0%</u>

### *Smartphones*

Revenue from our smartphones segment increased by 4.6% from RMB35.0 billion in the first quarter of 2023 to RMB36.6 billion in the second quarter of 2023, primarily due to the increase in our smartphone shipments, partially offset by the decrease in our smartphone ASP. Our smartphone shipments increased by 8.3% from 30.4 million units in the first quarter of 2023 to 32.9 million units in the second quarter of 2023, despite the global smartphone shipments decreased by 4.3% quarter-over-quarter. The ASP of our smartphones decreased by 3.4% from RMB1,151.6 per unit in the first quarter of 2023 to RMB1,112.2 per unit in the second quarter of 2023, primarily due to enhanced promotional efforts in the overseas market.

### *IoT and lifestyle products*

Revenue from our IoT and lifestyle products segment increased by 32.2% from RMB16.8 billion in the first quarter of 2023 to RMB22.3 billion in the second quarter of 2023, primarily attributable to the increased revenue from smart large home appliances and certain lifestyle products.

Our smart large home appliances continued to deliver strong growth with revenue increasing by over 200% quarter-over-quarter in the second quarter of 2023, primarily due to the significant increase in shipments of our smart air conditioners which reached a new quarterly high in mainland China.

Revenue from smart TVs and laptops increased by 0.7% from RMB4,703.2 million in the first quarter of 2023 to RMB4,738.1 million in the second quarter of 2023, primarily due to the increased revenue from smart TVs and laptops in mainland China, partially offset by the decreased revenue from smart TVs in the overseas market.

The increased sales in certain lifestyle products was due to the promotional efforts in mainland China during the 618 e-Commerce Shopping Festival in the second quarter of 2023.

#### *Internet services*

Revenue from our internet services segment increased by 5.9% from RMB7.0 billion in the first quarter of 2023 to RMB7.4 billion in the second quarter of 2023, primarily due to the increase in revenue from our advertising business, partially offset by the decrease in revenue from our gaming business.

#### *Others*

Other revenue increased by 68.4% from RMB0.6 billion in the first quarter of 2023 to RMB1.1 billion in the second quarter of 2023, primarily due to the increase in revenue from installation services provided for smart air conditioners.

### **Cost of Sales**

Our cost of sales increased by 11.1% from RMB47.9 billion in the first quarter of 2023 to RMB53.2 billion in the second quarter of 2023. The following table sets forth our cost of sales by line of business in the second quarter of 2023 and the first quarter of 2023:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>June 30, 2023</b>		<b>March 31, 2023</b>	
	<b>Amount</b>	<b>% of total revenue</b>	<b>Amount</b>	<b>% of total revenue</b>
	(RMB in millions, unless specified)			
Smartphones	<b>31,720.5</b>	<b>47.1%</b>	31,051.7	52.2%
IoT and lifestyle products	<b>18,343.8</b>	<b>27.2%</b>	14,187.1	23.9%
Internet services	<b>1,926.2</b>	<b>2.9%</b>	1,948.4	3.3%
Others	<b>1,203.4</b>	<b>1.8%</b>	698.4	1.1%
	<hr/>	<hr/>	<hr/>	<hr/>
Total cost of sales	<b><u>53,193.9</u></b>	<b><u>79.0%</u></b>	<b><u>47,885.6</u></b>	<b><u>80.5%</u></b>

#### *Smartphones*

Cost of sales related to our smartphones segment increased by 2.2% from RMB31.1 billion in the first quarter of 2023 to RMB31.7 billion in the second quarter of 2023, primarily due to the increased sales of our smartphones, partially offset by the decreased inventory impairment provisions in the overseas market, as well as the decreased price of key components.



### *IoT and lifestyle products*

Cost of sales related to our IoT and lifestyle products segment increased by 29.3% from RMB14.2 billion in the first quarter of 2023 to RMB18.3 billion in the second quarter of 2023, primarily due to the increased sales of our IoT and lifestyle products.

### *Internet services*

Cost of sales related to our internet services segment decreased by 1.1% from RMB1,948.4 million in the first quarter of 2023 to RMB1,926.2 million in the second quarter of 2023, primarily due to the decrease in cost from our gaming business.

### *Others*

Cost of sales related to our others segment increased by 72.3% from RMB0.7 billion in the first quarter of 2023 to RMB1.2 billion in the second quarter of 2023, due to the increase in cost from installation services provided for smart air conditioners, as well as the disposal of certain obsolete materials.

## **Gross Profit and Margin**

As a result of the foregoing, our gross profit increased by 22.2% from RMB11.6 billion in the first quarter of 2023 to RMB14.2 billion in the second quarter of 2023.

The gross profit margin from our smartphones segment increased from 11.2% in the first quarter of 2023 to 13.3% in the second quarter of 2023, mainly due to the decreased inventory impairment provisions in the overseas market, as well as the decreased price of key components.

The gross profit margin from our IoT and lifestyle products segment increased from 15.7% in the first quarter of 2023 to 17.6% in the second quarter of 2023, mainly due to improved gross profit margin of certain lifestyle products and the strong growth of certain lifestyle products with higher gross profit margins, such as robot vacuum cleaners.

The gross profit margin from our internet services segment increased from 72.3% in the first quarter of 2023 to 74.1% in the second quarter of 2023, mainly due to higher revenue contribution from our advertising business.

As a result of the foregoing, our gross profit margin increased from 19.5% in the first quarter of 2023 to 21.0% in the second quarter of 2023.

## **Research and Development Expenses**

Our research and development expenses increased by 10.7% from RMB4.1 billion in the first quarter of 2023 to RMB4.6 billion in the second quarter of 2023, primarily due to the increase in R&D expenses related to our smart electric vehicle business and other new initiatives.

## **Selling and Marketing Expenses**

Our selling and marketing expenses increased by 9.1% from RMB4.1 billion in the first quarter of 2023 to RMB4.5 billion in the second quarter of 2023, primarily due to the increase in promotion and advertising expenses.

Promotion and advertising expenses increased by 15.9% from RMB1.3 billion in the first quarter of 2023 to RMB1.5 billion in the second quarter of 2023, primarily due to our elevated marketing efforts in mainland China for the 618 e-Commerce Shopping Festival.

## **Administrative Expenses**

Our administrative expenses remained stable at RMB1.1 billion in the second quarter of 2023 compared to the first quarter of 2023.

## **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 changed from a gain of RMB3.5 billion in the first quarter of 2023 to a loss of RMB0.3 billion in the second quarter of 2023, primarily due to the fair value losses of listed equity investments in the second quarter of 2023 compared to the fair value gains of listed equity investments in the first quarter of 2023.

## **Share of Net Profits/(Losses) of Investments Accounted for Using the Equity Method**

Our share of net profits/(losses) of investments accounted for using the equity method changed from a net loss of RMB133.1 million in the first quarter of 2023 to a net profit of RMB74.0 million in the second quarter of 2023.

## **Other Income**

Our other income increased by 12.1% from RMB164.8 million in the first quarter of 2023 to RMB184.8 million in the second quarter of 2023, primarily due to the increase of dividend income received from our investee companies.

## **Other Gains, Net**

Our other net gains decreased by 59.5% from RMB176.0 million in the first quarter of 2023 to RMB71.3 million in the second quarter of 2023, primarily due to increased foreign exchange losses due to US dollar appreciation and lower gains on disposal of an investment accounted for using the equity method.

## **Finance Income/(Costs), Net**

Our net finance income/(costs) changed from net costs of RMB429.5 million in the first quarter of 2023 to net income of RMB915.2 million in the second quarter of 2023, primarily due to the change of value of the financial liabilities payable to the fund investors.

## **Income Tax Expenses**

Our income tax expenses remained stable at RMB1.3 billion in the second quarter of 2023 compared to the first quarter of 2023.

## **Profit for the Period**

As a result of the foregoing, we had a profit of RMB3.7 billion in the second quarter of 2023, compared with a profit of RMB4.2 billion in the first quarter of 2023.

## **Adjusted Net Profit**

Our adjusted net profit increased by 59.0% from RMB3.2 billion in the first quarter of 2023 to RMB5.1 billion in the second quarter of 2023.

## **Non-IFRS Measure: Adjusted Net Profit**

To supplement our consolidated results which are prepared and presented in accordance with International Financial Reporting Standards (the “**IFRS**”), we utilize non-IFRS adjusted net profit (“**Adjusted Net Profit**”) as an additional financial measure. We define Adjusted Net Profit as profit for the period, as adjusted by adding back (i) share-based compensation, (ii) net fair value changes on investments, (iii) amortization of intangible assets resulting from acquisitions, (iv) changes of value of financial liabilities to fund investors, and (v) income tax effects of non-IFRS adjustments.

Adjusted Net 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 operations, 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 the 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 and therefore may not be comparable to similar measures used by other companies.

The following tables set forth reconciliations of the Group's non-IFRS measures for the second quarter of 2023, the first quarter of 2023, the second quarter of 2022 and the first half of 2023 and 2022 to the nearest measures prepared in accordance with IFRS.

	Unaudited						Non-IFRS
	Three Months Ended June 30, 2023						
				Adjustments			
			Net fair value	Amortization	Changes of		
		Share-based	changes on	of intangible	value of		
	As reported	compensation	investments <sup>(1)</sup>	assets	financial		
			resulting	liabilities	to fund	Income tax	
			from	investors <sup>(3)</sup>	investors <sup>(3)</sup>	effects <sup>(4)</sup>	
			acquisitions <sup>(2)</sup>				
	(RMB in thousand, unless specified)						
Profit for the period	3,665,524	708,152	942,777	36,002	(322,873)	110,698	5,140,280
Net margin	5.4%						7.6%

	Unaudited						Non-IFRS
	Three Months Ended March 31, 2023						
				Adjustments			
			Net fair value	Amortization	Changes of		
		Share-based	changes on	of intangible	value of		
	As reported	compensation	investments <sup>(1)</sup>	assets	financial		
			resulting	liabilities	to fund	Income tax	
			from	investors <sup>(3)</sup>	investors <sup>(3)</sup>	effects <sup>(4)</sup>	
			acquisitions <sup>(2)</sup>				
	(RMB in thousand, unless specified)						
Profit for the period	4,216,138	863,354	(3,025,510)	36,002	860,593	282,680	3,233,257
Net margin	7.1%						5.4%

	Unaudited						Non-IFRS
	Three Months Ended June 30, 2022						
				Adjustments			
			Net fair value	Amortization	Changes of		
		Share-based	changes on	of intangible	value of		
	As reported	compensation	investments <sup>(1)</sup>	assets	financial		
			resulting	liabilities	to fund	Income tax	
			from	investors <sup>(3)</sup>	investors <sup>(3)</sup>	effects <sup>(4)</sup>	
			acquisitions <sup>(2)</sup>				
	(RMB in thousand, unless specified)						
Profit for the period	1,365,377	851,074	(349,801)	36,081	83,974	94,559	2,081,264
Net margin	1.9%						3.0%

	Unaudited						
	Six Months Ended June 30, 2023						
			Adjustments				
			Amortization	Changes of			
			of intangible	value of			
			assets	financial			
		Net fair value	resulting	liabilities			
	Share-based	changes on	from	to fund	Income tax		
As reported	compensation	investments <sup>(1)</sup>	acquisitions <sup>(2)</sup>	investors <sup>(3)</sup>	effects <sup>(4)</sup>		Non-IFRS
(RMB in thousand, unless specified)							
Profit for the period	7,881,662	1,571,506	(2,082,733)	72,004	537,720	393,378	8,373,537
Net margin	6.2%						6.6%

	Unaudited						
	Six Months Ended June 30, 2022						
			Adjustments				
			Amortization	Changes of			
			of intangible	value of			
			assets	financial			
		Net fair value	resulting	liabilities			
	Share-based	changes on	from	to fund	Income tax		
As reported	compensation	investments <sup>(1)</sup>	acquisitions <sup>(2)</sup>	investors <sup>(3)</sup>	effects <sup>(4)</sup>		Non-IFRS
(RMB in thousand, unless specified)							
Profit for the period	834,823	1,253,361	3,483,705	72,162	(381,691)	(322,506)	4,939,854
Net margin	0.6%						3.4%

*Notes:*

- (1) Primarily includes fair value changes on equity investments and preferred shares investments deducting the cumulative fair value changes for investments (including the financial assets measured at fair value through profit or loss (“FAFVPL”) and the investments using the equity method transferred from FAFVPL) disposed in the current period, net gains/(losses) on deemed disposals of investee companies, the impairment provision for investments, re-measurement loss of significant influence in an associate and re-measurement of investments transferring from FAFVPL to investments using the equity method.
- (2) Represents amortization of intangible assets resulting from acquisitions.
- (3) Represent the change of value of the financial liabilities payable to the fund investors, as a result of the change of fair value of the fund.
- (4) Income tax effects of non-IFRS adjustments.

## Liquidity and Financial Resources

On December 4, 2020, the Company completed a placing of a total of 1,000,000,000 placing shares at HK\$23.70 for each placing share owned by Smart Mobile Holdings Limited to not less than six places who and whose ultimate beneficial owner(s) are independent third parties and allotted and issued 1,000,000,000 subscription shares at HK\$23.70 per subscription share under the general mandate to Smart Mobile Holdings (the “**2020 Placing and Subscription**”). For further details, please refer to the Company’s announcements dated December 2, 2020, December 3, 2020, and December 9, 2020.

Other than the funds raised through our Global Offering (as defined in the prospectus of the Company dated June 25, 2018) in July 2018, the 2020 Placing and Subscription and the issuance of debt securities as described in “Issuance of Debt Securities” below, we have historically funded our cash requirements principally from cash generated from our operations and bank borrowings. We had cash and cash equivalents of RMB31.5 billion and RMB26.2 billion as of June 30, 2023 and March 31, 2023, respectively.

### *Note:*

The cash resources which the Group considered in cash management include but are not limited to cash and cash equivalents, restricted cash, short-term bank deposits, short-term investments measured at fair value through profit or loss, short-term investments measured at amortized cost, long-term bank deposits and other investments included in long-term investments measured at fair value through profit or loss. As of June 30, 2023, the aggregate amount of cash resources of the Group was RMB113.2 billion.

## Issuance of Debt Securities

On April 29, 2020, Xiaomi Best Time International Limited, a wholly owned subsidiary of the Company, issued US\$600 million 3.375% senior notes due 2030 unconditionally and irrevocably guaranteed by the Company (the “**2030 Notes**”). For further details, please refer to the announcements of the Company published on April 20, 2020, and April 23, 2020.

On December 17, 2020, Xiaomi Best Time International Limited issued zero coupon guaranteed convertible bonds due 2027 guaranteed by the Company in the aggregate principal amount of US\$855 million at an initial conversion price of HK\$36.74 per conversion share (subject to adjustments) (the “**2027 Bonds**”). The 2027 Bonds are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). For further details, please refer to the announcements of the Company dated December 2, 2020, December 3, 2020, December 17, 2020, and December 18, 2020.

As of June 30, 2023, no 2027 Bonds had been converted into new Shares.

On July 14, 2021, Xiaomi Best Time International Limited issued US\$800 million 2.875% senior bonds due 2031 (the “**2031 Bonds**”) and US\$400 million 4.100% senior green bonds due 2051, both of which were unconditionally and irrevocably guaranteed by the Company (the “**Green Bonds**”). For further details of the 2031 Bonds and Green Bonds, please refer to the announcements of the Company published on July 6, 2021, July 8, 2021, July 14, 2021 and July 15, 2021.

## Consolidated Statement of Cash Flows

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>June 30, 2023</b>	<b>March 31, 2023</b>
	<b>(RMB in millions)</b>	
Net cash generated from operating activities <sup>(1)</sup>	<b>18,943.2</b>	1,218.8
Net cash used in investing activities	<b>(12,870.0)</b>	(1,622.2)
Net cash used in financing activities <sup>(1)</sup>	<b>(1,419.9)</b>	(866.8)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>4,653.3</b>	(1,270.2)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of period	<b>26,181.0</b>	27,607.3
Effects of exchange rate changes on cash and cash equivalents	<b>624.7</b>	(156.1)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>31,459.0</b>	26,181.0
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (1) Excluding (1) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech business; (2) the change of trade payables related to the finance factoring business; (3) the change of restricted cash resulting from the fintech business; and (4) the change of deposits from customers resulting from the Airstar bank, the net cash generated from operating activities was RMB20.2 billion in the second quarter of 2023 and the net cash used in operating activities was RMB0.7 billion in the first quarter of 2023, respectively. Excluding the change of borrowings for the fintech business, the net cash used in financing activities was RMB0.9 billion in the second quarter of 2023 and the net cash used in financing activities was RMB1.4 billion in the first quarter of 2023, 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 Generated from Operating Activities

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

In the second quarter of 2023, net cash generated from our operating activities amounted to RMB18.9 billion, representing cash generated from operations of RMB19.5 billion minus income tax paid of RMB0.5 billion. Cash generated from operations was primarily attributable to our profit before income tax of RMB5.0 billion, adjusted by an increase in trade payables of RMB13.6 billion, a decrease in inventories of RMB3.7 billion, partially offset by an increase of prepayments and other receivables of RMB4.1 billion.

### Net Cash Used in Investing Activities

For the second quarter of 2023, our net cash used in investing activities was RMB12.9 billion, which was primarily attributed to an increase of short-term bank deposits of RMB5.0 billion, an increase of short-term investment measured at fair value through profit or loss of RMB3.7 billion and an increase of long-term bank deposits of RMB3.7 billion.

## Net Cash Used in Financing Activities

For the second quarter of 2023, our net cash used in financing activities was RMB1.4 billion, which was primarily attributed to the distribution to fund investors of RMB0.7 billion and repayment of borrowings of RMB0.5 billion.

## Borrowings

As at March 31, 2023 and June 30, 2023, we had total borrowings of RMB22.5 billion and RMB22.9 billion, respectively.

## Capital Expenditure

	Unaudited Three months ended	
	June 30, 2023	March 31, 2023
	(in millions of RMB)	
Capital expenditures	2,165.7	1,556.4
Placement of long-term investments <sup>(1)</sup>	1,646.7	1,028.5
Total	<u>3,812.4</u>	<u>2,584.9</u>

Note:

(1) Placement for long-term investments represents equity investments, preferred share investments and other investments.

## Off-Balance Sheet Commitments and Arrangements

As of June 30, 2023, except for financial guarantee contracts, we had not entered into any significant off-balance sheet commitments or arrangements.

## Future Plans for Material Investments and Capital Assets

As at June 30, 2023, we did not have other plans for material investments and capital assets.

## Investments Held

As of June 30, 2023, we had invested in more than 420 companies with an aggregate book value of RMB67.7 billion, an increase of 6.7% year-over-year. In the second quarter of 2023, we recorded a net gain on disposal of investments (after tax) of RMB0.7 billion. The total amount of these investments (including (i) fair value of our stakes in listed investee companies accounted for using the equity method based on the stock price on June 30, 2023 (ii) book value of our stakes in unlisted investee companies accounted for using the equity method and (iii) book value of long term investments measured at fair value through profit or loss) reached RMB70.3 billion as at June 30, 2023.



The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5 percent or more of the Group's total assets as at June 30, 2023) during the six months ended June 30, 2023.

### **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

In the second quarter of 2023, we did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

### **Employee and Remuneration Policy**

As at June 30, 2023, we had 32,464 full-time employees, 30,278 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India and Indonesia. As at June 30, 2023, our research and development personnel, totaling 16,834 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 at June 30, 2023, 10,648 employees held share-based awards. The total remuneration expenses, including share-based compensation expenses, in the second quarter of 2023 were RMB4.4 billion.

### **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 the exposure to various currencies, primarily with respect to the United States Dollar. Therefore, foreign exchange risk primarily arises from the recognized assets and liabilities in our subsidiaries when receiving or expecting to receive foreign currencies from, or paying or expecting to pay foreign currencies to overseas business partners.

We will continue to monitor changes in currency exchange rates and will take necessary measures to mitigate any impacts caused by exchange rate fluctuations.

### **Pledge of Assets**

As of June 30, 2023, we had a restricted deposit of RMB4.6 billion, compared with RMB4.2 billion as of March 31, 2023.

### **Contingent Liabilities**

Details of the contingencies are set out in Note 10 to the financial information.

# CONDENSED FINANCIAL INFORMATION

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months and six months ended June 30, 2023

(Expressed in Renminbi (“RMB”))

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Revenue</b>	2	<b>67,354,908</b>	70,170,877	<b>126,832,042</b>	143,522,379
Cost of sales	2, 3	<b>(53,193,892)</b>	(58,402,842)	<b>(101,079,459)</b>	(119,044,598)
<b>Gross profit</b>		<b>14,161,016</b>	11,768,035	<b>25,752,583</b>	24,477,781
Research and development expenses	3	<b>(4,554,803)</b>	(3,763,374)	<b>(8,668,163)</b>	(7,257,913)
Selling and marketing expenses	3	<b>(4,476,758)</b>	(5,332,208)	<b>(8,580,622)</b>	(10,588,392)
Administrative expenses	3	<b>(1,143,190)</b>	(1,315,404)	<b>(2,278,363)</b>	(2,559,977)
Fair value changes on investments measured at fair value through profit or loss	5	<b>(275,784)</b>	513,577	<b>3,177,475</b>	(3,036,678)
Share of net profits/(losses) of investments accounted for using the equity method		<b>74,046</b>	62,672	<b>(59,035)</b>	(138,660)
Other income		<b>184,776</b>	186,177	<b>349,610</b>	351,104
Other gains/(losses), net		<b>71,223</b>	(386,447)	<b>247,250</b>	(425,500)
<b>Operating profit</b>		<b>4,040,526</b>	1,733,028	<b>9,940,735</b>	821,765
Finance income		<b>851,273</b>	379,991	<b>1,529,423</b>	645,693
Finance costs		<b>63,882</b>	(376,180)	<b>(1,043,764)</b>	(146,549)
<b>Profit before income tax</b>		<b>4,955,681</b>	1,736,839	<b>10,426,394</b>	1,320,909
Income tax expenses		<b>(1,290,157)</b>	(371,462)	<b>(2,544,732)</b>	(486,086)
<b>Profit for the period</b>		<b>3,665,524</b>	1,365,377	<b>7,881,662</b>	834,823
<b>Attributable to:</b>					
— Owners of the Company		<b>3,669,975</b>	1,386,400	<b>7,873,814</b>	798,800
— Non-controlling interests		<b>(4,451)</b>	(21,023)	<b>7,848</b>	36,023
		<b>3,665,524</b>	1,365,377	<b>7,881,662</b>	834,823
<b>Earnings per share (expressed in RMB per share):</b>	4				
Basic		<b>0.15</b>	0.06	<b>0.32</b>	0.03
Diluted		<b>0.15</b>	0.06	<b>0.31</b>	0.03

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and six months ended June 30, 2023

(Expressed in RMB)

	Unaudited Three months ended June 30, 2023		Unaudited Six months ended June 30, 2023	
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Profit for the period</b>	<b>3,665,524</b>	1,365,377	<b>7,881,662</b>	834,823
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive (loss)/income of investments accounted for using the equity method	(4,330)	4,433	(27,903)	(16,663)
Transfer of share of other comprehensive income to profit or loss upon disposal of investments accounted for using equity method	(471)	—	(464)	—
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(8,634)	(3,769)	(15,833)	(6,944)
Currency translation differences	586,382	46,083	567,037	(16,261)
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Currency translation differences	2,157,698	2,295,418	1,590,208	2,119,010
<b>Other comprehensive income for the period, net of tax</b>	<b>2,730,645</b>	2,342,165	<b>2,113,045</b>	2,079,142
<b>Total comprehensive income for the period</b>	<b>6,396,169</b>	3,707,542	<b>9,994,707</b>	2,913,965
<b>Attributable to:</b>				
— Owners of the Company	6,390,417	3,717,982	9,980,329	2,869,183
— Non-controlling interests	5,752	(10,440)	14,378	44,782
	<b>6,396,169</b>	3,707,542	<b>9,994,707</b>	2,913,965

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2023

(Expressed in RMB)

	Note	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		12,019,697	9,138,221
Intangible assets		6,022,056	4,629,676
Investments accounted for using the equity method		8,216,675	7,932,192
Long-term investments measured at fair value through profit or loss	5	59,467,861	55,979,974
Deferred income tax assets		2,616,219	2,278,175
Long-term bank deposits		13,785,172	16,788,346
Long-term investments measured at amortized cost	5	393,037	405,371
Other non-current assets		15,540,046	15,940,461
		<u>118,060,763</u>	<u>113,092,416</u>
<b>Current assets</b>			
Inventories	7	38,454,691	50,437,891
Trade receivables	6	12,541,275	11,795,074
Loan receivables		7,143,860	7,829,563
Prepayments and other receivables		19,819,186	18,578,491
Bills receivables measured at fair value through other comprehensive income		1,640,327	40,003
Short-term investments measured at fair value through other comprehensive income	5	585,089	449,109
Short-term investments measured at amortized cost	5	1,002,271	—
Short-term investments measured at fair value through profit or loss	5	13,128,102	9,845,910
Short-term bank deposits		43,095,579	29,874,707
Restricted cash		4,626,218	3,956,786
Cash and cash equivalents		31,458,952	27,607,261
		<u>173,495,550</u>	<u>160,414,795</u>
<b>Total assets</b>		<u><u>291,556,313</u></u>	<u><u>273,507,211</u></u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As of June 30, 2023

(Expressed in RMB)

	Note	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		407	406
Reserves		154,774,544	143,658,052
		<u>154,774,951</u>	<u>143,658,458</u>
<b>Non-controlling interests</b>		<u>278,341</u>	<u>264,602</u>
<b>Total equity</b>		<u>155,053,292</u>	<u>143,923,060</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	8	21,763,554	21,493,261
Deferred income tax liabilities		1,326,542	983,256
Warranty provision		1,067,218	945,270
Other non-current liabilities		17,760,467	16,534,831
		<u>41,917,781</u>	<u>39,956,618</u>
<b>Current liabilities</b>			
Trade payables	9	55,106,248	53,093,543
Other payables and accruals		20,201,026	18,440,716
Advance from customers		9,887,617	9,587,959
Borrowings	8	1,122,048	2,150,741
Income tax liabilities		2,308,186	1,384,133
Warranty provision		5,960,115	4,970,441
		<u>94,585,240</u>	<u>89,627,533</u>
<b>Total liabilities</b>		<u>136,503,021</u>	<u>129,584,151</u>
<b>Total equity and liabilities</b>		<u>291,556,313</u>	<u>273,507,211</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

(Expressed in RMB)

	Unaudited	
	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	20,162,011	(7,031,424)
Net cash (used in)/generated from investing activities	(14,492,197)	7,627,358
Net cash (used in)/generated from financing activities	(2,286,696)	3,633,776
<b>Net increase in cash and cash equivalents</b>	<b>3,383,118</b>	<b>4,229,710</b>
Cash and cash equivalents at the beginning of the period	27,607,261	23,511,579
Effects of exchange rate changes on cash and cash equivalents	468,573	441,812
<b>Cash and cash equivalents at end of the period</b>	<b>31,458,952</b>	<b>28,183,101</b>

## 1 Basis of preparation

The condensed consolidated interim financial information comprises the interim condensed consolidated balance sheet as of June 30, 2023, the interim condensed consolidated income statements and the interim condensed consolidated statements of comprehensive income for the three-month and six-month periods then ended, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (the “**Interim Financial Information**”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim 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 Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended December 31, 2022 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as set out in the 2022 annual report of the Company dated March 24, 2023 (the “**2022 Financial Statements**”), and any public announcement made by the Company during the six months ended June 30, 2023 (the “**Interim Report Period**”) and up to date of approval of this unaudited Interim Financial Information.

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the 2022 Financial Statements, except for the adoption of certain new and amended standards which has had no significant impact on the Group’s results for the Interim Report Period and the Group’s financial position as of June 30, 2023.

## 2 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 of the Company 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

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. There were no material inter-segment sales during the three months and six months ended June 30, 2023 and 2022. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the interim condensed consolidated income statement.

The segment results for the three months and six months ended June 30, 2023 and 2022 are as follows:

	<b>Three months ended June 30, 2023</b>				
	<b>Smartphones</b>	<b>IoT and</b>	<b>Internet</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>lifestyle</b>	<b>services</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>products</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>RMB'000</b>			
<b>(Unaudited)</b>					
Segment revenues	36,595,461	22,253,866	7,444,079	1,061,502	67,354,908
Cost of sales	<u>(31,720,488)</u>	<u>(18,343,767)</u>	<u>(1,926,198)</u>	<u>(1,203,439)</u>	<u>(53,193,892)</u>
Gross profit/(loss)	<u>4,874,973</u>	<u>3,910,099</u>	<u>5,517,881</u>	<u>(141,937)</u>	<u>14,161,016</u>
	<b>Three months ended June 30, 2022</b>				
	<b>Smartphones</b>	<b>IoT and</b>	<b>Internet</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>lifestyle</b>	<b>services</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>products</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>RMB'000</b>			
<b>(Unaudited)</b>					
Segment revenues	42,268,105	19,811,608	6,971,121	1,120,043	70,170,877
Cost of sales	<u>(38,605,297)</u>	<u>(16,983,584)</u>	<u>(1,880,970)</u>	<u>(932,991)</u>	<u>(58,402,842)</u>
Gross profit	<u>3,662,808</u>	<u>2,828,024</u>	<u>5,090,151</u>	<u>187,052</u>	<u>11,768,035</u>
	<b>Six months ended June 30, 2023</b>				
	<b>Smartphones</b>	<b>IoT and</b>	<b>Internet</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>lifestyle</b>	<b>services</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>products</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>RMB'000</b>			
<b>(Unaudited)</b>					
Segment revenues	71,580,207	39,087,648	14,472,227	1,691,960	126,832,042
Cost of sales	<u>(62,772,217)</u>	<u>(32,530,885)</u>	<u>(3,874,599)</u>	<u>(1,901,758)</u>	<u>(101,079,459)</u>
Gross profit/(loss)	<u>8,807,990</u>	<u>6,556,763</u>	<u>10,597,628</u>	<u>(209,798)</u>	<u>25,752,583</u>
	<b>Six months ended June 30, 2022</b>				
	<b>Smartphones</b>	<b>IoT and</b>	<b>Internet</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>lifestyle</b>	<b>services</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>products</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>RMB'000</b>			
<b>(Unaudited)</b>					
Segment revenues	88,030,794	39,288,965	14,083,602	2,119,018	143,522,379
Cost of sales	<u>(79,845,895)</u>	<u>(33,418,963)</u>	<u>(3,959,321)</u>	<u>(1,820,419)</u>	<u>(119,044,598)</u>
Gross profit	<u>8,184,899</u>	<u>5,870,002</u>	<u>10,124,281</u>	<u>298,599</u>	<u>24,477,781</u>



For the three months and six months ended June 30, 2023 and 2022, the geographical information on the total revenues is as follows:

	Three months ended June 30,				Six months ended June 30,			
	2023		2022		2023		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Mainland China	<b>39,585,960</b>	<b>58.8</b>	36,201,979	51.6	<b>72,077,944</b>	<b>56.8</b>	72,091,624	50.2
Rest of the world (Note (a))	<b>27,768,948</b>	<b>41.2</b>	<u>33,968,898</u>	48.4	<b>54,754,098</b>	<b>43.2</b>	<u>71,430,755</u>	49.8
	<b><u>67,354,908</u></b>		<u>70,170,877</u>		<b><u>126,832,042</u></b>		<u>143,522,379</u>	

Note:

(a) Revenues outside mainland China are mainly from India and Europe.

### 3 Expenses by nature

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold and royalty fees	<b>47,641,858</b>	52,590,669	<b>90,402,822</b>	107,867,373
Provision for impairment of inventories	<b>881,462</b>	1,789,704	<b>2,695,954</b>	3,320,900
Employee benefit expenses	<b>4,418,111</b>	4,073,525	<b>8,918,568</b>	7,968,639
Depreciation of property and equipment, right-of-use assets and investment properties	<b>598,701</b>	603,272	<b>1,178,938</b>	1,147,736
Amortization of intangible assets	<b>426,732</b>	344,140	<b>788,205</b>	678,109
Promotion and advertising expenses	<b>1,468,832</b>	1,794,561	<b>2,735,705</b>	3,469,298
Content fees to game developers and video providers	<b>798,591</b>	744,651	<b>1,663,088</b>	1,544,532
Credit loss allowance	<b>24,615</b>	52,801	<b>83,572</b>	105,969
Consultancy and professional service fees	<b>383,883</b>	345,702	<b>666,739</b>	678,054
Cloud service, bandwidth and server custody fees	<b>479,301</b>	483,214	<b>1,029,850</b>	1,075,088
Warranty expenses	<b>1,894,883</b>	1,433,712	<b>2,758,314</b>	2,525,423

## 4 Earnings per share

### (a) Basic

Basic earnings per share for the three months and six months ended June 30, 2023 and 2022 are calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the periods and excluding treasury shares.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit attributable to the owners of the Company (RMB'000)	<b>3,669,975</b>	1,386,400	<b>7,873,814</b>	798,800
Weighted average number of ordinary shares in issue (thousand shares)	<b>24,878,433</b>	24,816,255	<b>24,850,270</b>	24,838,045
Basic earnings per share (expressed in RMB per share)	<b>0.15</b>	0.06	<b>0.32</b>	0.03

### (b) Diluted

Diluted earnings 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 inclusion of potential ordinary shares from the convertible bonds would be anti-dilutive, it is not included in the calculation of diluted earnings per share for the three months and six months ended June 30, 2023.

For the three months and six months ended June 30, 2023 and 2022, the share options and restricted shares units ("RSUs") granted by the Group's subsidiary and associates had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted earnings per share.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit attributable to the owners of the Company (RMB'000)	<b>3,669,975</b>	1,386,400	<b>7,873,814</b>	798,800
Weighted average number of ordinary shares in issue (thousand shares)	<b>24,878,433</b>	24,816,255	<b>24,850,270</b>	24,838,045
Adjustments RSUs and share options granted to employees (thousand shares)	<b>345,060</b>	358,250	<b>342,409</b>	388,833
Adjustments for share consideration for acquisition of Zimi International Incorporation (thousand shares)	<b>569</b>	846	<b>464</b>	525
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	<b>25,224,062</b>	25,175,351	<b>25,193,143</b>	25,227,403
Diluted earnings per share (expressed in RMB per share)	<b>0.15</b>	0.06	<b>0.31</b>	0.03

## 5 Investments

	As of <b>June 30,</b> <b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
<b>Current assets</b>		
Short-term investments measured at		
— Amortized cost	1,002,271	—
— Fair value through other comprehensive income	585,089	449,109
— Fair value through profit or loss	13,128,102	9,845,910
	<u>14,715,462</u>	<u>10,295,019</u>
<b>Non-current assets</b>		
Long-term investments measured at amortized cost	393,037	405,371
Long-term investments measured at fair value through profit or loss		
— Ordinary shares investments	20,164,282	18,726,499
— Preferred shares investments	32,249,915	31,053,080
— Other investments	7,053,664	6,200,395
	<u>59,860,898</u>	<u>56,385,345</u>

Amounts recognized in profit or loss for investments measured at fair value through profit or loss

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value changes on ordinary share investments	(1,464,840)	403,629	1,751,493	(3,287,125)
Fair value changes on preferred shares investments	1,145,843	89,787	1,248,411	101,597
Fair value changes on other investments	(8,821)	(144,989)	69,523	(136,896)
Fair value changes on short-term investments measured at fair value through profit or loss	52,034	165,150	108,048	285,746
	<u>(275,784)</u>	<u>513,577</u>	<u>3,177,475</u>	<u>(3,036,678)</u>

## 6 Trade receivables

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

	As of <b>June 30,</b> <b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
<b>Trade receivables</b>		
Up to 3 months	<b>9,960,673</b>	9,325,061
3 to 6 months	<b>1,003,646</b>	1,946,964
6 months to 1 year	<b>1,409,618</b>	469,147
1 to 2 years	<b>239,817</b>	150,685
Over 2 years	<b>130,561</b>	108,557
	<b>12,744,315</b>	12,000,414
Less: credit loss allowance	<b>(203,040)</b>	(205,340)
	<b>12,541,275</b>	11,795,074

## 7 Inventories

	As of <b>June 30,</b> <b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	As of December 31, 2022 RMB'000 (Audited)
Raw materials	<b>11,411,906</b>	17,122,900
Finished goods	<b>22,658,786</b>	28,650,303
Work in progress	<b>2,705,780</b>	3,068,508
Spare parts	<b>4,104,634</b>	4,410,902
Others	<b>870,247</b>	655,638
	<b>41,751,353</b>	53,908,251
Less: provision for impairment (Note(a))	<b>(3,296,662)</b>	(3,470,360)
	<b>38,454,691</b>	50,437,891

*Note:*

- (a) During the three and six months ended June 30, 2023, the Group incurred inventory impairment provision approximately RMB881,462,000 and RMB2,695,954,000, respectively (2022: RMB1,789,704,000 and RMB3,320,900,000, respectively) and transferred out of such provision upon the sales of inventories approximately RMB1,257,687,000 and RMB2,869,652,000, respectively (2022: RMB1,177,801,000 and RMB2,301,104,000, respectively).

## 8 Borrowings

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
<b>Included in non-current liabilities</b>		
Secured borrowings	—	102,325
Unsecured borrowings	16,736,351	16,656,195
Convertible bonds	5,027,203	4,734,741
	<u>21,763,554</u>	<u>21,493,261</u>
<b>Included in current liabilities</b>		
Secured borrowings	—	3,283
Unsecured borrowings	1,122,048	2,147,458
	<u>1,122,048</u>	<u>2,150,741</u>

## 9 Trade payables

Trade payables primarily include payables for inventories. As of June 30, 2023 and December 31, 2022, the carrying amounts of trade payables were primarily denominated in RMB, US\$ and India Rupees.

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

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Up to 3 months	49,756,169	47,999,500
3 to 6 months	2,353,900	1,820,555
6 months to 1 year	1,393,560	2,172,721
1 to 2 years	1,344,091	855,854
Over 2 years	258,528	244,913
	<u>55,106,248</u>	<u>53,093,543</u>

## 10 Contingencies

The Group, in the ordinary course of its business, is involved in various claims, suits, and legal proceedings that arise from time to time. Since December 2021, Xiaomi Technology India Private Limited (“Xiaomi India”) has been involved in various investigations and notifications initiated by relevant Indian authorities including the Income Tax Department, the Directorate of Revenue Intelligence and the Directorate of Enforcement (the “ED”) in relation to compliance of relevant income tax regulations, custom duties regulations as well as foreign exchange regulations, respectively.

In this connection, Xiaomi India received orders alleging that it has inappropriately deducted certain costs and expenses, including purchase costs of mobile phones and royalty fees paid to overseas third parties as well as companies within the Group. As a result, certain of its bank accounts has been attached and thereby INR44,135,338,000 (equivalent to RMB3,904,212,000) has been considered as restrictive as of June 30, 2023. On July 7, 2023, the ED filed a writ appeal with the High Court of Karnataka at Bengaluru requesting Xiaomi India to restrict further amounts as requested by the ED’s seizure order on April 29, 2022, which was not supported by the court on April 21, 2023 and August 2, 2023, respectively. The Group has appointed legal counsel to conduct active defense in respect of the said cases. The cases are currently in the hearing stages and not yet concluded.

Management assessed the aforesaid matters related to Xiaomi India, taking into considerations opinions from professional advisors, and concluded Xiaomi India has valid grounds to respond to the relevant Indian authorities. The Group, hence, has not made any provision as of June 30, 2023 pertaining to these matters.

Conclusions of legal proceedings, investigations and allegations could take a long period of time, and the Group could receive judgments or enter into settlements that may adversely affect its operating results or cash flows. Quantifying the related financial effects is not practical at this stage.

## OTHER INFORMATION

### Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended June 30, 2023 and up to the date of this announcement, the Company repurchased a total of 49,500,000 Class B ordinary shares (the “**Class B Shares**”) of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$528,553,162 (the “**Shares Repurchased**”). Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
May	4,400,000	10.54	10.46	46,197,760
June	38,200,000	11.00	9.96	407,830,772
July	<u>6,900,000</u>	10.88	10.66	<u>74,524,630</u>
<b>Total</b>	<u><u>49,500,000</u></u>			<u><u>528,553,162</u></u>

As at the date of this announcement, the number of Class B Shares in issue was reduced by 49,500,000 shares as a result of the cancellation of the Shares Repurchased. Upon cancellation of the Shares Repurchased, the weighted voting rights (“**WVR**”) beneficiaries of the Company simultaneously reduced their WVR in the Company proportionately by way of converting their Class A ordinary shares (“**Class A Shares**”) into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), such that the proportion of shares carrying WVR of the Company shall not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

The Class B Shares repurchased in May 2023, June 2023, and July 2023 were subsequently cancelled on August 21, 2023. A total of 9,061,798 Class A Shares were converted into Class B Shares on a one-to-one ratio on August 21, 2023, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 8,161,142 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 900,656 Class A Shares.

Save as disclosed above, 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 six months ended June 30, 2023 and up to the date of this announcement.

### Compliance with the Corporate Governance Code

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 C.2.1 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, the Company has complied with all the code provisions set out in the CG Code during the six months ended June 30, 2023.

Pursuant to code provision C.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, Mr. Liu Qin, Dr. Chen Dongsheng and Mr. Wong Shun Tak) has reviewed the unaudited interim results of the Group for the three and six months ended June 30, 2023. 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.

### **Material Litigation**

As at June 30, 2023, 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.

### **Interim Dividend**

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2023.

### **Events after June 30, 2023**

Save as disclosed in this announcement, there have been no other significant events that might affect the Group after June 30, 2023 and up to the date of this announcement.

## **Publication of the Interim Results Announcement and Interim Report**

This interim results announcement has been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.mi.com](http://www.mi.com). The interim report of the Company will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

By order of the Board  
**Xiaomi Corporation**  
**Lei Jun**  
*Chairman*

Hong Kong, August 29, 2023

*As at the date of this announcement, the Board comprises Mr. Lei Jun as Chairman and Executive Director, Mr. Lin Bin as Vice-Chairman and Executive Director, Mr. Liu De as Executive Director, Mr. Liu Qin as Non-executive Director, and Dr. Chen Dongsheng, Mr. Wong Shun Tak and Prof. Tong Wai Cheung Timothy as Independent Non-executive Directors.*