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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, 2024

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, 2024. 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, 2024 | June 30, 2023 | Year- over-year change | March 31, 2024 | |
| | (Renminbi (“ RMB ”) in millions, unless specified) | | | | |
| Revenue | 88,887.8 | 67,354.9 | 32.0% | 75,506.8 | 17.7% |
| Gross profit | 18,394.2 | 14,161.0 | 29.9% | 16,829.7 | 9.3% |
| Operating profit | 5,888.7 | 4,040.5 | 45.7% | 3,683.0 | 59.9% |
| Profit before income tax | 6,679.4 | 4,955.7 | 34.8% | 5,222.4 | 27.9% |
| Profit for the period | 5,069.7 | 3,665.5 | 38.3% | 4,173.2 | 21.5% |
| Non-IFRS Measure ¹ : | | | | | |
| Adjusted Net Profit | 6,175.4 | 5,140.3 | 20.1% | 6,490.9 | -4.9% |

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

**Unaudited
Six months ended**

| | June 30, 2024 | June 30, 2023 | Year- over-year change |
|---------------------------------------|-------------------------------------|------------------|------------------------------|
| | (RMB in millions, unless specified) | | |
| Revenue | 164,394.7 | 126,832.0 | 29.6% |
| Gross profit | 35,223.9 | 25,752.6 | 36.8% |
| Operating profit | 9,571.8 | 9,940.7 | -3.7% |
| Profit before income tax | 11,901.8 | 10,426.4 | 14.2% |
| Profit for the period | 9,242.9 | 7,881.7 | 17.3% |
| Non-IFRS Measure: Adjusted Net Profit | 12,666.4 | 8,373.5 | 51.3% |

BUSINESS REVIEW AND OUTLOOK

1. Overall Performance

In the second quarter of 2024, we once again achieved strong growth in both revenue and profitability. In the second quarter of 2024, our total revenue amounted to RMB88.9 billion, hitting an all-time high with an increase of 32.0% year-over-year. Segment-wise², in the second quarter of 2024, revenue of our smartphone × AIoT segment reached RMB82.5 billion; revenue of our smart Electric Vehicle (“EV”) and other new initiatives segment reached RMB6.4 billion. In the second quarter of 2024, our adjusted net profit increased by 20.1% year-over-year to RMB6.2 billion, which included RMB1.8 billion in adjusted net loss related to our smart EV and other new initiatives³.

We continued to advance our corporate strategy of “Human × Car × Home”. In the second quarter of 2024, our global smartphone shipments reached 42.2 million units, up 28.1% year-over-year. According to Canalys, in the second quarter of 2024, our global smartphone shipments ranked among top three, with a market share of 14.6%, and we are the fastest-growing smartphone vendor among the top five in terms of shipments. We have ranked among top three smartphone brands globally in terms of smartphone shipment for the sixteenth consecutive quarter. Meanwhile, we continued to expand our user ecosystem. In June 2024, our global monthly active users (“MAU”)⁴ reached another record high at 675.8 million, increasing 11.5% year-over-year. As of June 30, 2024, the number of connected IoT devices on our AIoT platform (excluding smartphones, tablets and laptops) increased to 822.2 million, up 25.6% year-over-year. On March 28, 2024, we officially launched our first smart EV product, the *Xiaomi SU7 Series*, enhancing our product ecosystem. In the second quarter of 2024, the deliveries of the *Xiaomi SU7 Series* reached 27,307 vehicles.

2 Since the second quarter of 2024, we have updated our business into two main business segments, including smartphone × AIoT segment, and smart EV and other new initiatives segment. The smartphone × AIoT segment encompasses smartphones, IoT and lifestyle products, internet services, and other related business. The smart EV and other new initiatives segment encompasses smart EV, and other related business.

3 Excluding share-based compensation expenses (SBC) related to smart EV and other new initiatives of RMB0.2 billion for the quarter.

4 Including smartphones and tablets.

We continued advance our smartphone premiumization strategy, consistently enhancing product capabilities. In July 2024, we unveiled the new-generation *Xiaomi MIX Fold 4*, featuring flagship performance with a lighter and thinner experience. Additionally, we launched the *Xiaomi MIX Flip*, our first compact foldable device, providing both stylish design and advanced technological features with flagship performance. With continued evolvement of our premiumization strategy, the improvement of our premium product capabilities, and the accumulation of user perception, we continued to solidify and extend our current position in the competitive landscape of premium smartphone in mainland China. According to third-party data, in the second quarter of 2024, our premium smartphone⁵ shipments accounted for 22.1% of our total smartphone shipments in mainland China, representing an increase of 2.0 percentage points year-over-year. According to third-party data, in the second quarter of 2024, we achieved year-over-year increases in market share across three premium smartphone price segments in mainland China, including the RMB3,000–4,000 segment, the RMB4,000–5,000 segment, and the RMB5,000–6,000 segment. In the RMB3,000–4,000 segment, our market share reached 16.8%, up 5.4 percentage points year-over-year. In the RMB4,000–5,000 segment, our market share reached 20.1%, up 3.5 percentage points year-over-year. In the RMB5,000–6,000 segment, our market share reached 8.9%, up 2.3 percentage points year-over-year.

Acceleration and ecosystem upgrade is our new retail strategy for 2024. In the second quarter of 2024, the number of our offline retail stores in mainland China continued to grow. As of June 30, 2024, the number of our offline retail stores in mainland China exceeded 12,000. In the second quarter of 2024, according to third-party data, our market share of smartphone shipments through offline channels in mainland China was 10.4%, up by 2.5 percentage points year-over-year. In the meantime, during the 2024 618 e-Commerce Shopping Festival, our omnichannel cumulative gross merchandise value (“GMV”) amounted to over RMB26.3 billion⁶, setting a new record for our e-Commerce shopping festivals.

We continued to expand our global footprint while focusing on growth opportunities in the global market. In the second quarter of 2024, our revenue from overseas markets reached RMB38.1 billion, accounting for 42.8% of our total revenue. According to Canalys, in the second quarter of 2024, our smartphone shipments ranked among the top three across 58 countries and regions globally and ranked among the top five across 70 countries and regions globally, and our smartphone shipments ranked among the top two in the Latin America for the first time. With the strength of our global brand recognition and enhanced operational capabilities, we achieved steady growth in our overseas AIoT business. According to Canalys, in the second quarter of 2024, our tablet shipments ranked among the top five globally with market share significantly increasing by 2.6 percentage points year-over-year to 6.0%, our TWS earbud shipments ranked among the top three globally, and our wearable bands⁷ shipments ranked among the top three globally.

5 Premium smartphones in mainland China are models with retail prices at or above RMB3,000.

6 Our omnichannel includes Mi Store, Mi Home, Xiaomi Youpin, major authorized e-commerce platforms and authorized retailers; data source: Xiaomi’s data center, JD.com’s business intelligence “Shangzhi” and “Jingsu” product ranking, and Tmall’s business intelligence “Shengyi Canmou”, from May 20, 2024 20:00:00 to June 18, 2024 23:59:59, including pre-captured data of individual categories, from May 1, 2024 00:00:00 to June 18, 2024 23:59:59.

7 Wearable bands include basic bands, basic watches, and smart watches.

The second quarter of 2024 was the first full delivery quarter following the launch of the *Xiaomi SU7 series*. We fulfilled our commitment to our users, which is “launch upon release, deliver upon launch, and ramp up production upon delivery”, successfully delivering 27,307 vehicles during the quarter. To meet user demand, our Xiaomi EV factory has ramped up continuously, with double-shift operations started in June 2024 and optimization and maintenance of the production line in July 2024. We expect to achieve the goal of delivering 100,000 vehicles of *Xiaomi SU7 Series* by November 2024, ahead of schedule, and we will strive to reach a new target of delivering 120,000 vehicles of *Xiaomi SU7 Series* for the entire year of 2024. At the same time, We continued to expand the new retail network for our smart EV, further enhancing our brand perception. As of June 30, 2024, our sales and service network comprised 87 sales centers across 30 cities in mainland China.

We are steadily approaching our new goal for 2020–2030, which is to invest sustainably in foundational core technologies and to become a global leader in the evolving realm of cutting-edge technologies. In the second quarter of 2024, our research and development (R&D) expenses were RMB5.5 billion, up 20.7% year-over-year. As of June 30, 2024, we had 18,290 research and development personnel, accounting for 48.7% of our employees. In addition, we continued to extend our intellectual property capabilities. As of June 30, 2024, we had obtained more than 40,000 patents worldwide. In July 2024, we officially launched the next-generation Xiaomi Smart Factory with an annual capacity of 10 million flagship smartphones. The factory is located in Changping District, Beijing, with a total investment of RMB2.4 billion. We achieved 100% automation of the key processes through our extensive self-developed manufacturing equipment. We also completed the construction of an industry-leading, full-chain industrial big data infrastructure, accomplishing 100% digitalization of industrial production. The Xiaomi Smart Factory marks a monumental step forward in our global tech leadership journey powered by cutting-edge technologies.

We continued to embrace AI⁸ in all aspects of our business to enhance product capabilities and improve user experience. In July 2024, we launched our Large-Language Audio Model, which will be integrated into the *Xiaomi SU7 Series* for the first time, providing *Outside Vehicle Wake-Up Defense*⁹ function. Additionally, we enhanced the multimodal recognition and understanding capabilities of our AI assistant (“小愛同學”), bringing users a host of features including AI document analytics and AI video generation¹⁰. Moreover, we will roll out an upgrade of our large language model AI assistant (“小愛同學”) across various products, including smartphones, tablets, smart TVs and speakers¹¹, delivering a more smart experience for our users.

8 Artificial Intelligence.

9 This feature activates when the vehicle is in parking mode with windows and doors closed. All models of the *Xiaomi SU7 Series* are scheduled to access this function via OTA update in August 2024. The exact schedule for the OTA will be subject to official announcement of Xiaomi.

10 This feature is available on the *Xiaomi MIX Fold 4*, *Xiaomi MIX Flip* and *Redmi K70 Ultra*.

11 The upgrades are available for smartphones, tablets and smart TVs at the end of July 2024, accessible by *Xiaomi 5* and later models, *Redmi 5* and later models, *Xiaomi Pad 5* and later models, and smart TV devices with over 1GB of memory. The upgrades will be available for speakers without screens by the end of August 2024 and with screens by the end of October 2024. For a detailed upgrade list, please refer to our AI assistant (“小愛同學”) section on the Xiaomi Community.

We efficiently executed our operating strategy of “steadfastly forging ahead.” In the second quarter of 2024, our gross profit margin reached 20.7% at the Group level. Segment-wise, in the second quarter of 2024, the gross profit margin of our smartphone × AIoT segment reached 21.1%. The gross profit margin of our smart EV and other new initiatives segment reached 15.4%. Owing to our relentless efforts in cost saving and efficiency enhancements, in the second quarter of 2024 the Group’s overall operating expense ratio reached 14.2%, a decrease of 1.0 percentage points year-over-year, the operating expense ratio of our smartphone × AIoT segment reached 11.7%, a decrease of 1.1 percentage points year-over-year. In the second quarter of 2024, our adjusted net profit reached RMB6.2 billion, an increase of 20.1% year-over-year. Sufficient cash reserves serve as a crucial foundation for the sustained development of both our core and new businesses. As of June 30, 2024, our cash resources¹² reached RMB141.0 billion. We have also been actively repurchasing our shares in the open market. On June 6, 2024, we have obtained the approval from the Board for a repurchase program at a maximum amount of HKD10 billion. Since the beginning of this year¹³, we have repurchased about 248 million shares in the amount of about HKD3.68 billion.

2. Smartphone × AIoT

In the second quarter of 2024, our smartphone × AIoT segment revenue reached RMB82.5 billion, an increase of 22.5% year-over-year. The gross profit margin of our smartphone × AIoT segment was 21.1%.

Smartphones

In the second quarter of 2024, our smartphone revenue reached RMB46.5 billion, an increase of 27.1% year-over-year. The gross profit margin of our smartphone business was 12.1%. Our global smartphone shipments reaching 42.2 million units, up 28.1% year-over-year. According to Canalys, in the second quarter of 2024, global smartphone shipments increased by 11.9% year-over-year. We maintained our No. 3 global smartphone shipment ranking with a 14.6% market share. In the second quarter of 2024, our smartphone shipments in mainland China returned to the top 5, with our market share increasing by 0.8 percentage points year-over-year to 14.2%. We achieved significant growth in smartphone market share across the Latin America, Southeast Asia, Middle East and Africa. In Latin America, our smartphone shipments ranked among the top 2 for the first time, with market share increased by 2.1 percentage points year-over-year to 18.6%. In Southeast Asia, our smartphone shipments ranking rose to No. 2, with market share increased by 3.1 percentage points year-over-year to 17.2%. In the Middle East, our smartphone shipments ranking maintain No. 2, with market share significantly increased by 4.1 percentage points year-over-year to 21.2%. In Africa, our smartphone shipments consistently ranked No. 3, with our market share increased by 3.1 percentage points year-over-year, reaching 11.7%.

12 Including (i) cash and cash equivalents, (ii) restricted cash, (iii) short-term bank deposits, (iv) short-term investments measured at fair value through profit or loss, (v) short-term investments measured at amortized cost, (vi) long-term bank deposits, and (vii) treasury investments included in long-term investments measured at fair value through profit or loss.

13 From January 1, 2024 to July 19, 2024.

We continued to execute our dual-brand strategy. Under the Xiaomi brand, in July 2024, we unveiled the *Xiaomi MIX Fold 4* and our first compact foldable device, the *Xiaomi MIX Flip*. The *Xiaomi MIX Fold 4* features our proprietary hinge 2.0, achieving 34% reduction in hinge volume and a 16% reduction in hinge weight. Meanwhile, *Xiaomi MIX Fold 4* adopts “all-carbon architecture”¹⁴, which significantly enhances overall strength and durability and considerably reduces weight. The *Xiaomi MIX Fold 4* debuts an innovative stacking process. It is equipped with a Leica optical quad-camera system covering all focal lengths, the 5,100 mAh Xiaomi Surge three-dimensional shaped battery and the Snapdragon 8 Gen 3 Mobile Platform, providing flagship performance with a lighter and thinner experience. Equipped with a 4.01-inch outer display, the *Xiaomi MIX Flip*, our first compact foldable smartphone, seamlessly supports over 200 of the most popular applications. The *Xiaomi MIX Flip*, powered by the Snapdragon 8 Gen 3 Mobile Platform, features a 4,780mAh Xiaomi Surge battery and a dual-camera system with Leica optical lenses, blending stylish design with advanced technological features and delivering flagship performance.

Under the Redmi brand, in July 2024, we unveiled the *Redmi K70 Ultra Series*, powered by MediaTek Dimensity 9300+ chipset, a collaborative innovation from the Redmi × MediaTek Joint Laboratory, alongside the Rage Gaming D1 chip that works as a display processor. The dual-chip performance is reinforced by our Rage Engine 3.0, substantially upgrading the overall performance. In addition, the *Redmi K70 Ultra* incorporates our next-generation 3D “ice-sealed cooling system”, ensuring enhanced performance stability across all features. The *Redmi K70 Ultra* also debuts our innovative Xiaomi Ceramic Glass for the first time, featuring an upgraded IP68 rating for water resistance up to 2 meters. It also features the Sony IMX906 main camera paired with Xiaomi AISP imaging algorithms, delivering a comprehensive breakthrough in user experience. Moreover, we partnered with Lamborghini SQUADRA CORSE again and unveiled the *Redmi K70 Ultra Champion Edition*. It enhanced the design from racing aesthetic while delivering exceptional performance with an impressive 24GB of RAM and 1TB of storage. In the first 3 hours of *Redmi K70 Ultra*’s initial sales, it reached a record high initial sales volume across all price ranges on major ecommerce platforms in 2024¹⁵.

IoT and lifestyle products

In the second quarter of 2024, revenue from our IoT and lifestyle products reached a record high of RMB26.8 billion, an increase of 20.3% year-over-year, and gross profit margin reached 19.7%, up 2.2 percentage points year-over-year.

As of June 30, 2024, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 822.2 million, up 25.6% year-over-year; the number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) reached 16.1 million, an increase of 24.2% year-over-year. In June 2024, the MAU of our Mi Home App grew to 96.9 million, an increase of 16.8% year-over-year. The MAU of our AI Assistant¹⁶ (“小愛同學”) grew to 131.7 million, an increase of 12.4% year-over-year.

14 The hinge floating plate, display backing plate and middle plate battery compartment are all precision-molded from T800H carbon fiber material.

15 According to data provided by Xiaomi’s data center and third-party industry reports. All platforms include JD.com, Tmall, Douyin and Pinduoduo. Sales volume is based on sales data recorded as of 00:30 on July 20, 2024.

16 Including smart EV.

We consistently invested in innovation and R&D capabilities, continuously focusing on key technologies to deliver high-quality and health-oriented smart home appliances products. In the second quarter of 2024, our smart large home appliance revenue increased by 38.7% year-over-year. During the quarter, our air conditioner shipments exceeded 3.3 million units, up over 40% year-over-year; our refrigerator shipments exceeded 600,000 units, an increase of over 25% year-over-year; and our washing machine shipments exceeded 400,000 units, up over 30% year-over-year. Additionally, we continued to enhance our service capabilities for smart large home appliances. Our Mijia Air Conditioner Service serves as a crucial part for enhancing our user experience by improving the efficiency of our delivery and installation services and expanding the coverage of our integrated delivery and installation services to more districts and counties.

We continually enhanced our tablet product mix to better serve diverse set of user needs. Our tablets continued to achieve rapid growth. According to Canalys, in the second quarter of 2024, our global tablet shipments increased by 106% year-over-year, ranking No. 5 globally. We are the fastest-growing tablet brand among the top five in terms of shipments. Our tablet shipments ranked No. 3 in mainland China.

We maintained our leading edge in wearables, further enriching user experiences across diverse scenarios. In July 2024, we launched the *Xiaomi Watch S4 Sport*, featuring a 1.43” AMOLED screen embedded in an integrated titanium body and empowered by Suunto’s sophisticated algorithms. With eSIM support for independent communications, our *Xiaomi Watch S4 Sport* boosts overall performance in sports scenarios while offering users a smarter and more convenient experience. In July 2024, we also unveiled the *Xiaomi Smart Band 9*, equipped with a multicolored metal body and stylish wristbands, along with the *Xiaomi Buds 5*, designed for seamless wear experience, HiFi sound quality and a flagship experience. According to Canalys, in the second quarter of 2024, our wearable bands shipments ranked No. 3 globally and No. 2 in mainland China, and our TWS earbud shipments ranked No. 3 globally and No. 1 in mainland China.

Internet services

In the second quarter of 2024, our internet services revenue reached RMB8.3 billion, hitting a record high with an increase of 11.0% year-over-year. The gross profit margin of our internet services reached 78.3%, an increase of 4.2 percentage points year-over-year.

Our internet user base continued to expand. Our MAU globally and in mainland China both hit record highs. In June 2024, our global MAU reached 675.8 million, an increase of 11.5% year-over-year, while our MAU in mainland China reached 164.4 million, up 10.1% year-over-year. In June 2024, the global MAU of our smart TV¹⁷ reached 68.8 million, an increase of 10.0% year-over-year.

In the second quarter of 2024, our advertising revenue reached RMB6.0 billion, an increase of 16.9% year-over-year. In the second quarter of 2024, our gaming revenue reached RMB1.0 billion.

17 Including *Xiaomi Box* and *Xiaomi TV Stick*.

By actively solidifying partnerships with our strategic customers and broadening our collaborative ecosystem, our overseas internet services sustained a robust growth trajectory. In the second quarter of 2024, revenue from our overseas internet services increased by 32.9% year-over-year to RMB2.7 billion, accounting for 32.1% of our total internet services revenue, up 5.3 percentage points year-over-year.

3. Smart EV and Other New Initiatives

In March 2024, we officially launched our first smart EV, the *Xiaomi SU7 Series*, which garnered considerable market attention. In the second quarter of 2024, smart EV and other new initiatives segment revenue was RMB6.4 billion, which consisted of RMB6.2 billion from smart EV and RMB0.2 billion from other related business. In the second quarter of 2024, the gross profit margin of our smart EV and other new initiatives segment reached 15.4%.

In the second quarter of 2024, the deliveries of the *Xiaomi SU7 Series* reached 27,307 vehicles. Our Xiaomi EV factory has been continuously ramping up, with double-shift operations started in June 2024 and optimization and maintenance of the production line in July 2024. We expect to achieve the goal of delivering 100,000 vehicles of the *Xiaomi SU7 Series* by November 2024, ahead of schedule, and we will strive to reach a new target of delivering 120,000 vehicles of the *Xiaomi SU7 Series* for the entire year of 2024.

As of June 30, 2024, our sales and service network comprised 87 smart EV sales centers across 30 cities in mainland China.

In July 2024, we unveiled the *Xiaomi SU7 Ultra prototype*. The *Xiaomi SU7 Ultra prototype* features an all-carbon design¹⁸, meticulously crafted with track-focused exterior kits. It is powered by dual Xiaomi HyperEngine V8s and a Xiaomi HyperEngine V6s, creating a tri-motor all-wheel drive system that generates a robust 1,548 horsepower. Equipped with high-efficiency battery packs engineered for racing, the *Xiaomi SU7 Ultra prototype* features the global debut of the second-generation Kirin Battery, ensuring consistent high power output. Additionally, it boasts a racing-grade braking system that achieves a 100-0 km/h braking distance of 25 meters. In October 2024, we aim to test the *Xiaomi SU7 Ultra prototype* at the Nürburgring Nordschleife circuit.

We have been consistently enhancing the smart ecosystem for the *Xiaomi SU7 Series* through OTA upgrades. We continued to advance the intelligent experience of our users through our R&D advancements in areas such as autonomous driving, smart cabins and other related fields. As for autonomous driving, we rolled out City Navigate on Autopilot (City NOA) across 10 cities in mainland China on June 6, 2024, while consistently improving the comfort level and efficiency of our City NOA through ongoing OTA updates. We will target to roll out City NOA nationwide in August 2024¹⁹.

18 All exterior panels 100% made of carbon fiber and 24 components across the vehicle have been upgraded with carbon fiber.

19 This function will be implemented through an OTA upgrades, with the upgrade schedule subject to the official notification. Nationwide coverage refers to the function available in mainland China.

4. Corporate social responsibility (CSR)

We actively fulfill our corporate social responsibility and are deeply committed to driving low-carbon development. Our Environmental, Social and Governance (ESG) endeavors have continued to receive recognition from global authorities. On June 18, 2024, Xiaomi Corporation was honored with the Best ESG award by Institutional Investor, a renowned international financial magazine, for the third consecutive year. In recognition of our outstanding ESG performance, we were included in S&P Global's Sustainability Yearbook (China Edition) 2024 on July 16, 2024. In August 2024, Xiaomi Corporation was listed on the Fortune Global 500 list for the sixth consecutive year.

We actively implement extensive low-carbon initiatives during the manufacturing process of the *Xiaomi SU7 Series*, including photovoltaic power generation and water resource management, etc. Leveraging our robust in-house technological capabilities, such as proprietary eco-friendly materials, we have made substantial progress in carbon reduction. On July 9, 2024, at the Automotive Industry Low Carbon Action Plan Development Forum 2024 hosted by the China Automotive Technology and Research Center, the *Xiaomi SU7* was awarded "*the Best C-Class Electric Sedan of 2024 China Low Carbon Car Top Runner*".

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2024 Compared to Second Quarter of 2023

The following table sets forth the comparative figures for the second quarter of 2024 and the second quarter of 2023:

| | Unaudited | |
|--|---------------------------|-----------------|
| | Three months ended | |
| | June 30, | June 30, |
| | 2024 | 2023 |
| | (RMB in millions) | |
| Revenue | 88,887.8 | 67,354.9 |
| Cost of sales | (70,493.6) | (53,193.9) |
| Gross profit | 18,394.2 | 14,161.0 |
| Research and development expenses | (5,497.7) | (4,554.8) |
| Selling and marketing expenses | (5,899.1) | (4,476.8) |
| Administrative expenses | (1,182.5) | (1,143.2) |
| Fair value changes on financial instruments measured at fair value through profit or loss | (849.4) | (275.8) |
| Share of net profits of investments accounted for using the equity method | 86.4 | 74.0 |
| Other income | 287.2 | 184.8 |
| Other gains, net | 549.6 | 71.3 |
| Operating profit | 5,888.7 | 4,040.5 |
| Finance income, net | 790.7 | 915.2 |
| Profit before income tax | 6,679.4 | 4,955.7 |
| Income tax expenses | (1,609.7) | (1,290.2) |
| Profit for the period | 5,069.7 | 3,665.5 |
| Non-IFRS Measure: Adjusted Net Profit | 6,175.4 | 5,140.3 |

Revenue

Since we officially launched our first smart EV on March 28, 2024, our segment reporting has been updated to (1) smartphone × AIoT segment and (2) smart EV and other new initiatives segment to reflect our “Human × Car × Home” strategy from the beginning of the second quarter of 2024.

Our smartphone × AIoT segment comprised our business of smartphones, IoT and lifestyle products, internet services and other related business. Our smart EV and other new initiatives segment comprised our business of smart EV and other related business.

Our Chief Operating Decision Maker (“CODM”) started to review information under this new reporting structure and the segment reporting has been updated to conform to this change as well as the way we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

Revenue increased by 32.0% to RMB88.9 billion in the second quarter of 2024 from RMB67.4 billion in the second quarter of 2023. The following table sets forth our revenue by segment in the second quarter of 2024 and the second quarter of 2023:

| | Unaudited | | | |
|------------------------------------|-------------------------------------|-------------------------------|------------------------|-------------------------------|
| | Three months ended | | | |
| | June 30, 2024 | | June 30, 2023 | |
| | Amount | % of total revenue | Amount | % of total revenue |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | 82,519.0 | 92.8% | 67,354.9 | 100.0% |
| Smart EV and other new initiatives | 6,368.8 | 7.2% | — | — |
| Total revenue | <u>88,887.8</u> | <u>100.0%</u> | <u>67,354.9</u> | <u>100.0%</u> |

Smartphone × AIoT

Revenue from our smartphone × AIoT segment increased by 22.5% from RMB67.4 billion in the second quarter of 2023 to RMB82.5 billion in the second quarter of 2024. The following table sets forth our revenue by line of our smartphone × AIoT segment in the second quarter of 2024 and the second quarter of 2023:

| | Unaudited | | | |
|---|-------------------------------------|-------------------------------|------------------------|-------------------------------|
| | Three months ended | | | |
| | June 30, 2024 | | June 30, 2023 | |
| | Amount | % of total revenue | Amount | % of total revenue |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | | | | |
| Smartphones | 46,516.4 | 52.3% | 36,595.5 | 54.3% |
| IoT and lifestyle products | 26,760.3 | 30.1% | 22,253.9 | 33.0% |
| Internet services | 8,265.6 | 9.3% | 7,444.1 | 11.1% |
| Other related business | 976.7 | 1.1% | 1,061.4 | 1.6% |
| Total revenue of smartphone × AIoT segment | <u>82,519.0</u> | <u>92.8%</u> | <u>67,354.9</u> | <u>100.0%</u> |

(i) *Smartphones*

Revenue from our smartphones increased by 27.1% from RMB36.6 billion in the second quarter of 2023 to RMB46.5 billion in the second quarter of 2024, primarily due to the increase in our smartphone shipments. Our smartphone shipments increased by 28.1% from 32.9 million units in the second quarter of 2023 to 42.2 million units in the second quarter of 2024, outperforming the 11.9% year-over-year increase in global smartphone shipments in the second quarter of 2024, according to Canalys. The average selling price (“ASP”) of our smartphones decreased slightly by 0.8% from RMB1,112.2 per unit in the second quarter of 2023 to RMB1,103.5 per unit in the second quarter of 2024, primarily driven by the increased competition in mainland China, as well as the growth of our sales in emerging markets which carry lower ASP.

(ii) *IoT and lifestyle products*

Revenue from our IoT and lifestyle products increased by 20.3% from RMB22.3 billion in the second quarter of 2023 to RMB26.8 billion in the second quarter of 2024, which reached a record high, primarily attributable to the increase in revenue of smart large home appliances in mainland China, tablets in the overseas markets and wearables in the global market.

Revenue from our smart large home appliances increased by 38.7% year-over-year, primarily attributable to the increased shipments of our air conditioners, refrigerators and washing machines in mainland China.

Revenue from our tablets increased by 67.6% year-over-year, primarily due to the increase in our global tablet shipments of 106.4% year-over-year, according to Canalys.

Revenue from our wearables increased by 31.0% year-over-year, primarily due to the increased shipments of our smart watch and TWS earbuds.

Revenue from our smart TVs and laptops increased by 1.1% year-over-year.

(iii) *Internet services*

Revenue from our internet services increased by 11.0% from RMB7.4 billion in the second quarter of 2023 to RMB8.3 billion in the second quarter of 2024, which reached a record high, primarily due to the increase in revenue from our advertising business, partially offset by the decreased revenue from gaming business.

(iv) *Other related business*

Revenue from our other related business decreased by 8.0% from RMB1.1 billion in the second quarter of 2023 to RMB1.0 billion in the second quarter of 2024, primarily due to the decrease in revenue from the sales of materials, partially offset by the increase in revenue from installation services provided for air conditioners.

Smart EV and Other New Initiatives

Revenue from our smart EV and other new initiatives segment was RMB6.4 billion in the second quarter of 2024.

Revenue from our smart EV was RMB6.2 billion in the second quarter of 2024. In the second quarter of 2024, we have delivered 27,307 *Xiaomi SU7 Series* vehicles. The ASP of our smart EV was RMB228,644 per unit.

Revenue from our other related business was RMB0.2 billion in the second quarter of 2024.

Cost of Sales

Our cost of sales increased by 32.5% from RMB53.2 billion in the second quarter of 2023 to RMB70.5 billion in the second quarter of 2024. The following table sets forth our cost of sales by segment in the second quarter of 2024 and the second quarter of 2023:

| | Unaudited | | | |
|------------------------------------|--|---------------------------|------------------------|---------------------------|
| | Three months ended | | | |
| | June 30, 2024 | | June 30, 2023 | |
| | Amount | % of total revenue | Amount | % of total revenue |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | 65,104.6 | 73.2% | 53,193.9 | 79.0% |
| Smart EV and other new initiatives | 5,389.0 | 6.1% | — | — |
| Total cost of sales | <u>70,493.6</u> | <u>79.3%</u> | <u>53,193.9</u> | <u>79.0%</u> |

Smartphone × AIoT

Cost of sales related to our smartphone × AIoT segment increased by 22.4% from RMB53.2 billion in the second quarter of 2023 to RMB65.1 billion in the second quarter of 2024. The following table sets forth our cost of sales by line of our smartphone × AIoT segment in the second quarter of 2024 and the second quarter of 2023:

| | Unaudited | | | |
|---|-------------------------------------|--------------------|-----------------|--------------------|
| | Three months ended | | June 30, 2023 | |
| | June 30, 2024 | | June 30, 2023 | |
| | Amount | % of total revenue | Amount | % of total revenue |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | | | | |
| Smartphones | 40,867.0 | 46.0% | 31,720.5 | 47.1% |
| IoT and lifestyle products | 21,476.7 | 24.2% | 18,343.8 | 27.2% |
| Internet services | 1,792.9 | 2.0% | 1,926.2 | 2.9% |
| Other related business | 968.0 | 1.0% | 1,203.4 | 1.8% |
| Total cost of sales of smartphone × AIoT segment | 65,104.6 | 73.2% | 53,193.9 | 79.0% |

(i) Smartphones

Cost of sales related to our smartphones increased by 28.8% from RMB31.7 billion in the second quarter of 2023 to RMB40.9 billion in the second quarter of 2024, primarily due to the increased sales of our smartphones and the increased price of key components.

(ii) IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products increased by 17.1% from RMB18.3 billion in the second quarter of 2023 to RMB21.5 billion in the second quarter of 2024, primarily due to the increased sales of our IoT and lifestyle products.

(iii) Internet services

Cost of sales related to our internet services decreased by 6.9% from RMB1.9 billion in the second quarter of 2023 to RMB1.8 billion in the second quarter of 2024, primarily due to the decrease in cost from our advertising business.

(iv) Other related business

Cost of sales related to our other related business decreased by 19.6% from RMB1.2 billion in the second quarter of 2023 to RMB1.0 billion in the second quarter of 2024, primarily due to the decrease in cost from the sales of materials, partially offset by the increase in cost from installation services provided for air conditioners.

Smart EV and Other New Initiatives

Cost of sales related to our smart EV and other new initiatives segment was RMB5.4 billion in the second quarter of 2024.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 29.9% from RMB14.2 billion in the second quarter of 2023 to RMB18.4 billion in the second quarter of 2024. Our gross profit margin decreased from 21.0% in the second quarter of 2023 to 20.7% in the second quarter of 2024.

The following table sets forth our gross profit and margin by segment in the second quarter of 2024 and the second quarter of 2023:

| | Unaudited | | | |
|--|-------------------------------------|----------------|-----------------|----------------|
| | Three months ended | | June 30, 2023 | |
| | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| | Gross profit | Gross margin % | Gross profit | Gross margin % |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | 17,414.4 | 21.1% | 14,161.0 | 21.0% |
| Smart EV and other new initiatives | 979.8 | 15.4% | — | — |
| Total gross profit and gross margin | 18,394.2 | 20.7% | 14,161.0 | 21.0% |

Smartphone × AIoT

The gross profit margin from our smartphone × AIoT segment increased slightly from 21.0% in the second quarter of 2023 to 21.1% in the second quarter of 2024. The following table sets forth our gross profit and margin by line of our smartphone × AIoT segment in the second quarter of 2024 and the second quarter of 2023:

| | Unaudited | | | |
|---|-------------------------------------|----------------|-----------------|----------------|
| | Three months ended | | June 30, 2023 | |
| | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| | Gross profit | Gross margin % | Gross profit | Gross margin % |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | | | | |
| Smartphones | 5,649.4 | 12.1% | 4,875.0 | 13.3% |
| IoT and lifestyle products | 5,283.6 | 19.7% | 3,910.1 | 17.6% |
| Internet services | 6,472.7 | 78.3% | 5,517.9 | 74.1% |
| Other related business | 8.7 | 0.9% | (142.0) | (13.4%) |
| Total gross profit and margin of smartphone × AIoT segment | 17,414.4 | 21.1% | 14,161.0 | 21.0% |

The gross profit margin from our smartphones decreased from 13.3% in the second quarter of 2023 to 12.1% in the second quarter of 2024, mainly due to the increased competition in mainland China, as well as the increased price of key components.

The gross profit margin from our IoT and lifestyle products increased from 17.6% in the second quarter of 2023 to 19.7% in the second quarter of 2024, mainly due to the improvement in gross profit margin of our wearables and smart large home appliances.

The gross profit margin from our internet services increased from 74.1% in the second quarter of 2023 to 78.3% in the second quarter of 2024, mainly due to higher revenue contribution and the increased gross profit margin of our advertising business.

Smart EV and Other New Initiatives

The gross profit margin from our smart EV and other new initiatives segment was 15.4% in the second quarter of 2024.

Operating Expenses

Our operating expenses comprised our research and development expenses, selling and marketing expenses and administrative expenses. Our operating expenses related to our smart EV and other new initiatives segment was RMB2.9 billion in the second quarter of 2024.

Research and Development Expenses

Our research and development expenses increased by 20.7% from RMB4.6 billion in the second quarter of 2023 to RMB5.5 billion in the second quarter of 2024, primarily due to the increase in R&D expenses related to our smart EV and other new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 31.8% from RMB4.5 billion in the second quarter of 2023 to RMB5.9 billion in the second quarter of 2024, primarily due to the increase in the overseas logistics expenses, promotion and advertising expenses and compensation for selling and marketing personnel.

Promotion and advertising expenses increased by 14.8% from RMB1.5 billion in the second quarter of 2023 to RMB1.7 billion in the second quarter of 2024, primarily due to the increase in marketing expenses related to our smart EV and other new initiatives, more promotional events of our products and increased expenses of brand marketing during this quarter in the overseas markets.

Administrative Expenses

Our administrative expenses increased by 3.4% from RMB1.1 billion in the second quarter of 2023 to RMB1.2 billion in the second quarter of 2024, primarily due to the increase in expenses related to our smart EV and other new initiatives.

Fair Value Changes on Financial Instruments Measured at Fair Value Through Profit or Loss

Our fair value changes on financial instruments measured at fair value through profit or loss increased from a loss of RMB0.3 billion in the second quarter of 2023 to a loss of RMB0.8 billion in the second quarter of 2024, primarily due to the fair value losses of certain unlisted preferred shares investments, partially offset by the fair value gains of listed equity investments in the second quarter of 2024.

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 16.7% from RMB74.0 million in the second quarter of 2023 to RMB86.4 million in the second quarter of 2024.

Other Income

Our other income increased by 55.5% from RMB0.2 billion in the second quarter of 2023 to RMB0.3 billion in the second quarter of 2024, primarily due to the increase of government grants.

Other Gains, Net

Our other net gains increased by 671.7% from RMB71.3 million in the second quarter of 2023 to RMB549.6 million in the second quarter of 2024, mainly due to the increase of deemed disposal gains of investments accounted for using the equity method.

Finance Income, Net

Our net finance income decreased by 13.6% from RMB0.9 billion in the second quarter of 2023 to RMB0.8 billion in the second quarter of 2024, primarily due to increased interest expenses.

Income Tax Expenses

Our income tax expenses increased by 24.8% from RMB1.3 billion in the second quarter of 2023 to RMB1.6 billion in the second quarter of 2024, primarily due to the increase of operating profit in the second quarter of 2024.

Profit for the Period

As a result of the foregoing, we had a profit of RMB5.1 billion in the second quarter of 2024, compared with a profit of RMB3.7 billion in the second quarter of 2023.

Adjusted Net Profit

Our adjusted net profit increased by 20.1% from RMB5.1 billion in the second quarter of 2023 to RMB6.2 billion in the second quarter of 2024.

Second Quarter of 2024 Compared to First Quarter of 2024

The following table sets forth the comparative figures for the second quarter of 2024 and the first quarter of 2024:

| | Unaudited | |
|--|---------------------------|------------------|
| | Three months ended | |
| | June 30, | March 31, |
| | 2024 | 2024 |
| | (RMB in millions) | |
| Revenue | 88,887.8 | 75,506.8 |
| Cost of sales | (70,493.6) | (58,677.1) |
| Gross profit | 18,394.2 | 16,829.7 |
| Research and development expenses | (5,497.7) | (5,159.4) |
| Selling and marketing expenses | (5,899.1) | (5,481.0) |
| Administrative expenses | (1,182.5) | (1,523.0) |
| Fair value changes on financial instruments measured at fair value through profit or loss | (849.4) | (1,226.6) |
| Share of net profits of investments accounted for using the equity method | 86.4 | 155.4 |
| Other income | 287.2 | 157.4 |
| Other gains/(losses), net | 549.6 | (69.5) |
| Operating profit | 5,888.7 | 3,683.0 |
| Finance income, net | 790.7 | 1,539.4 |
| Profit before income tax | 6,679.4 | 5,222.4 |
| Income tax expenses | (1,609.7) | (1,049.2) |
| Profit for the period | 5,069.7 | 4,173.2 |
| Non-IFRS Measure: Adjusted Net Profit | 6,175.4 | 6,490.9 |

Revenue

Revenue increased by 17.7% to RMB88.9 billion in the second quarter of 2024 from RMB75.5 billion in the first quarter of 2024. The following table sets forth our revenue by segment in the second quarter of 2024 and the first quarter of 2024:

| | Unaudited | | | |
|------------------------------------|-------------------------------------|-------------------------------|------------------------|-------------------------------|
| | Three months ended | | | |
| | June 30, 2024 | | March 31, 2024 | |
| | Amount | % of total revenue | Amount | % of total revenue |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | 82,519.0 | 92.8% | 75,480.8 | 100.0% |
| Smart EV and other new initiatives | 6,368.8 | 7.2% | 26.0 | 0.0% |
| Total revenue | <u>88,887.8</u> | <u>100.0%</u> | <u>75,506.8</u> | <u>100.0%</u> |

Smartphone × AIoT

Revenue from our smartphone × AIoT segment increased by 9.3% from RMB75.5 billion in the first quarter of 2024 to RMB82.5 billion in the second quarter of 2024. The following table sets forth our revenue by line of our smartphone × AIoT segment in the second quarter of 2024 and the first quarter of 2024:

| | Unaudited | | | |
|---|-------------------------------------|-------------------------------|------------------------|-------------------------------|
| | Three months ended | | | |
| | June 30, 2024 | | March 31, 2024 | |
| | Amount | % of total revenue | Amount | % of total revenue |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | | | | |
| Smartphones | 46,516.4 | 52.3% | 46,479.7 | 61.6% |
| IoT and lifestyle products | 26,760.3 | 30.1% | 20,373.5 | 27.0% |
| Internet services | 8,265.6 | 9.3% | 8,048.4 | 10.7% |
| Other related business | 976.7 | 1.1% | 579.2 | 0.7% |
| Total revenue of smartphone × AIoT segment | <u>82,519.0</u> | <u>92.8%</u> | <u>75,480.8</u> | <u>100.0%</u> |

(i) *Smartphones*

Revenue from our smartphones remained stable at RMB46.5 billion in the second quarter of 2024 compared to the first quarter of 2024, primarily due to the increase in our smartphone shipments, partially offset by the decrease in our smartphone ASP. Our smartphone shipments increased by 3.8% from 40.6 million units in the first quarter of 2024 to 42.2 million units in the second quarter of 2024, despite the global smartphone shipments decreased by 2.5% quarter-over-quarter, according to Canalys. The ASP of our smartphones decreased by 3.6% from RMB1,144.7 per unit in the first quarter of 2024 to RMB1,103.5 per unit in the second quarter of 2024. The decrease in ASP was primarily due to enhanced promotional efforts during the 618 e-Commerce Shopping Festival in mainland China, as well as the growth of our shipments in emerging markets which carry lower ASP.

(ii) *IoT and lifestyle products*

Revenue from our IoT and lifestyle products increased by 31.3% from RMB20.4 billion in the first quarter of 2024 to RMB26.8 billion in the second quarter of 2024, which reached a record high, primarily due to the increased revenue from smart large home appliances and certain lifestyle products.

Revenue from our smart large home appliances increased by 200.5% quarter-over-quarter, primarily due to the increased shipments of our air conditioners, refrigerators and washing machines in mainland China.

Revenue from our tablets increased by 7.5% quarter-over-quarter, primarily due to the increased revenue of *Redmi Pad Pro Series* tablets which we launched in the overseas markets in May 2024.

Revenue from smart TVs and laptops increased by 2.8% quarter-over-quarter, mainly due to the increase in ASP of smart TVs and laptops, partially offset by the decrease in shipments of smart TVs and laptops.

(iii) *Internet services*

Revenue from our internet services increased by 2.7% from RMB8.0 billion in the first quarter of 2024 to RMB8.3 billion in the second quarter of 2024, which reached a record high, primarily due to the increase in revenue from our advertising business, partially offset by the decreased revenue from gaming business.

(iv) *Other related business*

Revenue from our other related business increased by 68.6% from RMB0.6 billion in the first quarter of 2024 to RMB1.0 billion in the second quarter of 2024, primarily due to the increase in revenue from installation services provided for air conditioners.

Smart EV and Other New Initiatives

Revenue from our smart EV and other new initiatives segment increased from RMB26.0 million in the first quarter of 2024 to RMB6.4 billion in the second quarter of 2024.

Revenue from our smart EV increased from RMB18.4 million in the first quarter of 2024 to RMB6.2 billion in the second quarter of 2024.

Revenue from our other related business increased from RMB7.6 million in the first quarter of 2024 to RMB0.2 billion in the second quarter of 2024.

Cost of Sales

Our cost of sales increased by 20.1% from RMB58.7 billion in the first quarter of 2024 to RMB70.5 billion in the second quarter of 2024. The following table sets forth our cost of sales by segment in the second quarter of 2024 and the first quarter of 2024:

| | Unaudited | | | |
|------------------------------------|--|---------------------------|------------------------|---------------------------|
| | Three months ended | | | |
| | June 30, 2024 | | March 31, 2024 | |
| | Amount | % of total revenue | Amount | % of total revenue |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | 65,104.6 | 73.2% | 58,654.3 | 77.7% |
| Smart EV and other new initiatives | 5,389.0 | 6.1% | 22.8 | 0.0% |
| Total cost of sales | <u>70,493.6</u> | <u>79.3%</u> | <u>58,677.1</u> | <u>77.7%</u> |

Smartphone × AIoT

Cost of sales related to our smartphone × AIoT segment increased by 11.0% from RMB58.7 billion in the first quarter of 2024 to RMB65.1 billion in the second quarter of 2024. The following table sets forth our cost of sales by line of our smartphone × AIoT segment in the second quarter of 2024 and the first quarter of 2024:

| | Unaudited | | | |
|---|--|---------------------------|------------------------|---------------------------|
| | Three months ended | | | |
| | June 30, 2024 | | March 31, 2024 | |
| | Amount | % of total revenue | Amount | % of total revenue |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | | | | |
| Smartphones | 40,867.0 | 46.0% | 39,600.5 | 52.4% |
| IoT and lifestyle products | 21,476.7 | 24.2% | 16,326.1 | 21.6% |
| Internet services | 1,792.9 | 2.0% | 2,073.0 | 2.8% |
| Other related business | 968.0 | 1.0% | 654.7 | 0.9% |
| Total cost of sales of smartphone × AIoT segment | <u>65,104.6</u> | <u>73.2%</u> | <u>58,654.3</u> | <u>77.7%</u> |

(i) Smartphones

Cost of sales related to our smartphones increased by 3.2% from RMB39.6 billion in the first quarter of 2024 to RMB40.9 billion in the second quarter of 2024, primarily due to the increased sales of our smartphones and the increased price of key components.

(ii) IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products increased by 31.5% from RMB16.3 billion in the first quarter of 2024 to RMB21.5 billion in the second quarter of 2024, primarily due to the increased sales of our IoT and lifestyle products.

(iii) Internet services

Cost of sales related to our internet services decreased by 13.5% from RMB2.1 billion in the first quarter of 2024 to RMB1.8 billion in the second quarter of 2024, primarily due to the decrease in cost from our advertising business and gaming business.

(iv) Other related business

Cost of sales related to our other related business increased by 47.8% from RMB0.7 billion in the first quarter of 2024 to RMB1.0 billion in the second quarter of 2024, mainly due to the increase in cost from installation services provided for air conditioners.

Smart EV and Other New Initiatives

Cost of sales related to our smart EV and other new initiatives segment increased from RMB22.8 million in the first quarter of 2024 to RMB5.4 billion in the second quarter of 2024.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 9.3% from RMB16.8 billion in the first quarter of 2024 to RMB18.4 billion in the second quarter of 2024. Our gross profit margin decreased from 22.3% in the first quarter of 2024 to 20.7% in the second quarter of 2024.

The following table sets forth our gross profit and margin by segment in the second quarter of 2024 and the first quarter of 2024:

| | Unaudited | | | |
|--|--|-----------------------|------------------------|-----------------------|
| | Three months ended | | | |
| | June 30, 2024 | | March 31, 2024 | |
| | Gross profit | Gross margin % | Gross profit | Gross margin % |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | 17,414.4 | 21.1% | 16,826.5 | 22.3% |
| Smart EV and other new initiatives | 979.8 | 15.4% | 3.2 | 12.6% |
| Total gross profit and gross margin | <u>18,394.2</u> | <u>20.7%</u> | <u>16,829.7</u> | <u>22.3%</u> |

Smartphone × AIoT

The gross profit margin from our smartphone × AIoT segment decreased from 22.3% in the first quarter of 2024 to 21.1% in the second quarter of 2024. The following table sets forth our gross profit and margin by line of our smartphone × AIoT segment in the second quarter of 2024 and the first quarter of 2024:

| | Unaudited | | | |
|---|--|-----------------------|------------------------|-----------------------|
| | Three months ended | | | |
| | June 30, 2024 | | March 31, 2024 | |
| | Gross profit | Gross margin % | Gross profit | Gross margin % |
| | (RMB in millions, unless specified) | | | |
| Smartphone × AIoT | | | | |
| Smartphones | 5,649.4 | 12.1% | 6,879.2 | 14.8% |
| IoT and lifestyle products | 5,283.6 | 19.7% | 4,047.4 | 19.9% |
| Internet services | 6,472.7 | 78.3% | 5,975.4 | 74.2% |
| Other related business | 8.7 | 0.9% | (75.5) | (13.1%) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total gross profit and margin of smartphone × AIoT segment | <u>17,414.4</u> | <u>21.1%</u> | <u>16,826.5</u> | <u>22.3%</u> |

The gross profit margin from our smartphones decreased from 14.8% in the first quarter of 2024 to 12.1% in the second quarter of 2024, mainly due to the enhanced promotional efforts during the 618 e-Commerce Shopping Festival in mainland China, as well as the increased price of key components.

The gross profit margin from our IoT and lifestyle products decreased from 19.9% in the first quarter of 2024 to 19.7% in the second quarter of 2024, mainly due to the decrease in gross profit margin of smart large home appliances and tablets resulting from the enhanced promotional efforts during the 618 e-Commerce Shopping Festival in mainland China, partially offset by the improvement in gross profit margin of certain IoT and lifestyle products.

The gross profit margin from our internet services increased from 74.2% in the first quarter of 2024 to 78.3% in the second quarter of 2024, mainly due to higher revenue contribution and the increased gross profit margin of our advertising business.

Smart EV and Other New Initiatives

The gross profit margin from our smart EV and other new initiatives increased from 12.6% in the first quarter of 2024 to 15.4% in the second quarter of 2024.

Operating Expenses

Our operating expenses comprised our research and development expenses, selling and marketing expenses and administrative expenses. Our operating expenses related to our smart EV and other new initiatives segment was RMB2.9 billion in the second quarter of 2024.

Research and Development Expenses

Our research and development expenses increased by 6.6% from RMB5.2 billion in the first quarter of 2024 to RMB5.5 billion in the second quarter of 2024, primarily due to the pace of our research projects related to our smartphone × AIoT segment and smart EV and other new initiatives segment.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 7.6% from RMB5.5 billion in the first quarter of 2024 to RMB5.9 billion in the second quarter of 2024, primarily due to the increase in expenses related to our smart EV and other new initiatives segment.

Promotion and advertising expenses decreased by 20.0% from RMB2.1 billion in the first quarter of 2024 to RMB1.7 billion in the second quarter of 2024.

Administrative Expenses

Our administrative expenses decreased by 22.4% from RMB1.5 billion in the first quarter of 2024 to RMB1.2 billion in the second quarter of 2024, primarily due to the decrease in credit loss allowance of receivables.

Fair Value Changes on Financial Instruments Measured at Fair Value Through Profit or Loss

Our fair value changes on financial instruments measured at fair value through profit or loss decreased from a loss of RMB1.2 billion in the first quarter of 2024 to a loss of RMB0.8 billion in the second quarter of 2024, primarily due to the fair value gains of listed equity investments, offset by the fair value losses of certain unlisted preferred shares investments in the second quarter of 2024.

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 decreased by 44.4% from RMB155.4 million in the first quarter of 2024 to RMB86.4 million in the second quarter of 2024.

Other Income

Our other income increased by 82.5% from RMB0.2 billion in the first quarter of 2024 to RMB0.3 billion in the second quarter of 2024, primarily due to the increase of government grants, as well as the increase of dividend income.

Other Gains/(Losses), Net

Our other net gains/(losses) changed from a loss of RMB69.5 million in the first quarter of 2024 to a gain of RMB549.6 million in the second quarter of 2024, primarily due to the increase of deemed disposal gains of investments accounted for using the equity method.

Finance Income, Net

Our net finance income decreased by 48.6% from RMB1.5 billion in the first quarter of 2024 to RMB0.8 billion in the second quarter of 2024, primarily due to change of value of financial liabilities payable to fund investors.

Income Tax Expenses

Our income tax expenses increased by 53.4% from RMB1.0 billion in the first quarter of 2024 to RMB1.6 billion in the second quarter of 2024, primarily due to the increase of operating profit in the second quarter of 2024.

Profit for the Period

As a result of the foregoing, we had a profit of RMB5.1 billion in the second quarter of 2024, compared with a profit of RMB4.2 billion in the first quarter of 2024.

Adjusted Net Profit

Our adjusted net profit decreased by 4.9% from RMB6.5 billion in the first quarter of 2024 to RMB6.2 billion in the second quarter of 2024.

Non-IFRS Measure: Adjusted Net Profit

To supplement our consolidated results which are prepared and presented in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”), 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 Accounting Standards. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS Accounting Standards 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 Accounting Standards. 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 2024, the first quarter of 2024, the second quarter of 2023 and the first half of 2024 and 2023 to the nearest measures prepared in accordance with IFRS Accounting Standards.

| | Unaudited | | | | | | Non-IFRS |
|-----------------------|-------------------------------------|---|--|--|--|-----------------------------------|-----------|
| | Three Months Ended June 30, 2024 | | | | | | |
| | Adjustments | | | | | Income tax effects ⁽⁵⁾ | |
| | As reported | Share-based compensation ⁽¹⁾ | Net fair value changes on investments ⁽²⁾ | Amortization of intangible assets resulting from acquisitions ⁽³⁾ | Changes of value of financial liabilities to fund investors ⁽⁴⁾ | | |
| | (RMB in thousand, unless specified) | | | | | | |
| Profit for the period | 5,069,669 | 909,024 | 629,488 | 36,002 | (280,488) | (188,271) | 6,175,424 |
| Net margin | 5.7% | | | | | | 6.9% |

| | Unaudited | | | | | | Non-IFRS |
|-----------------------|-------------------------------------|---|--|--|--|-----------------------------------|-----------|
| | Three Months Ended March 31, 2024 | | | | | | |
| | Adjustments | | | | | Income tax effects ⁽⁵⁾ | |
| | As reported | Share-based compensation ⁽¹⁾ | Net fair value changes on investments ⁽²⁾ | Amortization of intangible assets resulting from acquisitions ⁽³⁾ | Changes of value of financial liabilities to fund investors ⁽⁴⁾ | | |
| | (RMB in thousand, unless specified) | | | | | | |
| Profit for the period | 4,173,212 | 950,246 | 2,223,661 | 36,002 | (764,513) | (127,677) | 6,490,931 |
| Net margin | 5.5% | | | | | | 8.6% |

| | Unaudited | | | | | | Non-IFRS |
|-----------------------|-------------------------------------|---|--|--|--|-----------------------------------|-----------|
| | Three Months Ended June 30, 2023 | | | | | | |
| | Adjustments | | | | | Income tax effects ⁽⁵⁾ | |
| | As reported | Share-based compensation ⁽¹⁾ | Net fair value changes on investments ⁽²⁾ | Amortization of intangible assets resulting from acquisitions ⁽³⁾ | Changes of value of financial liabilities to fund investors ⁽⁴⁾ | | |
| | (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
Six Months Ended June 30, 2024

| | Adjustments | | | | | | Non-IFRS |
|-----------------------|-------------------------------------|---|--|--|--|-----------------------------------|------------|
| | As reported | Share-based compensation ⁽¹⁾ | Net fair value changes on investments ⁽²⁾ | Amortization of intangible assets resulting from acquisitions ⁽³⁾ | Changes of value of financial liabilities to fund investors ⁽⁴⁾ | Income tax effects ⁽⁵⁾ | |
| | (RMB in thousand, unless specified) | | | | | | |
| Profit for the period | 9,242,881 | 1,859,270 | 2,853,149 | 72,004 | (1,045,001) | (315,948) | 12,666,355 |
| Net margin | 5.6% | | | | | | 7.7% |

Unaudited
Six Months Ended June 30, 2023

| | Adjustments | | | | | | Non-IFRS |
|-----------------------|-------------------------------------|---|--|--|--|-----------------------------------|-----------|
| | As reported | Share-based compensation ⁽¹⁾ | Net fair value changes on investments ⁽²⁾ | Amortization of intangible assets resulting from acquisitions ⁽³⁾ | Changes of value of financial liabilities to fund investors ⁽⁴⁾ | Income tax effects ⁽⁵⁾ | |
| | (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% |

Notes:

- (1) Represents the expenses related to share-based payments granted to employees of the Group.
- (2) Primarily includes fair value changes on equity investments and preferred shares investments deducting the accumulative 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 impact on loss of significant influence in an associate and re-measurement of investments transferring from FAFVPL to investments using the equity method.
- (3) Represents amortization of intangible assets resulting from acquisitions.
- (4) 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.
- (5) Income tax effects of non-IFRS adjustments.

Liquidity, Financial Resources and Gearing

On December 4, 2020, the Company completed of 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 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 RMB39.3 billion and RMB34.9 billion as of June 30, 2024 and March 31, 2024, respectively.

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, 2024, 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 (the “**Green Bonds**”), both of which were unconditionally and irrevocably guaranteed by the Company. 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

| | Unaudited | |
|---|---------------------------|-----------------|
| | Three months ended | |
| | June 30, 2024 | March 31, 2024 |
| | (RMB in millions) | |
| Net cash generated from/(used in) operating activities ⁽¹⁾ | 11,817.6 | (9,287.1) |
| Net cash (used in)/generated from investing activities | (8,001.9) | 10,711.0 |
| Net cash generated from/(used in) financing activities ⁽¹⁾ | 566.3 | (111.0) |
| | <u>4,382.0</u> | <u>1,312.9</u> |
| Net increase in cash and cash equivalents | | |
| Cash and cash equivalents at the beginning of the period | 34,896.2 | 33,631.3 |
| Effects of exchange rate changes on cash and cash equivalents | 57.6 | (48.0) |
| | <u>39,335.8</u> | <u>34,896.2</u> |
| Cash and cash equivalents at the end of the period | | |

Note:

- (1) Excluding (1) the change of trade payables related to the finance factoring business; (2) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech 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 RMB12.2 billion in the second quarter of 2024 and the net cash used in operating activities was RMB7.4 billion in the first quarter of 2024, respectively. Excluding the change of borrowings for the finance factoring business, the net cash used in financing activities was RMB0.7 billion in the second quarter of 2024 and the net cash used in financing activities was RMB0.6 billion in the first quarter of 2024, 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.
- (2) 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 treasury investments included in long-term investments measured at fair value through profit or loss. As of June 30, 2024, the aggregate amount of cash resources of the Group was RMB141.0 billion.

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 2024, net cash generated from our operating activities amounted to RMB11.8 billion, representing cash generated from operations of RMB13.4 billion minus income tax paid of RMB1.6 billion. Cash generated from operations was primarily attributable to our profit before income tax of RMB6.7 billion, mainly adjusted by an increase in trade payables of RMB6.2 billion.

Net Cash Used in Investing Activities

For the second quarter of 2024, our net cash used in investing activities was RMB8.0 billion, which was primarily attributed to the net increase of long-term bank deposits of RMB18.2 billion, the net increase of short-term investment measured at fair value through profit or loss of RMB5.3 billion, partially offset by the net decrease of short-term bank deposits of RMB14.9 billion.

Net Cash Generated from Financing Activities

For the second quarter of 2024, our net cash generated from financing activities was RMB0.6 billion, which was primarily attributed to the proceeds from borrowings of RMB1.7 billion, partially offset by the payments for shares repurchase of RMB1.1 billion.

Borrowings

As at March 31, 2024 and June 30, 2024, we had total borrowings of RMB27.7 billion and RMB30.0 billion, respectively.

Capital Expenditure

| | Unaudited | |
|------------------------------------|---------------------------|----------------|
| | Three months ended | |
| | June 30, 2024 | March 31, 2024 |
| | (in millions of RMB) | |
| Capital expenditures | | |
| Smartphone × AIoT | 1,133.5 | 1,807.7 |
| Smart EV and other new initiatives | 297.8 | 527.6 |
| | <hr/> | <hr/> |
| Total | 1,431.3 | 2,335.3 |
| | <hr/> <hr/> | <hr/> <hr/> |

Off-Balance Sheet Commitments and Arrangements

As of June 30, 2024, 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, 2024, we did not have other plans for material investments and capital assets.

Investments Held

As of June 30, 2024, we had invested in about 430 companies with an aggregate book value of RMB65.4 billion, a decrease of 3.4% year-over-year. In the second quarter of 2024, we recorded a net gain on disposal of investments (after tax) of RMB0.3 billion. The total amount of our 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, 2024 (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 RMB66.2 billion as at June 30, 2024.

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at June 30, 2024) during the six months ended June 30, 2024.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In the second quarter of 2024, we did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

As at June 30, 2024, we had 37,525 full-time employees, 35,406 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India. As at June 30, 2024, our research and development personnel, totaling 18,290 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, 2024, 12,388 employees held share-based awards. The total remuneration expenses, including share-based compensation expenses, in the second quarter of 2024 were RMB5.4 billion, representing an increase of 3.4% from the first quarter of 2024.

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 (the "PRC") 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, 2024, our total restricted bank deposits amounted to RMB4.8 billion, compared with RMB4.5 billion as of March 31, 2024. We also had pledged certain construction in progress and land use right for borrowings.

Contingent Liabilities

We did not have any material contingent liabilities as at June 30, 2024 and March 31, 2024. Further details of the contingencies are set out in Note 13 to the financial information.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months and six months ended June 30, 2024

(Expressed in Renminbi (“RMB”))

| | Note | Unaudited Three months ended June 30, | | Unaudited Six months ended June 30, | |
|---|------|---|-----------------|---|-----------------|
| | | 2024 RMB'000 | 2023 RMB'000 | 2024 RMB'000 | 2023 RMB'000 |
| Revenue | 3 | 88,887,828 | 67,354,908 | 164,394,650 | 126,832,042 |
| Cost of sales | 3, 4 | (70,493,651) | (53,193,892) | (129,170,756) | (101,079,459) |
| Gross profit | | 18,394,177 | 14,161,016 | 35,223,894 | 25,752,583 |
| Research and development expenses | 4 | (5,497,729) | (4,554,803) | (10,657,116) | (8,668,163) |
| Selling and marketing expenses | 4 | (5,899,052) | (4,476,758) | (11,380,099) | (8,580,622) |
| Administrative expenses | 4 | (1,182,524) | (1,143,190) | (2,705,531) | (2,278,363) |
| Fair value changes on financial instruments measured at fair value through profit or loss | 7 | (849,410) | (275,784) | (2,075,902) | 3,177,475 |
| Share of net profits/(losses) of investments accounted for using the equity method | | 86,385 | 74,046 | 241,776 | (59,035) |
| Other income | | 287,246 | 184,776 | 444,653 | 349,610 |
| Other gains, net | | 549,628 | 71,223 | 480,084 | 247,250 |
| Operating profit | | 5,888,721 | 4,040,526 | 9,571,759 | 9,940,735 |
| Finance income | | 876,875 | 851,273 | 1,896,310 | 1,529,423 |
| Finance costs | | (86,211) | 63,882 | 433,694 | (1,043,764) |
| Profit before income tax | | 6,679,385 | 4,955,681 | 11,901,763 | 10,426,394 |
| Income tax expenses | 5 | (1,609,716) | (1,290,157) | (2,658,882) | (2,544,732) |
| Profit for the period | | 5,069,669 | 3,665,524 | 9,242,881 | 7,881,662 |
| Attributable to: | | | | | |
| — Owners of the Company | | 5,098,002 | 3,669,975 | 9,280,063 | 7,873,814 |
| — Non-controlling interests | | (28,333) | (4,451) | (37,182) | 7,848 |
| | | 5,069,669 | 3,665,524 | 9,242,881 | 7,881,662 |
| Earnings per share (expressed in RMB per share): | 6 | | | | |
| Basic | | 0.21 | 0.15 | 0.37 | 0.32 |
| Diluted | | 0.20 | 0.15 | 0.36 | 0.31 |

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and six months ended June 30, 2024

(Expressed in RMB)

| | Unaudited Three months ended June 30, | | Unaudited Six months ended June 30, | |
|---|---|-----------------|---|-----------------|
| | 2024 RMB'000 | 2023 RMB'000 | 2024 RMB'000 | 2023 RMB'000 |
| Profit for the period | 5,069,669 | 3,665,524 | 9,242,881 | 7,881,662 |
| Other comprehensive income: | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Share of other comprehensive income/(loss) of investments accounted for using the equity method | 757 | (4,330) | (12,508) | (27,903) |
| Transfer of share of other comprehensive loss/(income) to profit or loss upon disposal and deemed disposal of investments accounted for using equity method | 2,876 | (471) | 2,876 | (464) |
| Net losses from changes in fair value of financial assets at fair value through other comprehensive income | (11,434) | (8,634) | (16,362) | (15,833) |
| Currency translation differences | 108,937 | 586,382 | 142,177 | 567,037 |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | | |
| Currency translation differences | 179,477 | 2,157,698 | 253,666 | 1,590,208 |
| Other comprehensive income for the period, net of tax | 280,613 | 2,730,645 | 369,849 | 2,113,045 |
| Total comprehensive income for the period | 5,350,282 | 6,396,169 | 9,612,730 | 9,994,707 |
| Attributable to: | | | | |
| — Owners of the Company | 5,383,867 | 6,390,417 | 9,655,013 | 9,980,329 |
| — Non-controlling interests | (33,585) | 5,752 | (42,283) | 14,378 |
| | 5,350,282 | 6,396,169 | 9,612,730 | 9,994,707 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2024

(Expressed in RMB)

| | Note | Unaudited As of June 30, 2024 RMB'000 | Audited As of December 31, 2023 RMB'000 |
|---|------|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 15,779,911 | 13,720,825 |
| Intangible assets | | 7,719,250 | 8,628,739 |
| Investments accounted for using the equity method | | 6,666,577 | 6,922,241 |
| Long-term investments measured at fair value through profit or loss | 7 | 58,699,067 | 60,199,798 |
| Deferred income tax assets | | 2,160,968 | 2,160,750 |
| Long-term bank deposits | | 32,988,833 | 18,293,650 |
| Long-term investments measured at amortized cost | 7 | 365,749 | 364,476 |
| Other non-current assets | | 14,814,712 | 14,904,260 |
| | | <u>139,195,067</u> | <u>125,194,739</u> |
| Current assets | | | |
| Inventories | 9 | 51,524,154 | 44,422,837 |
| Trade and notes receivables | 8 | 13,648,816 | 12,150,928 |
| Loan receivables | | 10,986,878 | 9,772,589 |
| Prepayments and other receivables | | 24,114,891 | 20,078,875 |
| Bills receivables measured at fair value through other comprehensive income | | 62,812 | 125,661 |
| Short-term investments measured at fair value through other comprehensive income | 7 | 1,058,207 | 582,131 |
| Short-term investments measured at amortized cost | 7 | 1,011,263 | 502,816 |
| Short-term investments measured at fair value through profit or loss | 7 | 18,561,997 | 20,193,662 |
| Short-term bank deposits | | 37,863,112 | 52,797,857 |
| Restricted cash | | 4,812,210 | 4,794,031 |
| Cash and cash equivalents | | 39,335,820 | 33,631,313 |
| | | <u>202,980,160</u> | <u>199,052,700</u> |
| Total assets | | <u><u>342,175,227</u></u> | <u><u>324,247,439</u></u> |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As of June 30, 2024

(Expressed in RMB)

| | Note | Unaudited As of June 30, 2024 RMB'000 | Audited As of December 31, 2023 RMB'000 |
|---|------|---|---|
| Equity and liabilities | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 407 | 407 |
| Reserves | | <u>172,571,340</u> | <u>163,995,082</u> |
| | | <u>172,571,747</u> | <u>163,995,489</u> |
| Non-controlling interests | | <u>624,075</u> | <u>266,279</u> |
| Total equity | | <u><u>173,195,822</u></u> | <u><u>164,261,768</u></u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 10 | 21,037,527 | 21,673,969 |
| Deferred income tax liabilities | | 1,130,255 | 1,494,287 |
| Warranty provision | | 1,224,720 | 1,215,546 |
| Other non-current liabilities | | <u>19,584,484</u> | <u>20,014,273</u> |
| | | <u>42,976,986</u> | <u>44,398,075</u> |
| Current liabilities | | | |
| Trade payables | 11 | 66,772,473 | 62,098,500 |
| Other payables and accruals | | 27,373,634 | 25,614,650 |
| Advance from customers | | 13,506,871 | 13,614,756 |
| Borrowings | 10 | 8,943,685 | 6,183,376 |
| Income tax liabilities | | 2,500,246 | 1,838,222 |
| Warranty provision | | <u>6,905,510</u> | <u>6,238,092</u> |
| | | <u>126,002,419</u> | <u>115,587,596</u> |
| Total liabilities | | <u><u>168,979,405</u></u> | <u><u>159,985,671</u></u> |
| Total equity and liabilities | | <u><u>342,175,227</u></u> | <u><u>324,247,439</u></u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

(Expressed in RMB)

| | Unaudited | |
|---|---------------------------|-------------------|
| | Six months ended June 30, | |
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| Net cash generated from operating activities | 2,530,575 | 20,162,011 |
| Net cash generated from/(used in) investing activities | 2,709,078 | (14,492,197) |
| Net cash generated from/(used in) financing activities | 455,300 | (2,286,696) |
| | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 5,694,953 | 3,383,118 |
| Cash and cash equivalents at the beginning of the period | 33,631,313 | 27,607,261 |
| Effects of exchange rate changes on cash and cash equivalents | 9,554 | 468,573 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period | 39,335,820 | 31,458,952 |

1 Basis of preparation

The condensed consolidated interim financial information comprises the interim condensed consolidated balance sheet as of June 30, 2024, 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 financial statements of the Group for the year ended December 31, 2023 which have been prepared in accordance with all applicable IFRS Accounting Standards issued by the IASB (“**IFRS Accounting Standards**”) as set out in the 2023 annual report of the Company dated March 19, 2024 (the “**2023 Financial Statements**”), and any public announcement made by the Company during the six months ended June 30, 2024 (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 2023 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, 2024.

2 Significant changes in the current reporting period

Since the Group officially launched smart EV on March 28, 2024, the financial position and performance of the Group was particularly affected by these new initiative products and transactions during the three months and six months ended June 30, 2024 (Note 3).

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.

The Group officially launched smart EV on March 28, 2024 and at the same time the Group also launched other new initiatives to maintain its sustainable development ability. As these newly initiatives have dissimilar products, production process and customers with the Group’s other existing business, and the CODM reviewed these new initiatives separately to assessing the performance and allocating resources, thus the smart EV and other new initiatives were regarded as a separate segment in this Interim Financial Information.

In this connection, the Group determined that it has reporting segments as follows:

- Smartphone × AIoT
 - Smartphones
 - IoT and lifestyle products
 - Internet services
 - Other related business
- Smart EV and other new initiatives

These changes of presentation of segment information align with the manner in which the Group's CODM uses financial information to evaluate the performance of, and to allocate resource to, each of the segments. The prior periods' segment operating results have been retrospectively recasted to conform to the current period presentation as applicable.

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, 2024 and 2023. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the interim consolidated income statement.

The segment results for the three months and six months ended June 30, 2024 and 2023 are as follows:

| | Three months ended June 30, 2024 | | | | | | Total RMB'000 |
|---------------------|----------------------------------|--|---------------------------------|--------------------------------------|---------------------|--|-------------------|
| | Smartphones RMB'000 | Smartphone × AIoT IoT and lifestyle products RMB'000 | Internet services RMB'000 | Other related business RMB'000 | Subtotal RMB'000 | Smart EV and other new initiatives RMB'000 | |
| (Unaudited) | | | | | | | |
| Segment revenues | 46,516,412 | 26,760,314 | 8,265,611 | 976,674 | 82,519,011 | 6,368,817 | 88,887,828 |
| Cost of sales | (40,866,952) | (21,476,717) | (1,792,924) | (968,026) | (65,104,619) | (5,389,032) | (70,493,651) |
| Gross profit | <u>5,649,460</u> | <u>5,283,597</u> | <u>6,472,687</u> | <u>8,648</u> | <u>17,414,392</u> | <u>979,785</u> | <u>18,394,177</u> |
| | | | | | | | |
| | Three months ended June 30, 2023 | | | | | | Total RMB'000 |
| | Smartphones RMB'000 | Smartphone × AIoT IoT and lifestyle products RMB'000 | Internet services RMB'000 | Other related business RMB'000 | Subtotal RMB'000 | Smart EV and other new initiatives RMB'000 | |
| (Unaudited) | | | | | | | |
| Segment revenues | 36,595,461 | 22,253,866 | 7,444,079 | 1,061,502 | 67,354,908 | — | 67,354,908 |
| Cost of sales | (31,720,488) | (18,343,767) | (1,926,198) | (1,203,439) | (53,193,892) | — | (53,193,892) |
| 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> | <u>—</u> | <u>14,161,016</u> |
| | | | | | | | |
| | Six months ended June 30, 2024 | | | | | | Total RMB'000 |
| | Smartphones RMB'000 | Smartphone × AIoT IoT and lifestyle products RMB'000 | Internet services RMB'000 | Other related business RMB'000 | Subtotal RMB'000 | Smart EV and other new initiatives RMB'000 | |
| (Unaudited) | | | | | | | |
| Segment revenues | 92,996,160 | 47,133,803 | 16,313,994 | 1,555,844 | 157,999,801 | 6,394,849 | 164,394,650 |
| Cost of sales | (80,467,477) | (37,802,769) | (3,865,942) | (1,622,779) | (123,758,967) | (5,411,789) | (129,170,756) |
| Gross profit/(loss) | <u>12,528,683</u> | <u>9,331,034</u> | <u>12,448,052</u> | <u>(66,935)</u> | <u>34,240,834</u> | <u>983,060</u> | <u>35,223,894</u> |

| | Six months ended June 30, 2023 | | | | | Smart EV and other new initiatives RMB'000 | Total RMB'000 |
|---------------------|--------------------------------|--|---------------------------------|--------------------------------------|----------------------|--|----------------------|
| | Smartphones RMB'000 | Smartphone × AIoT IoT and lifestyle products RMB'000 | Internet services RMB'000 | Other related business RMB'000 | Subtotal RMB'000 | | |
| (Unaudited) | | | | | | | |
| Segment revenues | 71,580,207 | 39,087,648 | 14,472,227 | 1,691,960 | 126,832,042 | — | 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> | — | <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> | — | <u>25,752,583</u> |

For the three months and six months ended June 30, 2024 and 2023, the geographical information on the total revenues is as follows:

| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|---------------------------------|-----------------------------|-------------|-------------------|------|---------------------------|-------------|--------------------|------|
| | 2024 | | 2023 | | 2024 | | 2023 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | (Unaudited) | | (Unaudited) | | (Unaudited) | | (Unaudited) | |
| Mainland China | 50,812,668 | 57.2 | 39,585,960 | 58.8 | 88,446,741 | 53.8 | 72,077,944 | 56.8 |
| Rest of the world (Note (a)) | <u>38,075,160</u> | 42.8 | <u>27,768,948</u> | 41.2 | <u>75,947,909</u> | 46.2 | <u>54,754,098</u> | 43.2 |
| | <u>88,887,828</u> | | <u>67,354,908</u> | | <u>164,394,650</u> | | <u>126,832,042</u> | |

Note:

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

The following table shows inventory information by reportable segment as of June 30, 2024 and December 31, 2023.

| | As of June 30, 2024 RMB'000 (Unaudited) | As of December 31, 2023 RMB'000 (Audited) |
|------------------------------------|---|---|
| Smartphone × AIoT | 50,358,536 | 44,354,214 |
| Smart EV and other new initiatives | <u>1,165,618</u> | <u>68,623</u> |
| | <u>51,524,154</u> | <u>44,422,837</u> |

4 Expenses by nature

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|-------------|---------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Cost of inventories sold and royalty fees | 64,865,246 | 47,641,858 | 118,629,191 | 90,402,822 |
| Provision for impairment of inventories | 1,705,256 | 881,462 | 2,946,746 | 2,695,954 |
| Employee benefit expenses | 5,358,712 | 4,418,111 | 10,549,089 | 8,918,568 |
| Depreciation of property, plant and equipment, right-of-use assets and investment properties | 816,293 | 598,701 | 1,620,006 | 1,178,938 |
| Amortization of intangible assets | 596,037 | 426,732 | 1,186,647 | 788,205 |
| Promotion and advertising expenses | 1,686,913 | 1,468,832 | 3,796,722 | 2,735,705 |
| Content fees to game developers and video providers | 759,835 | 798,591 | 1,586,567 | 1,663,088 |
| Credit loss allowance | (16,498) | 24,615 | 252,866 | 83,572 |
| Consultancy and professional service fees | 393,618 | 383,883 | 728,261 | 666,739 |
| Cloud service, bandwidth and server custody fees | 426,771 | 479,301 | 895,293 | 1,029,850 |
| Warranty expenses | 1,140,326 | 1,894,883 | 2,177,493 | 2,758,314 |

5 Income tax expenses

The income tax expenses of the Group during the three months and six months ended June 30, 2024 and 2023 are analyzed as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|----------------------------|-----------------------------|------------------|---------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Current income tax | 1,626,168 | 1,476,060 | 3,023,132 | 2,539,490 |
| Deferred income tax | (16,452) | (185,903) | (364,250) | 5,242 |
| Income tax expenses | 1,609,716 | 1,290,157 | 2,658,882 | 2,544,732 |

6 Earnings per share

(a) Basic

Basic earnings per share for the three months and six months ended June 30, 2024 and 2023 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, | |
|--|-----------------------------|-------------|---------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Net profit attributable to the owners of the Company (RMB'000) | 5,098,002 | 3,669,975 | 9,280,063 | 7,873,814 |
| Weighted average number of ordinary shares in issue (thousand shares) | 24,833,808 | 24,878,433 | 24,816,068 | 24,850,270 |
| Basic earnings per share (expressed in RMB per share) | 0.21 | 0.15 | 0.37 | 0.32 |

(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, 2024 and 2023.

For the three months and six months ended June 30, 2024 and 2023, 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, | |
|--|-----------------------------|-------------------|---------------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Net profit attributable to the owners of the Company (RMB’000) | <u>5,098,002</u> | <u>3,669,975</u> | <u>9,280,063</u> | <u>7,873,814</u> |
| Weighted average number of ordinary shares in issue (thousand shares) | 24,833,808 | 24,878,433 | 24,816,068 | 24,850,270 |
| Adjustments RSUs and share options granted to employees (thousand shares) | 614,884 | 345,060 | 608,632 | 342,409 |
| Adjustments for share consideration for acquisition of Zimi International Incorporation (thousand shares) | <u>1,953</u> | <u>569</u> | <u>1,581</u> | <u>464</u> |
| Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares) | <u>25,450,645</u> | <u>25,224,062</u> | <u>25,426,281</u> | <u>25,193,143</u> |
| Diluted earnings per share (expressed in RMB per share) | <u>0.20</u> | <u>0.15</u> | <u>0.36</u> | <u>0.31</u> |

7 **Investments**

| | As of June 30, 2024 RMB’000 (Unaudited) | As of December 31, 2023 RMB’000 (Audited) |
|---|---|---|
| Current assets | | |
| Short-term investments measured at | | |
| — Amortized cost | 1,011,263 | 502,816 |
| — Fair value through other comprehensive income | 1,058,207 | 582,131 |
| — Fair value through profit or loss | <u>18,561,997</u> | <u>20,193,662</u> |
| | <u>20,631,467</u> | <u>21,278,609</u> |
| Non-current assets | | |
| Long-term investments measured at amortized cost | 365,749 | 364,476 |
| Long-term investments measured at fair value through profit or loss | | |
| — Ordinary shares investments | 14,046,780 | 15,291,625 |
| — Preferred shares investments | 33,360,313 | 34,444,516 |
| — Treasury investments | 7,658,342 | 6,846,562 |
| — Other investments | <u>3,633,632</u> | <u>3,617,095</u> |
| | <u>59,064,816</u> | <u>60,564,274</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, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Long-term investments measured at fair value through profit or loss | | | | |
| — Ordinary shares investments | (69,550) | (1,461,311) | (1,661,104) | 1,736,876 |
| — Preferred shares investments | (874,830) | 1,145,843 | (676,743) | 1,248,411 |
| — Treasury and other investments | 7,701 | (12,350) | 97,891 | 84,140 |
| Short-term investments measured at fair value through profit or loss | 86,934 | 52,034 | 209,318 | 108,048 |
| | <u>(849,745)</u> | <u>(275,784)</u> | <u>(2,030,638)</u> | <u>3,177,475</u> |

8 Trade and notes receivables

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

| | As of June 30, 2024 RMB'000 (Unaudited) | As of December 31, 2023 RMB'000 (Audited) |
|------------------------------------|---|---|
| Trade and notes receivables | | |
| Up to 3 months | 10,595,425 | 9,108,133 |
| 3 to 6 months | 1,665,050 | 1,666,418 |
| 6 months to 1 year | 767,656 | 522,612 |
| 1 to 2 years | 1,008,183 | 1,016,563 |
| Over 2 years | 180,950 | 154,160 |
| | <u>14,217,264</u> | <u>12,467,886</u> |
| Less: credit loss allowance | <u>(568,448)</u> | <u>(316,958)</u> |
| | <u>13,648,816</u> | <u>12,150,928</u> |

9 Inventories

| | As of June 30, 2024 RMB'000 (Unaudited) | As of December 31, 2023 RMB'000 (Audited) |
|---|---|---|
| Raw materials | 13,827,290 | 11,455,435 |
| Finished goods | 31,415,120 | 27,132,256 |
| Work in progress | 4,404,448 | 3,564,974 |
| Spare parts | 3,737,525 | 3,494,076 |
| Others | 698,375 | 952,492 |
| | 54,082,758 | 46,599,233 |
| Less: provision for impairment (Note (a)) | (2,558,604) | (2,176,396) |
| | 51,524,154 | 44,422,837 |

Note:

- (a) During the three months and six months ended June 30, 2024, the Group incurred inventory impairment provision approximately RMB1,705,256,000 and RMB2,946,746,000, respectively (2023: RMB881,462,000 and RMB2,695,954,000, respectively) and transferred out of such provision upon the sales of inventories approximately RMB1,611,579,000 and RMB2,564,538,000, respectively (2023: RMB1,257,687,000 and RMB2,869,652,000, respectively).

10 Borrowings

| | As of June 30, 2024 RMB'000 (Unaudited) | As of December 31, 2023 RMB'000 (Audited) |
|--|---|---|
| Included in non-current liabilities | | |
| Secured borrowings | 989,075 | — |
| Unsecured borrowings | 14,855,482 | 16,631,078 |
| Convertible bonds | 5,192,970 | 5,042,891 |
| | 21,037,527 | 21,673,969 |
| Included in current liabilities | | |
| Secured borrowings | 19,345 | — |
| Unsecured borrowings | 8,924,340 | 6,183,376 |
| | 8,943,685 | 6,183,376 |

11 Trade payables

Trade payables primarily include payables for inventories. As of June 30, 2024 and December 31, 2023, the carrying amounts of trade payables were primarily denominated in RMB, US\$ and India Rupees (“INR”).

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

| | As of June 30, 2024 RMB’000 (Unaudited) | As of December 31, 2023 RMB’000 (Audited) |
|--------------------|---|---|
| Up to 3 months | 53,295,778 | 52,493,579 |
| 3 to 6 months | 9,135,655 | 4,809,809 |
| 6 months to 1 year | 2,278,547 | 3,039,535 |
| 1 to 2 years | 1,146,819 | 1,001,272 |
| Over 2 years | 915,674 | 754,305 |
| | <u>66,772,473</u> | <u>62,098,500</u> |

12 Dividends

No dividends have been paid or declared by the Company during the three months and six months ended June 30, 2024 and 2023.

13 Contingencies

The Group, in the ordinary course of its business, is involved in various claims, lawsuits, 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 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 INR46,165,134,000 (equivalent to RMB4,023,291,000) has been considered as restrictive as of June 30, 2024 (December 31, 2023: INR45,321,947,000 (equivalent to RMB3,874,120,000)). The cases are currently in the hearing stages and not yet concluded.

Management assessed the aforesaid matters related to Xiaomi India, after taking into considerations of opinions from professional advisors, it is concluded that Xiaomi India has valid grounds to respond to the relevant Indian authorities. The Group, hence, has not made any material provision as of June 30, 2024 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, 2024 and up to the date of this announcement, the Company repurchased a total of 247,548,200 Class B ordinary shares (the “**Class B Shares**”) of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$3,676,816,415 (the “**Shares Repurchased**”) to enhance the shareholder value in the long run. Particulars of the Shares Repurchased are as follows:

| Month of Repurchase | No. of Shares Repurchased | Price paid per share | | Aggregate |
|---------------------|---------------------------|----------------------|------------------|--|
| | | Highest (HK\$) | Lowest (HK\$) | Consideration (approximately) (HK\$) |
| January | 112,100,000 | 15.54 | 12.30 | 1,533,095,902 |
| February | 26,000,000 | 12.78 | 12.08 | 324,555,828 |
| March | 6,834,400 | 15.00 | 14.76 | 101,929,132 |
| April | 18,200,000 | 15.98 | 15.42 | 285,886,401 |
| May | 5,600,000 | 17.74 | 17.40 | 98,785,548 |
| June | 39,313,800 | 18.00 | 16.44 | 676,465,084 |
| July | 39,500,000 | 17.00 | 16.08 | 656,098,520 |
| Total | <u>247,548,200</u> | | | <u>3,676,816,415</u> |

In respect 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.

As at the date of this announcement, the number of Class B Shares in issue (excluding treasury shares) was reduced by 247,548,200 shares as a result of (i) the repurchase of 138,100,000 Class B Shares from January 2024 to February 2024, which were subsequently cancelled on March 14, 2024; (ii) the repurchase of 39,034,400 Class B Shares from March 27, 2024 to June 5, 2024, which were subsequently cancelled on August 15, 2024; and (iii) the repurchase of 70,413,800 Class B Shares from June 11, 2024 to July 19, 2024, which were held as treasury shares^(Note) and were subsequently cancelled on August 15, 2024.

A total of 29,373,916 Class A Shares were converted into Class B Shares on a one-to-one ratio on March 14, 2024, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 26,454,431 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 2,919,485 Class A Shares.

Note: As at 30 June 2024, the Company held 30,913,800 treasury shares. As at the date of this announcement, there were no treasury shares held by the Company.

A total of 19,841,058 Class A Shares were converted into Class B Shares on a one-to-one ratio on August 15, 2024, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 17,869,048 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 1,972,010 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 (including sale of treasury shares) during the six months ended June 30, 2024 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 C1 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, 2024.

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, 2024. 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, 2024, 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, 2024.

Events after June 30, 2024

Save as disclosed in this announcement, there have been no other significant events that might affect the Group after June 30, 2024 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 and the website of the Company at 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 (if requested) in due course.

By order of the Board
Xiaomi Corporation
Lei Jun
Chairman

Hong Kong, August 21, 2024

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 Ms. Cai Jinqing as Independent Non-executive Directors.