



Stock Code : 1810

XIAOMI CORPORATION

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

2022 INTERIM REPORT

This interim report (in both English and Chinese versions) has been posted on the Company's website at www.mi.com and the Stock Exchange's website at www.hkexnews.hk. Shareholders who have chosen to rely on copies of the corporate communications (including but not limited to annual report and (where applicable) summary financial report, interim report and (where applicable) summary interim report, notice of meeting, listing document, circular and proxy form) posted on the aforesaid websites in lieu of any or all the printed copies thereof may request the printed copy of the interim report.

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XIAOMI

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CAPTURE
THE MOMENT

xiaomi 12S Ultra



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xiaomi 12S Ultra





We relentlessly build amazing products
with honest prices to let everyone in the world
enjoy a better life through innovative technology



CORPORATE INFORMATION

Board of Directors

Executive Directors

Lei Jun (雷軍) *(Chairman of the Board)*

Lin Bin (林斌) *(Vice Chairman of the Board)*

Liu De (劉德)

Non-Executive Director

Liu Qin (劉芹)

Independent Non-Executive Directors

Chen Dongsheng (陳東升)

Wong Shun Tak (王舜德)

Tong Wai Cheung Timothy (唐偉章)

Audit Committee

Wong Shun Tak (王舜德) *(Chairman)*

Liu Qin (劉芹)

Chen Dongsheng (陳東升)

Remuneration Committee

Chen Dongsheng (陳東升) *(Chairman)*

Lei Jun (雷軍)

Wong Shun Tak (王舜德)

Nomination Committee

Tong Wai Cheung Timothy (唐偉章) *(Chairman)*

Lin Bin (林斌)

Wong Shun Tak (王舜德)

Corporate Governance Committee

Chen Dongsheng (陳東升) *(Chairman)*

Wong Shun Tak (王舜德)

Tong Wai Cheung Timothy (唐偉章)

Joint Company Secretaries

So Ka Man (蘇嘉敏)

Liu Hao (劉灝) *(appointed with effect from March 25, 2022)*

Authorized Representatives

Lin Bin (林斌)

So Ka Man (蘇嘉敏)

Auditor

PricewaterhouseCoopers

(Certified Public Accountants and Registered Public Interest Entity Auditor)

Registered Office

Maples Corporate Services Limited

PO Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Head Office and Principal Place of Business in Mainland China

Xiaomi Campus
Anningzhuang Road
Haidian District
Beijing
The People's Republic of China

Principal Place of Business in Hong Kong

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

Hong Kong Legal Advisor

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Compliance Advisor

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Principal Banker

China Merchants Bank, Beijing Branch, Shouti Sub-branch

Stock Code

1810

Company Website

www.mi.com

KEY HIGHLIGHTS

	Unaudited Six months ended June 30, 2022	June 30, 2021
	(RMB in millions, unless specified)	
Revenue	143,522.4	164,671.2
Gross profit	24,477.8	29,309.3
Operating profit	821.8	18,883.4
Profit before income tax	1,320.9	18,745.4
Profit for the period	834.8	16,052.2
Non-IFRS measure: Adjusted Net Profit	4,939.9	12,390.8

xiaomi

Six months ended June 30, 2022



Total revenue

143.5
RMB billion

Smartphone revenue

88.0
RMB billionIoT and lifestyle
products revenue39.3
RMB billionInternet services
revenue14.1
RMB billion

Overseas revenue

49.8%
of total revenue

Smartphone shipments

77.6
million unitsConnected IoT
devices⁽¹⁾526.9
million unitsMIUI MAU⁽²⁾547.0
million*Notes:*

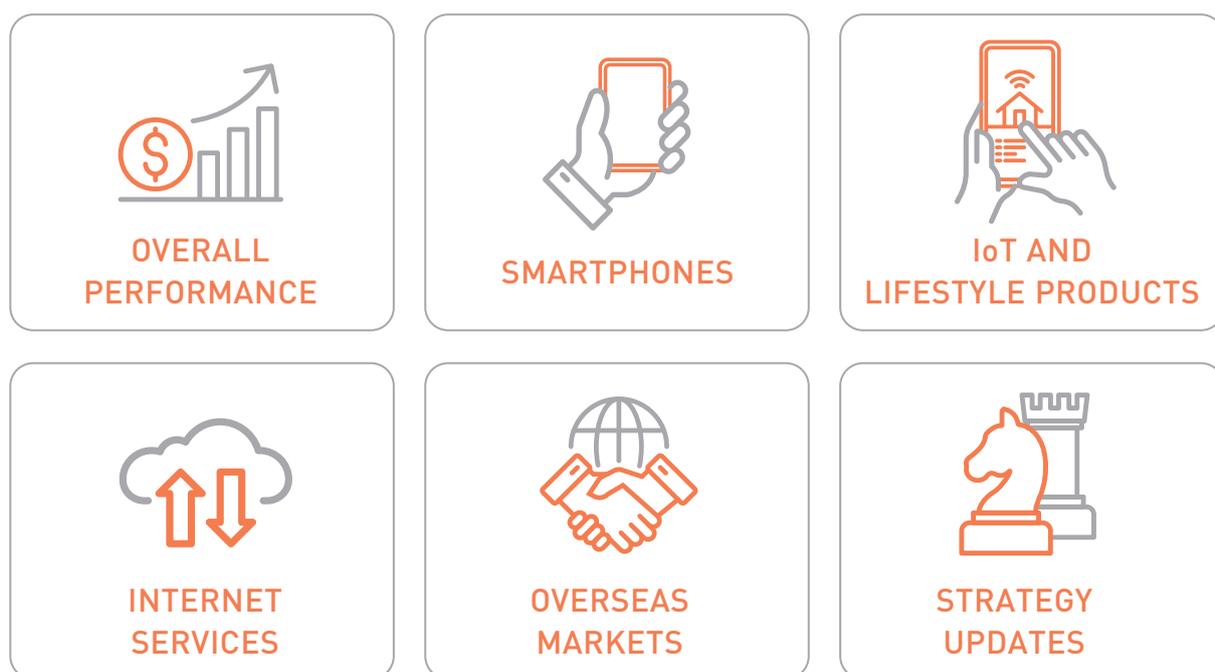
(1) Connected IoT devices as of June 30, 2022, excluding smartphones, tablets and laptops

(2) In June 2022

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our interim report for the three and six months ended June 30, 2022 to the shareholders.



1. Overall Performance

In the first half of 2022, against global macroeconomic headwinds and the resurgence of COVID-19, we proactively optimized our operational management, steadfastly advanced our corporate strategies and strengthened our long-term competitiveness. We continue to execute our “Smartphone × AIoT” core strategy, at the same time also diligently developing our smart Electric Vehicle (“EV”) and other new initiatives. In the first half of 2022, our total revenue amounted to RMB143.5 billion, and adjusted net profit for the period was RMB4.9 billion, which included RMB1.0 billion of expenses related to smart EV and other new initiatives.

We are committed to our “Smartphone × AIoT” core strategy. In the first half of 2022, our global smartphone shipments reached 77.6 million units, including 39.1 million units in the second quarter, representing an increase quarter-over-quarter. According to Canalys, in the second quarter of 2022, we maintained our No. 3 global smartphone shipment ranking with 13.8% market share, an increase of 1.2 percentage points quarter-over-quarter. At the same time, our global smartphone user base continued to grow. In June 2022, monthly active users (“MAU”) of MIUI again reached record highs both globally and in mainland China. Globally, MAU of MIUI reached 547.0 million,

an increase of 93.1 million users year-over-year. In mainland China, MAU of MIUI reached 140.2 million, an increase of 16.3 million users year-over-year. As of June 30, 2022, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 526.9 million, up 40.7% year-over-year. The number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) exceeded 10 million for the first time to reach 10.2 million, an increase of 37.0% year-over-year.

Technology advancement is our foundation, and our proprietary breakthrough technologies further strengthen our core competitiveness. In the first half of 2022, our research and development expenses reached RMB7.3 billion, up 19.4%. In July 2022, we launched our proprietary *Surge G1* battery management chip on our new flagship smartphone *Xiaomi 12S Ultra*, which is also equipped with our *Surge P1* proprietary charging chip launched in December 2021. The combination of these technologies effectively boost smartphone battery life and enhance overall user experience.

We remain focused on executing our premiumization strategy. In May 2022, we announced our long-term strategic partnership in imaging technology with Leica. In July 2022, we unveiled the *Xiaomi 12S* series¹ with our first co-engineered imaging system, and the series has won rave reviews due to its unparalleled smartphone imaging experience. On JD.com, each model of the *Xiaomi 12S* series has generated over 98% positive reviews.² In August 2022, we launched *Xiaomi MIX Fold 2*, our second-generation foldable smartphone, boasting revolutionary ultra-slim design. In the second quarter of 2022, according to third-party data, our smartphone market share in the RMB3,000 to RMB4,000 price segment in mainland China increased 3.5 percentage points year-over-year to 18.2%, and in the RMB4,000 to RMB5,000 price segment, our market share rose 2.0 percentage points year-over-year to 15.5%.

Our new retail strategy in mainland China has achieved steady progress. According to Canalys, in the second quarter of 2022, our smartphone shipments in mainland China ranked No. 4 with 15.7% market share, an increase of 1.7 percentage points quarter-over-quarter. According to third-party data, we continued to rank No. 1 in the online channel in mainland China in the second quarter of 2022. During the 618 e-Commerce Shopping Festival in 2022, our cumulative paid gross merchandise value (“GMV”) from all sales channels exceeded RMB18.7 billion, and we ranked No. 1 among Android smartphones in terms of both sales volume and sales value on platforms including Tmall.com and JD.com. Meanwhile, we continued to improve the operating efficiency of our offline stores. As of June 30, 2022, the number of our offline retail stores in mainland China exceeded 10,600. According to third-party data, in mainland China, the proportion of our premium smartphone³ shipments through the offline channel increased over 5 percentage points year-over-year in the second quarter of 2022. In addition, our offline channel has also enhanced the sales of our IoT and lifestyle products. In the second quarter of 2022, the proportion of our offline store GMV in mainland China derived from IoT and lifestyle products increased over 11 percentage points year-over-year.

¹ Including *Xiaomi 12S*, *Xiaomi 12S Pro* and *Xiaomi 12S Ultra*.

² As of August 4, 2022.

³ Smartphones with retail price at or above RMB3,000.

CHAIRMAN'S STATEMENT

Despite global macroeconomic headwinds, we continued to expand our overseas footprint, and our international brand has gained further recognition. In the first half of 2022, our revenue from overseas markets reached RMB71.4 billion, accounting for 49.8% of total revenue. According to Canalys, in the second quarter of 2022, our smartphone shipments ranked top three in 55 countries and regions and among the top five in 67 countries and regions. Furthermore, in the second quarter of 2022, our market share in Europe, Latin America, Southeast Asia, Middle East and Africa all increased quarter-over-quarter. In August 2022, Xiaomi was named on the Fortune Global 500 list for the fourth consecutive year and ranked 266th, advancing 72 spots from 2021.

2. Smartphones

In the first half of 2022, global macroeconomic turbulence and the resurgence of COVID-19 impacted overall market demand for smartphones. Global smartphone industry shipments declined 9.8% year-over-year, and mainland China industry shipments declined 14.6% year-over-year in the first half of 2022, according to Canalys. In the first half of 2022, our smartphone revenue amounted to RMB88.0 billion, and our smartphone shipments reached 77.6 million units. According to Canalys, our global smartphone shipments maintained the No. 3 ranking in the second quarter of 2022 with market share of 13.8%, and our market share has increased for two consecutive quarters.

We continued to advance our dual-brand strategy. Under the Xiaomi brand, we remain focused on enriching our premium smartphone portfolio. Following the launch of the *Xiaomi 12* flagship series in December 2021, in July 2022, we launched the *Xiaomi 12S* series. The *Xiaomi 12S* series is equipped with the Snapdragon 8+ Gen 1 Mobile Platform processor using TSMC's advanced 4nm manufacturing process, boasting superior user experience due to enhanced CPU performance and lower power consumption. Notably, *Xiaomi 12S Ultra* features Leica Summicron lenses and the Sony IMX989 one-inch image sensor, along with the Leica Authentic Look and the Leica Vibrant Look imaging profiles, delivering a highly texturized smartphone photography experience. In August 2022, we launched our second-generation foldable smartphone, *Xiaomi MIX Fold 2*, which features our self-developed Micro Waterdrop Hinge and flexible ultra-thin glass to provide a revolutionary ultra-slim design. *Xiaomi MIX Fold 2* is equipped with Eco² OLED flexible display, which greatly increases light transmittance while reducing power consumption. It is also equipped with the Snapdragon 8+ Gen 1 Mobile Platform processor, Leica Summicron lenses and MIUI Fold 13, which is designed specifically for foldable smartphones. *Xiaomi MIX Fold 2* offers outstanding performance and exceptional user experience in terms of display, imaging and software, and has achieved strong sales since launch.

Under the Redmi brand, we offer cutting-edge technologies to the mass market. Following the successful launches of the *Redmi K50* and *Redmi K50G* series in the first quarter of 2022, in May 2022, we unveiled the *Redmi Note 11T Pro* series, powered by MediaTek's Dimensity 8100 processor, and *Redmi Note 11T Pro+* is also equipped with our *Surge P1* self-developed charging chip and 120W fast-charging. In August 2022, we launched *Redmi K50 Ultra*, which is equipped with the Snapdragon 8+ Gen 1 Mobile Platform processor, a customized 1.5K display, 108MP optical image stabilization camera and a 5,000mAh battery with support for 120W fast charging.

3. IoT and lifestyle products

In the first half of 2022, our IoT and lifestyle products revenue reached RMB39.3 billion. In the mainland China market, many IoT product categories such as smart large home appliances (including air conditioners, refrigerators and washing machines) achieved solid growth. However, IoT and lifestyle products revenue in overseas markets was affected by global inflation and other macroeconomic factors, as demand decreased year-over-year for discretionary items such as scooters and robot vacuum cleaners.

Global shipments of our smart TV grew year-over-year to reach 5.7 million units in the first half of 2022, outperforming the overall decline in the global TV market. According to All View Cloud (“AVC”), our TV shipments ranked No. 1 in mainland China and maintained its top five global ranking in the second quarter of 2022. In addition, benefiting from cost advantages brought by our economies of scale and the lower prices of key components, the gross profit margin of our smart TV business increased substantially year-over-year in the first half of 2022. During the 618 e-Commerce Shopping Festival in 2022, our TV products ranked No. 1 in terms of combined sales volume across JD.com and Tmall.com.

In the first half of 2022, our smart large home appliances continued to deliver strong growth with revenue increasing over 25% year-over-year to set a record high. As of July 2022, our air conditioner shipments year-to-date have already exceeded the 2 million units we shipped in 2021. Our new products including *Mijia Smart Air Conditioner with Ventilation Vertical 3 HP* and *Mijia 610L Side-by-side Refrigerator* also achieved encouraging sales performance. In August 2022, we launched our *Mijia Dual-Drum Washer Dryer 15kg*, which features dual partition design as well as hygienic disinfection and combined washing and drying functions. Our offline retail network of over 10,600 stores provided our users broader access to the sales and service of large home appliances, improving overall customer experience.

Our *Xiaomi Pad 5* series continued to generate strong sales, and in the first half of this year, our total tablet shipments exceeded 1.5 million units. In August 2022, we launched the new *Xiaomi Pad 5 Pro 12.4*, featuring a large 12.4-inch 2.5K display, 20MP high-definition mid-front camera and ultra-long battery life for office use and other settings. It also comes equipped with MIUI Pad 13, which offers customized system functionality adapted for tablets.

We continue to be a leader in wearable products globally. According to Canalys, in the second quarter of 2022, our TWS earbud shipments ranked No. 3 globally, and our ranking in mainland China rose to the No. 1 position. Furthermore, our wearable band shipments ranked No. 2 both globally and in mainland China. Our new *Xiaomi Smart Band 7 Pro*, featuring a large rectangular display with a thin, lightweight design, has shipped more than 400,000 units in mainland China since launch in July 2022. At the same time, we continued to expand our premium wearable product offerings. In August 2022, we launched our new TWS earbuds, *Xiaomi Buds 4 Pro*, which supports Hi-Fi sound, built-in dimensional audio and 48dB smart dynamic noise cancellation. At the same time, we also launched our new smart watch *Xiaomi Watch S1 Pro*, which has a refined appearance with large screen and thin bezel. It features built-in, dual-band satellite positioning and more than 100 fitness modes, as well as health functions such as all-day heart rate monitoring and blood oxygen measurement. *Xiaomi Watch S1 Pro* also has an ultra-long 14-day battery life and supports wireless fast charging.

CHAIRMAN'S STATEMENT

4. Internet services

In the first half of 2022, our internet services revenue reached RMB14.1 billion. In the first half of 2022, in mainland China, macroeconomic headwinds and the resurgence of COVID-19 had a significant impact on advertising budgets. However, driven by the sustained growth of our user base and stronger content and service operations, revenue from our overseas internet services achieved rapid growth despite macroeconomic uncertainties. In the first half of 2022, our overseas internet services revenue reached RMB3.2 billion, an increase of 60.7% year-over-year, and accounted for 22.9% of total internet services revenue.

The MAU of MIUI globally and in mainland China both achieved record highs. In June 2022, global MAU of MIUI reached 547.0 million while MAU of MIUI in mainland China reached 140.2 million. In the first half of 2022, we added 38.1 million MAU of MIUI globally, including 10.4 million MAU in mainland China.

In the first half of 2022, our advertising revenue reached RMB9.1 billion, an increase of 7.9% year-over-year. Our pre-installation advertising revenue in mainland China was impacted by lower advertising budgets and fluctuation in smartphone shipments. However, revenue from our various overseas advertising segments maintained solid growth. In the first half of 2022, overseas advertising revenue increased over 60% year-over-year, mainly benefiting from the continued expansion of our overseas user base, enhanced content and service operations, as well as deeper collaboration with our global business partners.

In the first half of 2022, our gaming revenue reached RMB2.1 billion, an increase of 3.8% year-over-year, which outperformed the overall market primarily due to the growth of our active gaming user base and stronger user engagement.

Our TV internet user base continued its robust growth momentum. In June 2022, global MAU of our smart TV⁴ reached approximately 53 million, and global TV internet services revenue increased approximately 25% year-over-year in the first half of 2022.

5. Overseas markets

Despite global macroeconomic headwinds, we continued to develop our business operations in major overseas markets, and our revenue from overseas markets reached RMB71.4 billion in the first half of 2022, accounting for 49.8% of our total revenue. According to Canalys, in the second quarter of 2022, our market share of smartphone shipments ranked top three in 55 countries and regions and among the top five in 67 countries and regions.

⁴ Including *Xiaomi Box* and *Xiaomi TV Stick*.

We continued to strengthen our presence in overseas markets, and our smartphone market share in Europe, Latin America, Southeast Asia, Middle East, and Africa all increased from the first quarter to second quarter of 2022. According to Canalys, our smartphone shipments in Europe ranked No. 2 in the second quarter of 2022 with 21.7% market share, an increase of 2.1 percentage points quarter-over-quarter. In Western Europe, we ranked No. 3 with market share of 15.8%. Within Western Europe, we ranked No. 1 in Spain and No. 3 in the United Kingdom, France, Germany and Italy. In the Middle East, we ranked No. 2 with 15.8% market share, an increase of 3.3 percentage points quarter-over-quarter. Meanwhile, we maintained our position in emerging markets. In the second quarter of 2022, in Latin America, Southeast Asia and Africa, our smartphone market share reached 16.6%, 16.3% and 7.4% respectively, and all ranked No. 3. In Latin America, our market share increased by 2.6 percentage points quarter-over-quarter. In addition, our smartphone shipments ranked No. 1 in India for the 19th consecutive quarter in the second quarter of 2022.

We continued to penetrate the overseas carrier channel. According to Canalys, our carrier channel market share in Europe increased from 17.0% in the first quarter to 18.0% in the second quarter of 2022, and our carrier channel market share in Latin America increased from 17.7% to 19.3% in the same period. According to Canalys, our smartphone market share through carrier channels ranked top three in 40 overseas markets in the second quarter of 2022.

6. Strategy updates

Smartphone × AIoT

As we advance our “Smartphone × AIoT” strategy, as of June 30, 2022, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 526.9 million, an increase of 40.7% year-over-year. The number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) reached 10.2 million, representing a year-over-year increase of 37.0%. In June 2022, the MAU of our AI Assistant (“小愛同學”) reached 115.0 million, up 12.7% year-over-year, and the MAU of our Mi Home App grew to 70.8 million, an increase of 25.2% year-over-year.

Research and development investment

In the first half of 2022, we recorded RMB7.3 billion in research and development expenses, an increase of 19.4% year-over-year. We are building an ever-expanding technology ecosphere spanning smartphones, wearable devices, smart home, smart manufacturing, smart EVs and bionic robots, to better connect people to the world around them and improve their lives.

CHAIRMAN'S STATEMENT

Expenses related to our smart EV and other new initiatives reached RMB1.0 billion in the first half of 2022. We plan to adopt a self-developed full stack approach to autonomous driving technology and have assembled a research and development team of more than 500 professionals. We plan to invest RMB3.3 billion in autonomous driving research and development in the first phase to further push technological breakthroughs in this area.

The robotics laboratory that we established in 2021 has made groundbreaking achievements. In August 2022, we launched our self-developed, full-size humanoid bionic robot *CyberOne*, which supports bipedal-motion posture balancing through mechanical joint motors and full body control algorithms. Furthermore, it is capable of detecting human emotion and creating three-dimensional virtual reconstructions of the real world through self-developed audio and vision modules and algorithms.

New Retail

We continue to maintain our leading position in the online channel in mainland China. According to third-party data, our online smartphone shipment ranking in mainland China remained No. 1 with 28.7% market share in the second quarter of 2022.

While the resurgence of COVID-19 resulted in temporary closures of certain stores and affected our offline operations in the first half of 2022, we proactively responded to the challenge and optimized our operations. This year, our priority is to improve store efficiency through deeper collaboration with carriers, integration of in-store sales and services, training of store staff, optimization of product mix and cross-selling IoT products. As of June 30, 2022, the number of our offline retail stores in mainland China exceeded 10,600. Our smartphone shipment market share in the offline channel in mainland China has also increased, reaching 8.0% in the second quarter of 2022, according to third-party data.

Corporate social responsibility (CSR)

We have fully incorporated environmental, social and governance into our business operations and management, and we actively promote sustainable corporate development. In April 2022, we published our 2021 ESG Report and set multiple environmental goals based on our operations, including goals to reduce or limit per capita energy consumption, per capita greenhouse gas emissions, and per capita water consumption levels in our self-operated office parks. With regards to waste management, we aim to categorize non-hazardous waste from our self-operated office parks and safely dispose 100% of hazardous waste through qualified third-party organizations. Furthermore, our greenhouse gas emissions data has been verified by reputable international authorities. In April 2022, the British Standards Institution (BSI) issued a verification statement on Xiaomi Corporation's 2021 greenhouse gas emissions data. In August 2022, Forbes China released its inaugural "China ESG 50" report to recognize companies that adhere to best practices in environmental, social and governance and named Xiaomi to its "China ESG 50" list for 2022.

We highly value and actively practice corporate social responsibility. In July 2022, Xiaomi was selected into Forbes China's 2022 Best Employers of the Year list, garnering accolades including "2022 China's Best Employer of the Year," "2022 China's Most Sustainable Employer of the Year" and "2022 China's Most Digitally Responsible Employer of the Year." These honors represent strong endorsements of Xiaomi's practices in areas including talent development, workplace environment and employee benefits.

In July 2022, to support the establishment of Beijing International Science and Technology Innovation Center, Beijing Xiaomi Foundation partnered with Beijing Municipal Natural Science Foundation Committee to establish the "Beijing Municipal Natural Science Foundation — Xiaomi Joint Innovation Fund" project. Beijing Xiaomi Foundation will donate RMB500 million (RMB50 million a year over 10 years) to Beijing Municipal Natural Science Foundation Committee to support fundamental research in fields including artificial intelligence, digital information and smart manufacturing while also nurturing talented leaders in science and technology.

In June 2022, Xiaomi Public Welfare Platform launched a special project dedicated to rural revitalization, bringing together public resources to promote development in rural areas. At present, projects on the Xiaomi Public Welfare Platform cover diverse initiatives including aid and poverty reduction, education assistance and children's care in addition to rural revitalization. Furthermore, in Henan province, which was hit by floods in July last year, Beijing Xiaomi Foundation contributed to the repair and reconstruction of 79 village schools and modernized their teaching equipment.

We have made significant contributions to pandemic prevention and control while helping our employees and partners overcome difficulties. Since the outbreak of COVID-19 in Shanghai in March 2022, we have donated 2,479 care packages containing daily necessities to our employees in Shanghai. In May 2022, Beijing Xiaomi Foundation donated RMB1 million to help with pandemic prevention and control in Beijing. In August 2022, to support pandemic prevention and control in Hainan province and the procurement of related supplies, Beijing Xiaomi Foundation donated RMB1 million to Hainan Red Cross Society.

Lei Jun

Chairman

Hong Kong

August 19, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

First Half of 2022 Compared to First Half of 2021

The following table sets forth the comparative figures for the first half of 2022 and 2021:

	Unaudited	
	Six months ended	
	June 30, 2022	June 30, 2021
	(RMB in millions)	
Revenue	143,522.4	164,671.2
Cost of sales	(119,044.6)	(135,361.9)
Gross profit	24,477.8	29,309.3
Research and development expenses	(7,257.9)	(6,076.2)
Selling and marketing expenses	(10,588.4)	(9,844.1)
Administrative expenses	(2,560.0)	(2,138.0)
Fair value changes on investments measured at fair value through profit or loss	(3,036.7)	6,228.6
Share of net losses of investments accounted for using the equity method	(138.6)	(17.2)
Other income	351.1	386.7
Other (losses)/gains, net	(425.5)	1,034.3
Operating profit	821.8	18,883.4
Finance income/(costs), net	499.1	(138.0)
Profit before income tax	1,320.9	18,745.4
Income tax expenses	(486.1)	(2,693.2)
Profit for the period	834.8	16,052.2
Non-IFRS measure: Adjusted Net Profit	4,939.9	12,390.8

Revenue

Revenue decreased by 12.8% to RMB143.5 billion in the first half of 2022 from RMB164.7 billion in the first half of 2021. The following table sets forth our revenue by line of business in the first half of 2022 and the first half of 2021.

	Unaudited six months ended			
	June 30, 2022		June 30, 2021	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	88,030.8	61.3%	110,580.0	67.2%
IoT and lifestyle products	39,289.0	27.4%	38,978.0	23.7%
Internet services	14,083.6	9.8%	13,604.3	8.3%
Others	2,119.0	1.5%	1,508.9	0.8%
Total revenue	143,522.4	100.0%	164,671.2	100.0%

Smartphones

Revenue from our smartphones segment decreased by 20.4% from RMB110.6 billion in the first half of 2021 to RMB88.0 billion in the first half of 2022, primarily due to the decrease in our smartphone shipment, partially offset by an increase in our smartphone average selling price (“ASP”). Our smartphone shipment decreased by 24.2% from 102.3 million units in the first half of 2021 to 77.6 million smartphone units in the first half of 2022, primarily due to supply shortage of key components in the first quarter of 2022, and global macroeconomic headwinds and the resurgence of COVID-19 during the first half of 2022. The ASP of our smartphones increased by 5.0% to RMB1,134.7 per unit in the first half of 2022 from RMB1,080.7 per unit in the first half of 2021, primarily due to the increase in the proportion of mid-range to premium smartphone shipment to total smartphone shipment.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment increased by 0.8% from RMB39.0 billion in the first half of 2021 to RMB39.3 billion in first half of 2022, primarily attributable to the increased revenue from *Xiaomi Pad 5* series tablets and smart large home appliance category in mainland China, partially offset by the decreased sales overseas due to the weakened demand of certain IoT products under continued global macroeconomic headwinds in the overseas markets. Revenue from our smart large home appliance category, which comprises smart air conditioners,

MANAGEMENT DISCUSSION AND ANALYSIS

refrigerators and washing machines, continued to deliver strong growth with revenue increasing more than 25% year-over-year in the first half of 2022, primarily due to the increase in shipment of our smart air conditioners and refrigerators in mainland China. Revenue from smart TVs and laptops decreased slightly by 1.4% from RMB11.6 billion in the first half of 2021 to RMB11.5 billion in the first half of 2022, primarily due to the decrease in the average selling price of smart TVs as prices of display panels declined, partially offset by the increase in shipment units of both smart TVs and laptops.

Internet services

Revenue from our internet services segment increased by 3.5% from RMB13.6 billion in the first half of 2021 to RMB14.1 billion in the first half of 2022, primarily due to the increase in revenue from our advertising business.

Others

Other revenue increased by 40.4% from RMB1.5 billion in the first half of 2021 to RMB2.1 billion in the first half of 2022, primarily due to the increase in revenue from sale of office buildings.

Cost of Sales

Our cost of sales decreased by 12.1% from RMB135.4 billion in the first half of 2021 to RMB119.0 billion in the first half of 2022. The following table sets forth our cost of sales by line of business in the first half of 2022 and the first half of 2021:

	Unaudited Six months ended			
	June 30, 2022		June 30, 2021	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	79,845.9	55.6%	96,952.9	58.9%
IoT and lifestyle products	33,419.0	23.3%	33,583.0	20.4%
Internet services	3,959.4	2.8%	3,635.8	2.2%
Others	1,820.3	1.2%	1,190.2	0.7%
Total cost of sales	119,044.6	82.9%	135,361.9	82.2%

Smartphones

Cost of sales related to our smartphones segment decreased by 17.6% from RMB97.0 billion in the first half of 2021 to RMB79.8 billion in the first half of 2022, due to the decreased sales of our smartphones.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment decreased by 0.5% from RMB33.6 billion in the first half of 2021 to RMB33.4 billion in the first half of 2022, primarily due to the decreased price of key components, such as display panels.

Internet services

Cost of sales related to our internet services segment increased by 8.9% from RMB3.6 billion in the first half of 2021 to RMB4.0 billion in the first half of 2022, primarily due to the increased cost of our advertising business.

Others

Cost of sales related to our others segment increased by 52.9% from RMB1.2 billion in the first half of 2021 to RMB1.8 billion in the first half of 2022, due to the increase in cost from sale of office buildings.

Gross Profit and Margin

As a result of the foregoing, our gross profit decreased by 16.5% from RMB29.3 billion in the first half of 2021 to RMB24.5 billion in the first half of 2022.

The gross profit margin from our smartphones segment decreased from 12.3% in the first half of 2021 to 9.3% in the first half of 2022, mainly due to the enhanced promotional efforts to clear our inventories, especially during the 618 e-Commerce Shopping Festival in mainland China.

The gross profit margin from our IoT and lifestyle products segment increased from 13.8% in the first half of 2021 to 14.9% in the first half of 2022, mainly due to the decreased price of key components, such as display panels.

The gross profit margin from our internet services segment decreased from 73.3% in the first half of 2021 to 71.9% in the first half of 2022.

As a result of the foregoing, our gross profit margin decreased from 17.8% in the first half of 2021 to 17.1% in the first half of 2022.

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Research and Development Expenses

Our research and development expenses increased by 19.4% from RMB6.1 billion in the first half of 2021 to RMB7.3 billion in the first half of 2022, primarily due to the increase in R&D expenses related to smart EV and other new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 7.6% from RMB9.8 billion in the first half of 2021 to RMB10.6 billion in the first half of 2022, primarily due to promotion and advertising expenses and logistics expenses.

Promotion and advertising expenses increased by 7.8% year-over-year to RMB3.5 billion, primarily due to our elevated marketing efforts to increase brand awareness. The logistics expenses increased by 10.4% year-over-year to RMB2.8 billion, primarily due to the increase in unit cost of overseas shipping logistics.

Administrative Expenses

Our administrative expenses increased by 19.7% from RMB2.1 billion in the first half of 2021 to RMB2.6 billion in the first half of 2022, primarily due to the increase in compensation for administrative personnel and expenses from new office buildings, including depreciation and amortization expenses.

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

Our fair value changes on investments measured at fair value through profit or loss changed from a gain of RMB6.2 billion in the first half of 2021 to a loss of RMB3.0 billion in the first half of 2022, primarily due to the fair value loss of listed equity investments.

Share of Net Losses of Investments Accounted for Using the Equity Method

Our share of net losses of investments accounted for using the equity method was RMB138.6 million in the first half of 2022, compared with a net loss of RMB17.2 million in the first half of 2021, primarily due to share of losses from our certain investees.

Other Income

Our other income decreased by 9.2% from RMB386.7 million in the first half of 2021 to RMB351.1 million in the first half of 2022, primarily due to the decrease of dividend income received from our investee companies.

Other (Losses)/Gains, Net

Our other net (losses)/gains changed from a net gain of RMB1,034.3 million in the first half of 2021 to a net loss of RMB425.5 million in the first half of 2022, primarily due to larger foreign exchange losses due to US dollar appreciation and lower gains on disposal.

Finance Income /(Costs), Net

Our net finance income/(costs) changed a net cost of RMB138.0 million in the first half of 2021 to a net income of RMB499.1 million in the first half of 2022, primarily due to the lower interest expense from financial liabilities measured at amortized cost.

Income Tax Expenses

Our income tax expenses decreased by 82.0% from RMB2.7 billion in the first half of 2021 to RMB0.5 billion in the first half of 2022, primarily due to decrease of taxable income in the first half of 2022.

Profit for the Period

As a result of the foregoing, we had a profit of RMB0.8 billion in the first half of 2022, compared with a profit of RMB16.1 billion in the first half of 2021.

Adjusted Net Profit

Our adjusted net profit decreased by 60.1% from RMB12.4 billion for the first half of 2021 to RMB4.9 billion for the first half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2022 Compared to Second Quarter of 2021

The following table sets forth the comparative figures for the second quarter of 2022 and the second quarter of 2021:

	Unaudited	
	Three months ended	
	June 30, 2022	June 30, 2021
	(RMB in millions)	
Revenue	70,170.9	87,789.0
Cost of sales	(58,402.8)	(72,640.9)
Gross profit	11,768.1	15,148.1
Research and development expenses	(3,763.4)	(3,064.2)
Selling and marketing expenses	(5,332.2)	(5,680.7)
Administrative expenses	(1,315.4)	(1,150.3)
Fair value changes on investments measured at fair value through profit or loss	513.6	4,165.4
Share of net profits/(losses) of investments accounted for using the equity method	62.7	(26.2)
Other income	186.2	234.6
Other (losses)/gains, net	(386.4)	1,099.0
Operating profit	1,733.2	10,725.7
Finance income/(costs), net	3.8	(1,047.2)
Profit before income tax	1,737.0	9,678.5
Income tax expenses	(371.6)	(1,415.2)
Profit for the period	1,365.4	8,263.3
Non-IFRS measure: Adjusted Net Profit	2,081.3	6,321.5

Revenue

Revenue decreased by 20.1% to RMB70.2 billion in the second quarter of 2022 from RMB87.8 billion in the second quarter of 2021. The following table sets forth our revenue by line of business in the second quarter of 2022 and the second quarter of 2021.

	Unaudited			
	Three months ended			
	June 30, 2022		June 30, 2021	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	42,268.1	60.2%	59,089.0	67.3%
IoT and lifestyle products	19,811.6	28.2%	20,734.7	23.6%
Internet services	6,971.1	9.9%	7,033.5	8.0%
Others	1,120.1	1.7%	931.8	1.1%
Total revenue	70,170.9	100.0%	87,789.0	100.0%

Smartphones

Revenue from our smartphones segment decreased by 28.5% from RMB59.1 billion in the second quarter of 2021 to RMB42.3 billion in the second quarter of 2022, primarily due to the decrease in our smartphone shipment. Our smartphone shipment decreased by 26.2% from 52.9 million units in the second quarter of 2021 to 39.1 million units in the second quarter of 2022, primarily due to global macroeconomic headwinds and the resurgence of COVID-19 in mainland China. The ASP of our smartphones decreased by 3.1% from RMB1,116.7 per unit in the second quarter of 2021 to RMB1,081.7 per unit in the second quarter of 2022, primarily due to the enhanced promotional efforts during the 618 e-Commerce Shopping Festival and shift in product launch schedules of premium smartphones in mainland China this year, partially offset by the increase in smartphone ASP overseas attributable to US dollar appreciation.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment decreased by 4.5% from RMB20.7 billion in the second quarter of 2021 to RMB19.8 billion in the second quarter of 2022, primarily due to the weakened demand of certain IoT products under continued global macroeconomic headwinds in the overseas markets, partially offset by the increased revenue of *Xiaomi Pad 5* series tablets and smart large home appliance category in mainland China. Our smart large home appliance category continued to deliver strong growth with revenue increasing more than 25% year-over-year in the second quarter of 2022, primarily due to the increase in shipment of our smart air conditioners and refrigerators in mainland China. Revenue from

MANAGEMENT DISCUSSION AND ANALYSIS

smart TVs and laptops decreased by 12.4% from RMB6.0 billion in the second quarter of 2021 to RMB5.3 billion in the second quarter of 2022, primarily due to the decrease in the average selling price of smart TVs as prices of display panels declined, partially offset by increase in shipment units.

Internet services

Revenue from our internet services segment decreased by 0.9% from RMB7.0 billion in the second quarter of 2021 to RMB7.0 billion in the second quarter of 2022, primarily due to the decrease in revenue from our fintech business, partially offset by the increase in revenue from our TV value-added services and gaming business.

Others

Other revenue increased by 20.2% from RMB931.8 million in the second quarter of 2021 to RMB1,120.1 million in the second quarter of 2022, primarily due to the increase in revenue from sale of office buildings.

Cost of Sales

Our cost of sales decreased by 19.6% from RMB72.6 billion in the second quarter of 2021 to RMB58.4 billion in the second quarter of 2022. The following table sets forth our cost of sales by line of business in the second quarter of 2022 and the second quarter of 2021:

	Unaudited			
	Three months ended		June 30, 2021	
	June 30, 2022	% of total	June 30, 2021	% of total
	Amount	revenue	Amount	revenue
	(RMB in millions, unless specified)			
Smartphones	38,605.3	55.0%	52,095.5	59.3%
IoT and lifestyle products	16,983.6	24.2%	17,992.3	20.5%
Internet services	1,881.0	2.7%	1,819.7	2.1%
Others	932.9	1.3%	733.4	0.8%
Total cost of sales	58,402.8	83.2%	72,640.9	82.7%

Smartphones

Cost of sales related to our smartphones segment decreased by 25.9% from RMB52.1 billion in the second quarter of 2021 to RMB38.6 billion in the second quarter of 2022, primarily due to the decreased sales of our smartphones.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment decreased by 5.6% from RMB18.0 billion in the second quarter of 2021 to RMB17.0 billion in the second quarter of 2022, primarily due to the decreased sales of our IoT and lifestyle products and the decreased price of key components, such as display panels.

Internet services

Cost of sales related to our internet services segment increased by 3.4% from RMB1.8 billion in the second quarter of 2021 to RMB1.9 billion in the second quarter of 2022, primarily due to the increase in cost from our advertising business and TV value-added services, partially offset by the decrease in cost from our fintech business.

Others

Cost of sales related to our others segment increased by 27.2% from RMB733.4 million in the second quarter of 2021 to RMB932.9 million in the second quarter of 2022, primarily due to the increase in cost from sale of office buildings.

Gross Profit and Margin

As a result of the foregoing, our gross profit decreased by 22.3% from RMB15.1 billion in the second quarter of 2021 to RMB11.8 billion in the second quarter of 2022.

The gross profit margin from our smartphones segment decreased from 11.8% in the second quarter of 2021 to 8.7% in the second quarter of 2022, mainly due to the enhanced promotional efforts to clear our inventories, especially during the 618 e-Commerce Shopping Festival in mainland China, as well as increase in costs due to US dollar appreciation.

The gross profit margin from our IoT and lifestyle products segment increased from 13.2% in the second quarter of 2021 to 14.3% in the second quarter of 2022, mainly due to the decreased price of key components, such as display panels.

The gross profit margin from our internet services segment decreased from 74.1% in the second quarter of 2021 to 73.0% in the second quarter of 2022, mainly due to the decreased profit margin of advertising business as a result of decreased revenue of our pre-installation business related to smartphone shipments.

As a result of the foregoing, our gross profit margin decreased from 17.3% in the second quarter of 2021 to 16.8% in the second quarter of 2022.

Research and Development Expenses

Our research and development expenses increased by 22.8% from RMB3.1 billion in the second quarter of 2021 to RMB3.8 billion in the second quarter of 2022, primarily due to the increase in R&D expenses related to smart EV and other new initiatives.

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Selling and Marketing Expenses

Our selling and marketing expenses decreased by 6.1% from RMB5.7 billion in the second quarter of 2021 to RMB5.3 billion in the second quarter of 2022, primarily due to decrease in promotion and advertising expenses. Promotion and advertising expenses decreased by 14.0% from RMB2.1 billion in the second quarter of 2021 to RMB1.8 billion in the second quarter of 2022, primarily due to strengthened expense control.

Administrative Expenses

Our administrative expenses increased by 14.3% from RMB1.2 billion in the second quarter of 2021 to RMB1.3 billion in the second quarter of 2022, primarily due to the increase in expenses from new office buildings, including depreciation and amortization expenses.

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

Our fair value changes on investments measured at fair value through profit or loss decreased from a gain of RMB4.2 billion in the second quarter of 2021 to a gain of RMB0.5 billion in the second quarter of 2022, primarily due to the lower fair value gains of equity and preferred share investments in the second quarter of 2022.

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

Our share of net profits/(losses) of investments accounted for using the equity method changed from a net loss of RMB26.2 million in the second quarter of 2021 to a net profit of RMB62.7 million in the second quarter of 2022, primarily due to the share of profits from our certain investees in the second quarter of 2022.

Other Income

Our other income decreased by 20.6% from RMB234.6 million in the second quarter of 2021 to RMB186.2 million in the second quarter of 2022, primarily due to the decrease of dividend income received from our investee companies.

Other (Losses)/Gains, Net

Our other net (losses)/gains changed from a net gain of RMB1.1 billion in the second quarter of 2021 to a net loss of RMB0.4 billion in the second quarter of 2022. This was mainly due to larger foreign exchange losses due to US dollar appreciation and lower gains on disposal in the second quarter of 2022.

Finance Income/(Costs), Net

Our net finance income/(costs) changed from a net cost of RMB1,047.2 million in the second quarter of 2021 to a net income of RMB3.8 million in the second quarter of 2022, primarily due to the lower interest expense from financial liabilities measured at amortized cost.

Income Tax Expenses

Our income tax expenses decreased by 73.8% from RMB1.4 billion in the second quarter of 2021 to RMB0.4 billion in the second quarter of 2022, primarily due to the decrease of taxable income in the second quarter of 2022.

Profit for the Period

As a result of the foregoing, we had a profit of RMB1.4 billion in the second quarter of 2022, compared with a profit of RMB8.3 billion in the second quarter of 2021.

Adjusted Net Profit

Our adjusted net profit decreased by 67.1% from RMB6.3 billion in the second quarter of 2021 to RMB2.1 billion in the second quarter of 2022.

Second Quarter of 2022 Compared to First Quarter of 2022

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

	Unaudited	
	Three months ended	
	June 30, 2022	March 31, 2022
	(RMB in millions)	
Revenue	70,170.9	73,351.5
Cost of sales	(58,402.8)	(60,641.8)
Gross profit	11,768.1	12,709.7
Research and development expenses	(3,763.4)	(3,494.5)
Selling and marketing expenses	(5,332.2)	(5,256.2)
Administrative expenses	(1,315.4)	(1,244.6)
Fair value changes on investments measured at fair value through profit or loss	513.6	(3,550.3)
Share of net profits/(losses) of investments accounted for using the equity method	62.7	(201.3)
Other income	186.2	164.9
Other losses, net	(386.4)	(39.1)
Operating profit/(loss)	1,733.2	(911.4)
Finance income, net	3.8	495.3
Profit/(loss) before income tax	1,737.0	(416.1)
Income tax expenses	(371.6)	(114.6)
Profit/(loss) for the period	1,365.4	(530.7)
Non-IFRS measure: Adjusted Net Profit	2,081.3	2,858.6

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Revenue

Revenue decreased by 4.3% to RMB70.2 billion in the second quarter of 2022 from RMB73.4 billion in the first quarter of 2022. The following table sets forth our revenue by line of business in the second quarter of 2022 and the first quarter of 2022.

	Unaudited			
	Three months ended		Three months ended	
	June 30, 2022		March 31, 2022	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	42,268.1	60.2%	45,762.7	62.4%
IoT and lifestyle products	19,811.6	28.2%	19,477.4	26.6%
Internet services	6,971.1	9.9%	7,112.5	9.7%
Others	1,120.1	1.7%	998.9	1.3%
Total revenue	70,170.9	100.0%	73,351.5	100.0%

Smartphones

Revenue from our smartphones segment decreased by 7.6% from RMB45.8 billion in the first quarter of 2022 to RMB42.3 billion in the second quarter of 2022, primarily due to the decrease in our smartphone ASP, partially offset by an increase in our smartphone shipment. Our smartphone shipment increased by 1.5% from 38.5 million units in the first quarter of 2022 to 39.1 million units in the second quarter of 2022, primarily due to the increase in smartphone shipment overseas. The ASP of our smartphones decreased by 9.0% from RMB1,188.5 per unit in the first quarter of 2022 to RMB1,081.7 per unit in the second quarter of 2022, primarily due to higher percentage of low-price smartphone shipment in the overseas markets and the enhanced promotional efforts during the 618 e-Commerce Shopping Festival in mainland China.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment increased by 1.7% from RMB19.5 billion in the first quarter of 2022 to RMB19.8 billion in the second quarter of 2022, primarily attributable to the increase in sales during the 618 e-Commerce Shopping Festivals, including smart large home appliance category in mainland China and smart bands due to launch of *Xiaomi Smart Band 7*, partially offset by the weakened demand of certain IoT products under continued global macroeconomic headwinds in the overseas markets. Revenue from smart TVs and laptops decreased by 15.0% from RMB6.2 billion in the first quarter of 2022 to RMB5.3 billion in the second quarter of 2022, primarily due to the decrease in shipments of both smart TVs and laptops.

Internet services

Revenue from our internet services segment decreased by 2.0% from RMB7.1 billion in the first quarter of 2022 to RMB7.0 billion in the second quarter of 2022, primarily due to the seasonality decrease of our gaming business.

Others

Other revenue increased by 12.1% from RMB998.9 million in the first quarter of 2022 to RMB1,120.1 million in the second quarter of 2022, primarily due to the increase in revenue from sale of materials as well as the installation services provided for certain IoT products.

Cost of Sales

Our cost of sales decreased by 3.7% from RMB60.6 billion in the first quarter of 2022 to RMB58.4 billion in the second quarter of 2022. The following table sets forth our cost of sales by line of business in the second quarter of 2022 and the first quarter of 2022:

	Unaudited			
	Three months ended		Three months ended	
	June 30, 2022	June 30, 2022	March 31, 2022	March 31, 2022
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	38,605.3	55.0%	41,240.6	56.2%
IoT and lifestyle products	16,983.6	24.2%	16,435.4	22.4%
Internet services	1,881.0	2.7%	2,078.4	2.8%
Others	932.9	1.3%	887.4	1.3%
Total cost of sales	58,402.8	83.2%	60,641.8	82.7%

Smartphones

Cost of sales related to our smartphones segment decreased by 6.4% from RMB41.2 billion in the first quarter of 2022 to RMB38.6 billion in the second quarter of 2022, primarily due to the decreased sales of our smartphones.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment increased by 3.3% from RMB16.4 billion in the first quarter of 2022 to RMB17.0 billion in the second quarter of 2022, primarily due to the increased sales of our IoT and lifestyle products, partially offset by the decreased price of key components, such as display panels.

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Internet services

Cost of sales related to our internet services segment decreased by 9.5% from RMB2.1 billion in the first quarter of 2022 to RMB1.9 billion in the second quarter of 2022, primarily due to the decreased cost of our advertising business.

Others

Cost of sales related to our others segment increased by 5.1% from RMB887.4 million in the first quarter of 2022 to RMB932.9 million in the second quarter of 2022, due to the increase in cost from sale of materials as well as the installation services provided for certain IoT products.

Gross Profit and Margin

As a result of the foregoing, our gross profit decreased by 7.4% from RMB12.7 billion in the first quarter of 2022 to RMB11.8 billion in the second quarter of 2022.

The gross profit margin from our smartphones segment decreased from 9.9% in the first quarter of 2022 to 8.7% in the second quarter of 2022, mainly due to enhanced promotional efforts to clear our inventories, especially during the 618 e-Commerce Shopping Festival in mainland China in the second quarter of 2022.

The gross profit margin from our IoT and lifestyle products segment decreased from 15.6% in the first quarter of 2022 to 14.3% in the second quarter of 2022, mainly due to enhanced promotional efforts during the 618 e-Commerce Shopping Festival in mainland China in the second quarter of 2022, partially offset by the decreased price of key components, such as display panels.

The gross profit margin from our internet services segment increased from 70.8% in the first quarter of 2022 to 73.0% in the second quarter of 2022, mainly due to higher contribution from our advertising business.

As a result of the foregoing, our gross profit margin decreased from 17.3% in the first quarter of 2022 to 16.8% in the second quarter of 2022.

Research and Development Expenses

Our research and development expenses increased by 7.7% from RMB3.5 billion in the first quarter of 2022 to RMB3.8 billion in the second quarter of 2022, primarily due to the increase in R&D expenses related to smart EV and other new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 1.4% from RMB5.3 billion in the first quarter of 2022 to RMB5.3 billion in the second quarter of 2022, primarily due to increase in promotion and advertising expenses, partially offset by decrease of compensation for selling and marketing personnel. Promotion and advertising expenses increased by 7.2% from RMB1.7 billion in the first quarter of 2022 to RMB1.8 billion in the second quarter of 2022, primarily due to our elevated marketing efforts for 618 e-Commerce Shopping Festival.

Administrative Expenses

Our administrative expenses increased by 5.7% from RMB1.2 billion in the first quarter of 2022 to RMB1.3 billion in the second quarter of 2022, primarily due to the increase in expenses from new office buildings, including depreciation and amortization expenses.

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

Our fair value changes on investments measured at fair value through profit or loss changed from a loss of RMB3.6 billion in the first quarter of 2022 to a gain of RMB0.5 billion in the second quarter of 2022, primarily due to the higher fair value gains of equity and preferred share investments, as well as improved market sentiment towards technology sector in mainland China in the second quarter of 2022.

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

Our share of net profits/(losses) of investments accounted for using the equity method changed from a net loss of RMB201.3 million in the first quarter of 2022 to a net profit of RMB62.7 million in the second quarter of 2022, primarily due to the share of profits of certain investees in the second quarter of 2022.

Other Income

Our other income increased by 12.9% from RMB164.9 million in the first quarter of 2022 to RMB186.2 million in the second quarter of 2022, primarily due to the increase of dividend income received from our investee companies.

Other Losses, Net

Our other net losses were RMB386.4 million in the second quarter of 2022, compared with net losses of RMB39.1 million in the first quarter of 2022. This is mainly due to the larger foreign exchange losses due to the appreciation of US dollar in the second quarter of 2022.

Finance Income, Net

Our net finance income decreased from net income of RMB495.3 million in the first quarter of 2022 to net income of RMB3.8 million in the second quarter of 2022, primarily due to the increase interest expense from financial liabilities measured at the amortized cost.

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Income Tax Expenses

Our income tax expenses increased by 224.1% from RMB0.1 billion in the first quarter of 2022 to RMB0.4 billion in the second quarter of 2022, primarily due to the increase of operating profit in the second quarter of 2022.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB1.4 billion in the second quarter of 2022, compared with a loss of RMB0.5 billion in the first quarter of 2022.

Adjusted Net Profit

Our adjusted net profit decreased by 27.2% from RMB2.9 billion in the first quarter of 2022 to RMB2.1 billion in the second quarter of 2022.

Non-IFRS Measure: Adjusted Net Profit

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

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

The following tables set forth reconciliations of the Group's non-IFRS measures for the second quarter of 2022, the first quarter of 2022, the second quarter of 2021 and the first half of 2022 and 2021 to the nearest measures prepared in accordance with IFRS.

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

	Unaudited Three Months Ended March 31, 2022 Adjustments							Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾	Income tax effects ⁽⁴⁾		
	(RMB in thousand, unless specified)							
Profit for the period	(530,554)	402,287	3,833,506	36,081	(465,665)	(417,065)	2,858,590	
Net margin	-0.7%						3.9%	

	Unaudited Three Months Ended June 30, 2021 Adjustments							Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾	Income tax effects ⁽⁴⁾		
	(RMB in thousand, unless specified)							
Profit for the period	8,263,308	622,808	(3,835,561)	79	1,201,012	69,857	6,321,503	
Net margin	9.4%						7.2%	

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Unaudited Six Months Ended June 30, 2021 Adjustments							Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾	Income tax effects ⁽⁴⁾		
Profit for the period	16,052,215	1,288,485	(5,502,483)	158	412,995	139,414	12,390,784	
Net margin	9.7%						7.5%	

Notes:

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

Liquidity and Financial Resources

On December 4, 2020, the Company completed 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 placees 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.

During the six months ended 30 June 2022, other than the funds raised through the 2020 Placing and Subscription and through the issuance of debt securities as described in “Issuance of Debt Securities” below, we funded our cash requirements principally from cash generated from our operations and bank borrowings. We had cash and cash equivalents of RMB28.2 billion and RMB34.7 billion as of June 30, 2022 and March 31, 2022, respectively.

Note:

The cash resources which the Group considered in cash management include but are not limited to cash and cash equivalents, restricted cash, short-term bank deposits, short-term investments measured at fair value through profit or loss, short-term investments measured at amortized cost, long-term bank deposits and other investments included in long-term investments measured at fair value through profit or loss. As of June 30, 2022, the aggregate amount of cash resources of the Group was RMB102.5 billion.

Gearing Ratio

As of June 30, 2022, our gearing ratio is -24.9%, compared to -31.1% as of December 31, 2021. Our gearing ratio is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings less our cash and cash equivalents, restricted cash and short-term bank deposits. Total capital is calculated as total equity plus net debt.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. 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 at June 30, 2022, no 2027 Bonds had been converted into new Shares.

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

Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended	
	June 30, 2022	June 30, 2021
	(in millions of RMB)	
Net cash (used in)/generated from operating activities ⁽¹⁾	(7,031.4)	8,284.3
Net cash generated from/(used in) investing activities	7,627.3	(31,987.4)
Net cash generated from financing activities ⁽¹⁾	3,633.8	1,070.1
Net increase/(decrease) in cash and cash equivalents	4,229.7	(22,633.0)
Cash and cash equivalents at beginning of period	23,511.6	54,752.4
Effects of exchange rate changes on cash and cash equivalents	441.8	(238.4)
Cash and cash equivalents at end of period	28,183.1	31,881.0

Note:

- (1) Excluding (1) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech business; (2) the change of trade payments related to the finance factoring business; (3) the change of restricted cash resulting from the fintech business; and (4) the change of deposits from customers resulting from the Airstar bank, the net cash used in operating activities was RMB7.7 billion in the first half of 2022 and the net cash generated from operating activities was RMB7.6 billion in the first half of 2021, respectively. Excluding the change of borrowings for the fintech business, the net cash generated from financing activities was RMB3.7 billion in the first half of 2022 and the net cash generated from financing activities was RMB4.0 billion in the first half of 2021, 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 interim report.

Net Cash Used In 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 first half of 2022, net cash used in our operating activities amounted to RMB7.0 billion, representing cash used in operations of RMB5.1 billion plus income tax paid of RMB1.9 billion. Cash used in operations was primarily attributable to our profit before income tax of RMB1.3 billion, adjusted by fair value gains on investments measured at fair value through profit or loss of RMB3.0 billion and a decrease in trade receivables of RMB2.6 billion, offset by an increase in inventories of RMB8.5 billion and a decrease in trade payables of RMB4.3 billion.

Net Cash Generated From Investing Activities

For the first half of 2022, our net cash generated from investing activities was RMB7.6 billion, which was primarily attributed to the net change of short-term bank deposits of RMB5.8 billion and the net change of short-term investments measured at fair value through profit or loss of RMB12.0 billion, partially offset by the net change of long-term investment measured at fair value through profit or loss of RMB5.3 billion and the net change of long-term bank deposits of RMB5.1 billion.

Net Cash Generated From Financing Activities

For the first half of 2022, our net cash generated from financing activities was RMB3.6 billion, which was primarily attributed to the net changes of borrowings of RMB5.2 billion, partially offset by the payments for shares repurchase of RMB1.0 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Cash Flows

	Unaudited	
	Three months ended	
	June 30, 2022	March 31, 2022
	(in millions of RMB)	
Net cash generated from/(used in) operating activities ⁽¹⁾	1,649.2	(8,680.6)
Net cash (used in)/generated from investing activities	(9,942.1)	17,569.4
Net cash generated from financing activities ⁽¹⁾	1,282.2	2,351.6
Net (decrease)/increase in cash and cash equivalents	(7,010.7)	11,240.4
Cash and cash equivalents at beginning of period	34,714.2	23,511.6
Effects of exchange rate changes on cash and cash equivalents	479.6	(37.8)
Cash and cash equivalents at end of period	28,183.1	34,714.2

Note:

- (1) Excluding (1) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech business; (2) the change of trade payments related to the finance factoring business; (3) the change of restricted cash resulting from the fintech business; and (4) the change of deposits from customers resulting from the Airstar bank, the net cash used in operating activities was RMB0.1 billion in the second quarter of 2022 and the net cash used in operating activities was RMB7.6 billion in the first quarter of 2022, respectively. Excluding the change of borrowings for the fintech business, the net cash generated from financing activities was RMB0.9 billion in the second quarter of 2022 and the net cash generated from financing activities was RMB2.8 billion in the first quarter of 2022, 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 interim report.

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 2022, net cash generated from our operating activities amounted to RMB1.6 billion, representing cash generated from operations of RMB2.6 billion minus income tax paid of RMB1.0 billion. Cash generated from operations was primarily attributable to our profit before income tax of RMB1.7 billion, adjusted by a decrease in prepayments and other receivables of RMB3.6 billion, a decrease in trade receivable of RMB2.1 billion, partially offset by a decrease in trade payables of RMB5.1 billion.

Net Cash Used In Investing Activities

For the second quarter of 2022, our net cash used in investing activities was RMB9.9 billion, which was primarily attributed to the net change of short-term bank deposits of RMB4.7 billion and the net change of long-term bank deposits of RMB3.4 billion.

Net Cash Generated From Financing Activities

For the second quarter of 2022, our net cash generated from financing activities was RMB1.3 billion, which was primarily attributed to net changes of borrowings of RMB1.7 billion, partially offset by the payments for shares repurchase of RMB0.4 billion.

Borrowings

As of March 31, 2022 and June 30, 2022, we had total borrowings of RMB29.7 billion and RMB32.6 billion, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

	Unaudited Six months ended	
	June 30, 2022	June 30, 2021
	(in millions of RMB)	
Capital expenditures	2,717.3	1,828.9
Placement of long-term investments ⁽¹⁾	6,098.3	4,971.9
Total	8,815.6	6,800.8

Note:

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

Off-Balance Sheet Commitments and Arrangements

As of June 30, 2022, 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 of June 30, 2022, we did not have other plans for material investments and capital assets.

Investment Held

As of June 30, 2022, we had invested in more than 400 companies with an aggregate book value of RMB63.4 billion, an increase of 9.6% year-over-year. In the second quarter of 2022, 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, 2022; (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 RMB66.1 billion as of June 30, 2022.

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, 2022) during the six months ended June 30, 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In the second quarter of 2022, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

As of June 30, 2022, we had 32,869 full-time employees, 30,110 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India and Indonesia. As of June 30, 2022, our research and development personnel, totaling 14,700 employees, were staffed across our various departments.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive compensation packages. As of June 30, 2022, 16,510 employees held share-based awards. The total remuneration expenses, including share-based compensation expenses, in the second quarter of 2022 were RMB4.1 billion.

Foreign Exchange Risk

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

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

Pledge of Assets

As of June 30, 2022, we pledged a restricted deposit of RMB3.9 billion, compared with RMB3.5 billion as of March 31, 2022. 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 of June 30, 2022 and March 31, 2022. Further details of the contingencies are set out in Note 31 to the condensed consolidated interim financial information.

OTHER INFORMATION

Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at June 30, 2022, the interests and short positions of our Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

1. Interest in Shares

Name of Director or chief executive	Nature of interest ⁽¹⁾	Relevant company	Number and class of securities	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	
Lei Jun ⁽³⁾	Beneficiary, founder and settlor of a trust(L)	ARK Trust (Hong Kong) Limited	4,154,681,684	90.06%	
			Class A Shares	1,899,497,954	9.33%
	Interest in controlled corporations(L)	Smart Mobile Holdings Limited	4,154,681,684	90.06%	
			Class A Shares	1,748,031,282	8.59%
	Interest in controlled corporations(L)	Smart Player Limited	59,221,630	0.29%	
	Interest in controlled corporations(L)	Team Guide Limited	92,245,042	0.45%	
Lin Bin ⁽⁴⁾	Beneficial owner(L)		30,347,523	0.15%	
	Trustee of a trust(L)	Apex Star FT LLC	Class B Shares	93,438,272	0.46%
			Class B Shares	458,506,510	9.94%
	Trustee of a trust(L)	Apex Star LLC	Class A Shares	1,696,941,305	8.34%
			Class B Shares	60,686,600	0.30%
Interest in controlled corporations(L)	Bin Lin and Daisy Liu Family Foundation	Class B Shares			

Name of Director or chief executive	Nature of interest ⁽¹⁾	Relevant company	Number and class of securities	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾
Liu Qin ⁽⁵⁾	Interest in controlled corporations(L) Founder of Trust(L)	Morningside China TMT Fund I, L.P.	7	0.00%
			Class B Shares 184,466,366 Class B Shares	0.91%
Liu De ⁽⁶⁾	Beneficial owner(L) Founder of a trust(L)	Lofty Power International Limited	10,000,000	0.05%
			Class B Shares 135,871,935 Class B Shares	0.67%
Chen Dongsheng ⁽⁷⁾	Interest in controlled corporations(L)	Taikang Asset Management (Hong Kong) Company Limited	2,443,200 Class B Shares	0.01%

Notes:

- (1) The letter "L" denotes a long position in the shares.
- (2) The calculation is based on the total number of relevant class of Shares in issue as at June 30, 2022.
- (3) Smart Mobile Holdings Limited and Smart Player Limited are both wholly-owned by Sunrise Vision Holdings Limited which is in turn wholly-owned by Parkway Global Holdings Limited. Team Guide Limited is wholly-owned by Techno Frontier Investments Limited. The entire interests in Parkway Global Holdings Limited and Techno Frontier Investments Limited are held by ARK Trust (Hong Kong) Limited as trustee for the trusts established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Accordingly, Lei Jun is deemed to be interested in 1) the 4,154,681,684 Class A Shares and the 1,748,031,282 Class B Shares held by Smart Mobile Holdings Limited; 2) the 59,221,630 Class B Shares held by Smart Player Limited and 3) the 92,245,042 Class B Shares held by Team Guide Limited under the SFO.
- (4) Lin Bin directly holds 30,347,523 Class B Shares. Apex Star FT LLC is controlled by Bin Lin Family Trust. Accordingly, Lin Bin, as the trustee of Bin Lin Family Trust, is deemed to be interested in 93,438,272 Class B Shares held by Apex Star FT LLC under the SFO. Apex Star LLC is controlled by Bin Lin 2021 Trust. Accordingly, Lin Bin, as the trustee of Bin Lin 2021 Trust, is deemed to be interested in 1,696,941,305 Class B Shares held by Apex Star LLC under the SFO. Bin Lin and Daisy Liu Family Foundation is controlled by Lin Bin. Accordingly, Lin Bin is deemed to be interested in 60,686,600 Class B Shares held by Bin Lin and Daisy Liu Family Foundation under the SFO. Apex Star LLC is controlled by Bin Lin 2021 A Trust. Accordingly, Lin Bin, as the trustee of Bin Lin 2021 A Trust, is deemed to be interested in 458,506,510 Class A Shares under the SFO.

OTHER INFORMATION

- (5) Liu Qin is entitled to exercise or control the exercise of one-third of the voting power at general meetings of TMT General Partner Ltd. and is therefore deemed to be interested in 7 Class B Shares in which TMT General Partner Ltd. is interested. TMT General Partner Ltd. controls Morningside China TMT GP, L.P., which controls Morningside China TMT Fund I, L.P. (the “**Morningside Funds**”). Consequently, TMT General Partner Ltd. is deemed to be interested in the Shares in which the Morningside Funds have an interest. Liu Qin is deemed to be interested in 184,466,366 Class B Shares held by an entity controlled by the trustee of a discretionary trust, of which Liu Qin is a founder of the discretionary trust, under the SFO.
- (6) Liu De directly holds 4,614,780 Class B Shares and has interests in share options granted under Pre-IPO ESOP to subscribe for 5,385,220 Class B Shares. Lofty Power International Limited is controlled by YYL Family Trust. Accordingly, Liu De, as the trustee of YYL Family Trust, is deemed to be interested in 135,871,935 Class B Shares held by Lofty Power International Limited under the SFO.
- (7) Taikang Asset Management (Hong Kong) Company Limited is wholly-owned by Taikang Asset Management Company Limited. Taikang Asset Management Company Limited is controlled by Chen Dongsheng. Accordingly, Chen Dongsheng is deemed to be interested in 2,443,200 Class B Shares held by Taikang Asset Management (Hong Kong) Company Limited under the SFO.

2. Interest in associated corporations

Name of Director or chief executive	Nature of interest	Associated corporations	Approximate percentage of shareholding ⁽¹⁾
Lei Jun	Beneficial owner	Xiaomi Finance ⁽²⁾	42.07%
	Interest in controlled corporations(L)	Parkway Global Holdings Limited ⁽³⁾	100%
	Interest in controlled corporations(L)	Sunrise Vision Holdings Limited ⁽³⁾	100%
	Interest in controlled corporations(L)	Smart Mobile Holdings Limited ⁽³⁾	100%

Notes:

- (1) The calculation is based on the total number of shares of the associated corporations in issue as at June 30, 2022.
- (2) Xiaomi Finance is a subsidiary of the Company and therefore Xiaomi Finance is an associated corporation of the Company. Lei Jun is entitled to receive up to 42,070,000 shares in Xiaomi Finance pursuant to options granted to him under the XMF Share Option Scheme I (subject to the relevant vesting conditions).
- (3) Smart Mobile Holdings Limited, the holding company of the Company, is wholly-owned by Sunrise Vision Holdings Limited which is in turn wholly-owned by Parkway Global Holdings Limited. The entire interest in Parkway Global Holdings Limited is held through a trust which was established by Lei Jun (as the settlor) established for the benefit of Lei Jun and his family. Accordingly, Lei Jun is deemed to be interested in the 4,154,681,684 Class A Shares and 1,748,031,282 Class B Shares held by Smart Mobile Holdings Limited under the SFO. Therefore, Smart Mobile Holdings Limited, Sunrise Vision Holdings Limited and Parkway Global Holdings Limited are associated corporations of the Company.

Save as disclosed above, as at June 30, 2022, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at June 30, 2022, so far as the Directors are aware, the following parties (other than our Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾
Class A Shares			
Smart Mobile Holdings Limited ⁽²⁾	Beneficial interest	4,154,681,684	90.06%
Sunrise Vision Holdings Limited ⁽²⁾	Interest in controlled corporations	4,154,681,684	90.06%
Parkway Global Holdings Limited ⁽²⁾	Interest in controlled corporations	4,154,681,684	90.06%
ARK Trust (Hong Kong) Limited ⁽²⁾	Trustee	4,154,681,684	90.06%
Class B Shares			
Smart Mobile Holdings Limited ⁽²⁾	Beneficial interest	1,748,031,282	8.59%
Sunrise Vision Holdings Limited ⁽²⁾	Interest in controlled corporations	1,807,252,912	8.88%
Parkway Global Holdings Limited ⁽²⁾	Interest in controlled corporations	1,807,252,912	8.88%
ARK Trust (Hong Kong) Limited ⁽²⁾	Trustee	3,057,607,765	15.03%

OTHER INFORMATION

Notes:

- (1) The calculation is based on the total number of relevant class of Shares in issue as at June 30, 2022.
- (2) Smart Mobile Holdings Limited and Smart Player Limited are both wholly-owned by Sunrise Vision Holdings Limited which is in turn wholly-owned by Parkway Global Holdings Limited. Team Guide Limited is wholly-owned by Techno Frontier Investments Limited. The entire interests in Parkway Global Holdings Limited and Techno Frontier Investments Limited are held by ARK Trust (Hong Kong) Limited as trustee for the trusts established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Accordingly, Lei Jun is deemed to be interested in 1) the 4,154,681,684 Class A Shares and the 1,748,031,282 Class B Shares held by Smart Mobile Holdings Limited; 2) the 59,221,630 Class B Shares held by Smart Player Limited and 3) the 92,245,042 Class B Shares held by Team Guide Limited under the SFO. ARK Trust (Hong Kong) Limited is also a trustee for a number of trusts and therefore is deemed to be interested in the 3,057,607,765 Class B shares held by the trusts.

Save as disclosed above, as at June 30, 2022, no person, other than the Directors whose interests are set out in the section headed “Directors’ Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations” above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Share Option Schemes

The Company has adopted two share options schemes, namely the Pre-IPO ESOP and the Post-IPO Share Option Scheme. Each of Xiaomi Finance and Pinecone International, subsidiaries of the Company, has adopted two share options schemes, respectively, which are XMF Share Option Scheme I, XMF Share Option Scheme II, Pinecone Share Option Scheme I and Pinecone Share Option Scheme II. Xiaomi EV, a subsidiary of the Company, has adopted Xiaomi EV Share Option Scheme.

1. Pre-IPO ESOP

The Pre-IPO ESOP was adopted by the Company on May 5, 2011 and superseded on August 24, 2012. The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company, by linking the personal interests of the members of the Board, employees, consultants and other individuals to those of the Shareholders and, by providing such individuals with an incentive for outstanding performance, to generate superior returns to the Shareholders. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of recipients upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent. The terms of the Pre-IPO ESOP are not subject to Chapter 17 of the Listing Rules. Except for Liu De, no share options and RSUs had been granted to the Directors and other connected persons. No further option could be granted under the Pre-IPO ESOP after the Listing.

Details of movements of share options and RSUs granted under the Pre-IPO ESOP during the six months ended June 30, 2022 are as follows:

Grantees	Dates of grant	Vesting period	Outstanding as of January 1, 2022	Number of share options		Outstanding as of June 30, 2022	Exercise price (US\$)
				Cancelled/ Lapsed during the period	Exercised during the period		
Director							
Liu De	January 1, 2018	5-10 years	5,385,220	—	—	5,385,220	0-0.10225
Other employees							
7,124 grantees in aggregate	Between April 1, 2010 to June 14, 2018	1-10 years	395,521,607	(4,479,166)	(31,349,128)	359,693,313	0 to 0.34
Total			400,906,827	(4,479,166)	(31,349,128)	365,078,533	

Further details of the Pre-IPO ESOP are set out in Note 27 to the condensed consolidated interim financial information.

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted by the Company on June 17, 2018. The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants. The terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules.

OTHER INFORMATION

Details of movements of share options granted under the Post-IPO Share Option Scheme during the six months ended June 30, 2022 are as follows:

Grantees	Dates of grant	Vesting period	Exercise period	Number of share options				Outstanding as at June 30, 2022	Exercise price (HK\$)	The closing price of the shares immediately before the date of grant of the Option (HK\$)
				Outstanding as at January 1, 2022	Granted during the period	Cancelled/ Lapsed during the period	Exercised during the period			
Employees										
1	July 2, 2020	4 years	July 2, 2021 to July 1, 2030	3,000,000	–	–	–	3,000,000	13.60	13.60
6	September 4, 2020	4–10 years	September 4, 2021 to September 3, 2030	106,400,000	–	–	–	106,400,000	24.50	24.50
1	October 9, 2020	4 years	October 9, 2021 to October 8, 2030	6,250,000	–	–	–	6,250,000	21.04	20.95
1	January 6, 2021	4 years	January 6, 2022 to January 5, 2031	6,250,000	–	–	–	6,250,000	33.90	33.90
Total				121,900,000	–	–	–	121,900,000		

Further details of the Post-IPO Share Option Scheme are set out in Note 27 to the condensed consolidated interim financial information.

3. XMF Share Option Schemes

The XMF Share Option Scheme I was adopted by the shareholders of Xiaomi Finance on June 17, 2018. The XMF Share Option Scheme I is not subject to Chapter 17 of the Listing Rules. The purpose of the XMF Share Option Scheme I is to provide selected participants including directors and employees of Xiaomi Finance and its subsidiaries with the opportunity to acquire proprietary interests in Xiaomi Finance and to encourage the selected participants to work towards enhancing the value of Xiaomi Finance for the benefit of its shareholders.

The XMF Share Option Scheme II was approved by the shareholders of Xiaomi Finance on June 17, 2018. The XMF Share Option Scheme II is governed by Chapter 17 of the Listing Rules. The purpose of the XMF Share Option Scheme II is to provide selected participants with the opportunity to acquire proprietary interests in Xiaomi Finance and to encourage the selected participants to work towards enhancing the value of Xiaomi Finance for the benefit of its shareholders.

As at June 30, 2022, there were a total of 42,070,000 outstanding share options granted under the XMF Share Option Scheme I. Details of movements of the share options granted under the XMF Share Option Scheme I during the six months ended June 30, 2022 are as follows:

Name	Date of grant	Operation period	Number of XMF Shares represented by the option granted	Number of options exercised during the period	Numbers of options as at June 30, 2022	Subscription price (RMB)
Lei Jun	June 17, 2018	20 years from the date of grant	42,070,000	—	42,070,000	3.8325

As of June 30, 2022, no options had been granted, agreed to be granted pursuant to the XMF Share Option Scheme II since its adoption. The total number of XMF Shares available for grant under the XMF Share Option Scheme II was 107,930,000 XMF Shares, representing 107.93% of the issued share capital of Xiaomi Finance as at the Latest Practicable Date and 43.17% of the issued share capital of Xiaomi Finance assuming options representing the maximum number of XMF Shares under the XMF Share Option Schemes have been granted and fully exercised.

4. Pinecone Share Option Schemes

The Pinecone Share Option Scheme I was adopted pursuant to the written resolutions of the shareholders of Pinecone International passed on July 30, 2015. The Pinecone Share Option Scheme I is not subject to Chapter 17 of the Listing Rules. The purpose of the Pinecone Share Option Scheme I is to promote the success of Pinecone International and the interests of its shareholders by providing a means through which Pinecone International may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of awarded recipients with those of Pinecone International's shareholders generally.

The Pinecone Share Option Scheme II was adopted pursuant to the written resolutions of the shareholders of Pinecone International on June 17, 2018. The Pinecone Share Option Scheme II is subject to Chapter 17 of the Listing Rules. The purpose of the Pinecone Share Option Scheme II is to provide selected participants with the opportunity to acquire proprietary interests in Pinecone International and to encourage selected participants to work towards enhancing the value of Pinecone International and its shares for the benefit of Pinecone International and its shareholders, including the Company, as a whole.

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As of June 30, 2022, there were 56,706 outstanding Pinecone Options granted to 177 participants under the Pinecone Share Option Scheme I. The aggregate number of underlying Pinecone Ordinary Shares pursuant to the Pinecone Options granted is 9,532,868 Pinecone Ordinary Shares. All Pinecone Options were granted between May 18, 2015 and June 8, 2018. The exercise price of all Pinecone Options that have been granted is between US\$0.0001 to US\$1.0377. All granted Pinecone Options vest on the second anniversary, third and fourth anniversary of the grant date as to 50%, 25% and 25%, respectively. No Pinecone Options have been granted to Directors, senior managers or other connected persons of the Company. Pinecone International will not make any further grants of Pinecone Options under the Pinecone Share Option Scheme I after the Listing Date. All shares underlying the Pinecone Options are Pinecone Ordinary Shares.

Details of movements of Pinecone Options under the Pinecone Share Option Scheme I during the six months ended June 30, 2022 are as follows:

Grantees in aggregate	Date of grant	Vesting period	Number of share options			Exercise price (US\$)
			Outstanding as of January 1, 2022	Cancelled/ Lapsed during the period	Outstanding as of June 30, 2022	
177	Between May 18, 2015 to June 8, 2018	4 years	56,706	—	56,706	0.0001 to 1.0377

As of June 30, 2022, no options under the Pinecone Share Option Scheme II had been granted or agreed to be granted since its adoption. The total number of Pinecone Ordinary Shares available for grant under the Pinecone Share Option Scheme II was 2,467,132 Pinecone Ordinary Shares, representing 9.87% of the issued share capital of Pinecone International as at the Latest Practicable Date.

5. Xiaomi EV Share Option Scheme

The Xiaomi EV Share Option Scheme was adopted pursuant to the written resolutions of the shareholders of the Company passed on October 25, 2021. The Xiaomi EV Share Option Scheme is governed by Chapter 17 of the Listing Rules. The purpose of the Xiaomi EV Share Option Scheme is to provide eligible participants with the opportunity to acquire interest in Xiaomi EV and to encourage eligible participants to work towards enhancing the value of Xiaomi EV and its shares for the benefit of Xiaomi EV and its shareholder, including the Company and the Shareholders, as a whole.

As of June 30, 2022, no options under the Xiaomi EV Share Option Scheme had been granted since its adoption. The total number of Xiaomi EV Ordinary Shares available for grant under the Xiaomi EV Share Option Scheme was 1,000,000,000 Xiaomi EV Ordinary Shares, representing 10% of the issued share capital of Xiaomi EV as at the Latest Practicable Date.

Share Award Scheme

The Company adopted the Share Award Scheme on June 17, 2018. The purpose of the Share Award Scheme is (1) to align the interests of eligible persons with those of the Group through ownership of Class B Shares, dividends and other distributions paid on Shares and/or the increase in value of the Class B Shares, and (2) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

During the six months ended June 30, 2022, a total of 230,250,143 award shares had been granted to 6,806 participants under the Share Award Scheme, of which 4 participants are connected persons of the Company.

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Details of the award shares granted under the Share Award Scheme and the movements of award shares granted during the six months ended June 30, 2022 are as follows:

Grantees in aggregate	Dates of grant	Outstanding as of January 1, 2022	Number of award shares			Outstanding as of June 30, 2022
			Granted during the period	Vested during the period	Lapsed during the period	
Connected persons other than directors						
2	January 6, 2021	17,874	—	(4,468)	—	13,406
1	November 24, 2021	11,492	—	—	—	11,492
2	March 23, 2022	—	1,510,618	—	—	1,510,618
2	May 20, 2022	—	1,051,715	—	—	1,051,715
Other employees						
299	April 1, 2019	12,236,070	—	(2,288,199)	(1,930,615)	8,017,256
457	September 4, 2019	11,974,852	—	(296,769)	(1,013,311)	10,664,772
380	November 28, 2019	7,461,765	—	—	(416,560)	7,045,205
1,646	January 6, 2020	30,477,561	—	(9,706,093)	(2,908,817)	17,862,651
1,849	April 1, 2020	15,659,375	—	(4,857,309)	(1,980,080)	8,821,986
609	July 2, 2020	13,781,857	—	(647,688)	(51,556)	13,082,613
3	September 4, 2020	14,000,000	—	—	—	14,000,000
579	October 10, 2020	4,703,667	—	(15,693)	(125,671)	4,562,303
2,403	January 6, 2021	13,214,895	—	(3,227,499)	(33,138)	9,954,258
3,904	July 2, 2021	66,686,302	—	(3,514,947)	(5,774,665)	57,396,690
122	July 5, 2021	116,350,000	—	(36,715)	(9,125,000)	107,188,285
2,023	November 24, 2021	53,148,117	—	(166,163)	(4,912,120)	48,069,834
4,929	March 23, 2022	—	173,391,324	(703,884)	(11,038,011)	161,649,429
1,873	May 20, 2022	—	54,296,486	(278,759)	(1,742,358)	52,275,369
Total	21,083	359,723,827	230,250,143	(25,744,186)	(41,051,902)	523,177,882

Further details of the Share Award Scheme are set out in Note 27 to the condensed consolidated interim financial information.

Weighted Voting Rights

The Company is controlled through weighted voting rights. Each Class A Share has 10 votes per share and each Class B Share has one vote per share except with respect to resolutions regarding a limited number of Reserved Matters, where each Share has one vote. The Company's weighted voting rights structure will enable the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This allows the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

Shareholders and prospective investors are advised to be aware of the potential risks of investing in companies with weighted voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of the Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration.

As of June 30, 2022, the WVR Beneficiaries were Lei Jun and Lin Bin. Lei Jun beneficially owns 4,154,681,684 Class A Shares, representing approximately 62.50% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Smart Mobile Holdings Limited, a company indirectly wholly-owned by a trust established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Lin Bin beneficially owns 458,506,510 Class A Shares, representing 6.90% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters.

Class A Shares may be converted into Class B Shares on a one-to-one ratio. As of June 30, 2022, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 4,613,188,194 Class B Shares, representing 22.68% of the total number of issued and outstanding Class B Shares or 18.49% of the issued share capital of the Company.

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

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rules, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of the Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;

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- (ii) when the Class A Shareholders have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rules;
- (iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rules; or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

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 the Shareholders.

Save as disclosed below, the Company had complied with the applicable code provisions set out in the CG Code contained in Part 2 of Appendix 14 to the Listing Rules during the six months ended June 30, 2022.

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.

In light of the amendments to the CG Code which came into effect on January 1, 2022 and impose additional requirements applicable to corporate governance reports for the financial year commencing on or after January 1, 2022, the Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the latest version of the CG Code, and maintain a high standard of corporate governance practices of the Company. The Company will report compliance of the latest version of the CG Code in the corporate governance report of the Company for the year ending December 31, 2022.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the provisions of the Model Code throughout the six months ended June 30, 2022.

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

During the six months ended June 30, 2022 and up to the Latest Practicable Date, the Company repurchased a total of 138,348,000 Class B Shares (the "Shares Repurchased") of the Company on the Stock Exchange at an aggregate consideration of HK\$1,826,014,122. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	14,295,000	18.64	17.70	261,322,614
March	35,209,000	14.60	13.46	498,281,463
April	37,744,000	13.82	12.26	498,768,037
August	26,500,000	11.50	10.90	297,458,009
September	24,600,000	11.38	10.54	270,183,999
Total	138,348,000			1,826,014,122

As at the Latest Practicable Date, the number of Class B Shares in issue was reduced by 87,248,000 shares as a result of the cancellation of the Shares Repurchased in January 2022, March 2022 and April 2022 accordingly, and all of the Shares Repurchased in August 2022 and September 2022 are in the process of being cancelled. Upon cancellation of the Shares Repurchased in January 2022, March 2022 and April 2022, 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.

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The Shares repurchased in November 2021, December 2021 and January 2022 were subsequently cancelled on March 11, 2022. A total of 6,392,324 Class A Shares were converted into Class B Shares on a one-to-one ratio on March 11, 2022, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 5,756,989 Class A Shares and Mr. Lin Bin, through Bin Lin 2021 A Trust, converted 635,335 Class A Shares. The Shares repurchased in March 2022 and April 2022 were subsequently cancelled on June 10, 2022. A total of 13,488,051 Class A Shares were converted into Class B Shares on a one-to-one ratio on June 10, 2022, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 12,147,469 Class A Shares and Mr. Lin Bin, through Bin Lin 2021 A Trust, converted 1,340,582 Class A Shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended June 30, 2022 and up to the Latest Practicable Date.

Disclosure of Changes in Directors' Information Pursuant to Listing Rule 13.51(B)(1)

Professor Tong Wai Cheung Timothy, an independent non-executive Director, has been appointed as an independent non-executive Director and the chairman of the board of AMTD Digital Inc. (NYSE stock code: HKD) in February 2020 and February 2021 respectively.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2022.

Use of Net Proceeds

1. Use of Net Proceeds from Issue of the 2020 Placing and Subscription

The 2020 Placing and Subscription was completed on December 4, 2020. An aggregate of 1,000,000,000 placing shares have been successfully placed to not less than six independent placees and accordingly 1,000,000,000 subscription shares were allotted and issued by the Company to Smart Mobile Holdings Limited.

The net proceeds raised from the 2020 Placing and Subscription were approximately US\$3.1 billion. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company had fully utilized the amount of the net proceeds in accordance with such intended purposes as of June 30, 2022.

As of June 30, 2022, the Company had utilized the net proceeds as set out in the table below:

	Allocation of net proceeds from Issue of the 2020 Placing and Subscription (US\$ million)	Utilization as at December 31, 2021 (US\$ million)	Unutilized as at December 31, 2021 (US\$ million)	Utilization as at June 30, 2022 (US\$ million)	Unutilized as at June 30, 2022 (US\$ million)
Strengthen our working capital for business expansion	930.0	930.0	—	930.0	—
Investments to increase market share in key markets	930.0	930.0	—	930.0	—
Strategic ecosystem investments	930.0	796.8	133.2	930.0	—
Other general corporate purposes	310.0	310.0	—	310.0	—
Total	3,100.0	2,966.8	133.2	3,100.0	—

2. Use of Net Proceeds from Issue of the 2027 Bonds

On December 17, 2020, Xiaomi Best Time International Limited completed the issuance of the 2027 Bonds, of which the net proceeds amounted to approximately US\$889.6 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company had fully utilized the amount of the net proceeds in accordance with such intended purposes as of June 30, 2022.

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As of June 30, 2022, the Company had utilized the net proceeds as set out in the table below:

	Allocation of net proceeds from Issue of the 2027 Bonds (US\$ million)	Utilization as at December 31, 2021 (US\$ million)	Unutilized as at December 31, 2021 (US\$ million)	Utilization as at June 30, 2022 (US\$ million)	Unutilized as at June 30, 2022 (US\$ million)
Strengthen our working capital for business expansion	266.9	266.9	—	266.9	—
Investments to increase market share in key markets	266.9	266.9	—	266.9	—
Strategic ecosystem investments	266.9	228.6	38.3	266.9	—
Other general corporate purposes	88.9	88.9	—	88.9	—
Total	889.6	851.3	38.3	889.6	—

3. Use of Net Proceeds from Issue of the 2031 Bonds

On July 14, 2021, Xiaomi Best Time International Limited completed the issuance of the 2031 Bonds, of which the net proceeds amounted to approximately US\$789.0 million. The Company intends to use the net proceeds for general corporate purposes. As of June 30, 2022, approximately US\$700.3 million of the net proceeds of the issue of the 2031 Bonds had been utilized and US\$88.7 million remained unutilized. There has been no change in the intended use of net proceeds as previously disclosed, and the Company expects to fully utilize the residual amount of the net proceeds in accordance with such intended purposes within one year. For further details, please refer to the announcements of the Company published on July 6, 2021, July 8, 2021 and July 14, 2021 and the circular of the Company published on July 15, 2021.

As of June 30, 2022, the Company had utilized the net proceeds as set out in the table below:

	Allocation of net proceeds from Issue of the 2031 Bonds (US\$ million)	Utilization as at December 31, 2021 (US\$ million)	Unutilized as at December 31, 2021 (US\$ million)	Utilization as at June 30, 2022 (US\$ million)	Unutilized as at June 30, 2022 (US\$ million)
General corporate purposes	789.0	561.0	228.0	700.3	88.7
Total	789.0	561.0	228.0	700.3	88.7

4. Use of Net Proceeds from Issue of the Green Bonds

On July 14, 2021, Xiaomi Best Time International Limited completed the issuance of the Green Bonds, of which the net proceeds amounted to approximately US\$392.8 million. The Company intends to use this amount or an equivalent amount within 36 months to finance or refinance, in whole or in part, one or more of our new or existing eligible projects, pursuant to our Green Finance Framework.

As of June 30, 2022, approximately US\$241.1 million of the net proceeds of the issue of the Green Bonds had been utilized for eligible projects including eco-efficient and circular economy adapted products, production technologies and processes, energy efficiency, green buildings, clean transportation, pollution prevention and control, and renewable energy, in accordance with our Green Finance Framework, and US\$151.7 million remained unutilized. There has been no change in the intended use of net proceeds as previously disclosed, and the Company expects to fully utilize the residual amount of the net proceeds in accordance with such intended purposes within two years. For further details, please refer to the announcements of the Company published on July 6, 2021, July 8, 2021 and July 14, 2021 and the circular of the Company published on July 15, 2021.

As of June 30, 2022, the Company had utilized the net proceeds as set out in the table below:

	Allocation of net proceeds from Issue of the Green Bonds (US\$ million)	Utilization as at December 31, 2021 (US\$ million)	Unutilized as at December 31, 2021 (US\$ million)	Utilization as at June 30, 2022 (US\$ million)	Unutilized as at June 30, 2022 (US\$ million)
Eligible projects	392.8	109.3	283.5	241.1	151.7
Total	392.8	109.3	283.5	241.1	151.7

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Liu Qin, Chen Dongsheng and Wong Shun Tak. Wong Shun Tak is the chairman of the Audit Committee.

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The Audit Committee has reviewed the unaudited interim results of the Group for the three and six months ended June 30, 2022. 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.

Other Board Committees

In addition to the Audit Committee, the Company has also established a nomination committee, a remuneration committee and a corporate governance committee.

Corporate Governance Committee

The Company has established the Corporate Governance Committee in compliance with Rule 8A.30 of the Listing Rules and the CG Code. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company. The members of the Corporate Governance Committee are the independent non-executive Directors, namely, Chen Dongsheng, Wong Shun Tak and Tong Wai Cheung Timothy. Chen Dongsheng is the chairman of the Corporate Governance Committee.

The following is a summary of work performed by the Corporate Governance Committee during the six months ended June 30, 2022:

- Reviewed the policies and practices of the Company on corporate governance and on compliance with legal and regulatory requirements. The policies reviewed include Code for Securities Transactions by Directors and Relevant Employees, board diversity policy, shareholders' communication policy, procedures for nomination of director by shareholders, disclosure of information policy, connected transactions policy and whistle-blowing policy, dividend policy and other corporate governance policies.
- Reviewed the Company's compliance with the CG Code and the deviation(s) from code provision C.2.1 of the CG Code and the Company's disclosure for compliance with Chapter 8A of the Listing Rules.
- Reviewed and monitored the management of conflicts of interests between the Group/the Shareholders on one hand and the WVR Beneficiaries on the other.
- Reviewed and monitored all risks related to the weighted voting rights structure, including connected transactions between the Group/the Shareholders on one hand and the WVR Beneficiaries on the other.

- Reviewed the arrangements for the training and continuous professional development of Directors and senior management (in particular, Chapter 8A of the Listing Rules and knowledge in relation to risks relating to the weighted voting rights structure).
- Reviewed and confirmed that the WVR Beneficiaries have been members of the Board throughout the six months ended June 30, 2022 and no matters under Rule 8A.17 of the Listing Rules have occurred during the six months ended June 30, 2022, and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the six months ended June 30, 2022.
- Sought to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.
- Reviewed the Company's compliance with the ESG Reporting Guide and disclosure in Environmental, Social and Governance Report.
- Reviewed work performance and work plan of ESG team and the Company's ESG Strategy and provide guidance and supervision to the ESG team.
- Reported on the work of the Corporate Governance Committee covering all areas of its terms of reference.
- Review the remuneration, the terms of engagement of the Company's Compliance Advisor and review the work performance and recommended the board to retain the services of the Company's Compliance Advisor.

In particular, the Corporate Governance Committee has confirmed to the Board it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Group and the beneficiaries of weighted voting rights in order to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole indiscriminately. These measures include the Corporate Governance Committee (a) reviewing and monitoring each transaction contemplated to be entered into by the Group and making a recommendation to the Board prior to the transaction being entered into, of any potential conflict of interest between the Group and/or the Shareholders and any beneficiaries of the weighted voting rights, and (b) ensuring that (i) any connected transactions are disclosed and dealt with in accordance with the requirements of the Listing Rules, (ii) their terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole, (iii) any directors who have a conflict of interest abstain from voting on the relevant board resolution, and (iv) the Compliance Advisor is consulted on any matters related to the transactions involving the beneficiaries of weighted voting rights or a potential conflict of interest between the Group and these beneficiaries. The Corporate Governance Committee recommended the Board to continue the implementation of these measures and to periodically review their efficacy towards these objectives.

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Restriction on Foreign Investment Access

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”), which were amended on September 10, 2008, February 6, 2016 and March 26, 2022. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services.

Because foreign investment in certain areas of the industry in which we currently and may operate are subject to restrictions under current PRC laws and regulations outlined above, after consultation with our PRC Legal Advisor, we determined that it was not viable for the Company to control our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain effective control over, and have the right to receive all the economic benefits generated by the businesses currently operated by Consolidated Affiliated Entities through the Contractual Arrangements between the WFOEs, on the one hand, and the Consolidated Affiliated Entities and the Registered Shareholders, on the other hand. The Contractual Arrangements allow the financial results of our Consolidated Affiliated Entities to be consolidated into our results of the Group’s financial information as if they were subsidiaries of the Group.

Further details of the Contractual Arrangements are set out in the Prospectus and the Company’s 2021 annual report published on April 27, 2022.

Material Litigation

As of June 30, 2022, 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.

Events after the Report Period

Save as disclosed in this interim report, there were no other significant events that might affect the Group after June 30, 2022 and up to the Latest Practicable Date.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of Xiaomi Corporation
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 64 to 125, which comprises the interim condensed consolidated balance sheet of Xiaomi Corporation (the “**Company**”) and its subsidiaries (together, the “**Group**”) as of June 30, 2022 and 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 notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 19, 2022

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months and six months ended June 30, 2022

(Expressed in Renminbi ("RMB"))

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	6	70,170,877	87,788,960	143,522,379	164,671,123
Cost of sales	6, 9	(58,402,842)	(72,640,918)	(119,044,598)	(135,361,850)
Gross profit		11,768,035	15,148,042	24,477,781	29,309,273
Research and development expenses	9	(3,763,374)	(3,064,176)	(7,257,913)	(6,076,167)
Selling and marketing expenses	9	(5,332,208)	(5,680,659)	(10,588,392)	(9,844,134)
Administrative expenses	9	(1,315,404)	(1,150,336)	(2,559,977)	(2,137,988)
Fair value changes on investments measured at fair value through profit or loss	16	513,577	4,165,419	(3,036,678)	6,228,626
Share of net profits/(losses) of investments accounted for using the equity method	11	62,672	(26,193)	(138,660)	(17,204)
Other income	7	186,177	234,612	351,104	386,665
Other (losses)/gains, net	8	(386,447)	1,099,047	(425,500)	1,034,348
Operating profit		1,733,028	10,725,756	821,765	18,883,419
Finance income	10	379,991	322,651	645,693	597,859
Finance costs	10	(376,180)	(1,369,865)	(146,549)	(735,856)
Profit before income tax		1,736,839	9,678,542	1,320,909	18,745,422
Income tax expenses	12	(371,462)	(1,415,234)	(486,086)	(2,693,207)
Profit for the period		1,365,377	8,263,308	834,823	16,052,215
Attributable to:					
— Owners of the Company		1,386,400	8,268,477	798,800	16,061,366
— Non-controlling interests		(21,023)	(5,169)	36,023	(9,151)
		1,365,377	8,263,308	834,823	16,052,215
Earnings per share (expressed in RMB per share):	13				
Basic		0.06	0.33	0.03	0.64
Diluted		0.06	0.32	0.03	0.63

The above condensed consolidated income statements should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and six months ended June 30, 2022

(Expressed in RMB)

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Profit for the period		1,365,377	8,263,308	834,823	16,052,215
Other comprehensive income/(loss):					
<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	11	4,433	666	(16,663)	(54,551)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income		(3,769)	(5,861)	(6,944)	(2,146)
Currency translation differences		46,083	(262,223)	(16,261)	(165,059)
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Currency translation differences		2,295,418	(842,332)	2,119,010	(483,624)
Other comprehensive income/(loss) for the period, net of tax		2,342,165	(1,109,750)	2,079,142	(705,380)
Total comprehensive income for the period		3,707,542	7,153,558	2,913,965	15,346,835
Attributable to:					
— Owners of the Company		3,717,982	7,162,807	2,869,183	15,358,957
— Non-controlling interests		(10,440)	(9,249)	44,782	(12,122)
		3,707,542	7,153,558	2,913,965	15,346,835

The above condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2022

(Expressed in RMB)

	Note	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
Assets			
Non-current assets			
Property and equipment	14	7,674,223	6,964,621
Intangible assets	15	5,109,034	5,579,159
Investments accounted for using the equity method	11	10,020,618	10,230,751
Long-term investments measured at fair value through profit or loss	16	53,424,695	50,113,702
Deferred income tax assets	26	2,199,688	1,661,947
Long-term bank deposits		18,728,439	16,195,419
Long-term investments measured at amortized cost	16	402,352	351,362
Other non-current assets	22, 23	15,863,872	15,943,508
		113,422,921	107,040,469
Current assets			
Inventories	20	57,798,719	52,397,946
Trade receivables	18	15,196,628	17,985,503
Loan receivables	17	6,063,275	5,109,034
Prepayments and other receivables	19	21,730,204	19,851,884
Bills receivables measured at fair value through other comprehensive income		102,603	14,033
Short-term investments measured at fair value through other comprehensive income	16	501,714	710,865
Short-term investments measured at amortized cost	16	—	1,597,919
Short-term investments measured at fair value through profit or loss	16	17,605,624	29,311,848
Short-term bank deposits		28,607,263	31,041,129
Restricted cash	21(b)	3,870,437	4,319,661
Cash and cash equivalents	21(a)	28,183,101	23,511,579
		179,659,568	185,851,401
Total assets		293,082,489	292,891,870

CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2022

(Expressed in RMB)

	Note	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	24	406	407
Reserves	24	140,552,849	137,212,499
		140,553,255	137,212,906
Non-controlling interests		263,090	219,590
Total equity		140,816,345	137,432,496
Liabilities			
Non-current liabilities			
Borrowings	25	25,474,316	20,719,790
Deferred income tax liabilities	26	1,069,330	1,202,717
Warranty provision		1,100,959	895,747
Other non-current liabilities	28	17,289,309	16,913,649
		44,933,914	39,731,903
Current liabilities			
Trade payables	29	69,680,442	74,643,005
Other payables and accruals	30	17,535,129	20,224,499
Advance from customers		7,823,186	9,289,177
Borrowings	25	7,094,778	5,527,050
Income tax liabilities		1,390,416	2,335,124
Warranty provision		3,808,279	3,708,616
		107,332,230	115,727,471
Total liabilities		152,266,144	155,459,374
Total equity and liabilities		293,082,489	292,891,870

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

On behalf of the Board

Lei Jun
Director

Lin Bin
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

(Expressed in RMB)

	Note	Unaudited Attributable to owners of the Company					Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
Balance at January 1, 2022		407	(343,730)	59,717,626	8,536,648	69,301,955	137,212,906	219,590	137,432,496
Comprehensive income									
Profit for the period		—	—	—	—	798,800	798,800	36,023	834,823
Other comprehensive loss									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Share of other comprehensive loss of investments accounted for using the equity method	11	—	—	—	(16,663)	—	(16,663)	—	(16,663)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income		—	—	—	(6,944)	—	(6,944)	—	(6,944)
Currency translation differences		—	—	—	(25,020)	—	(25,020)	8,759	(16,261)
<i>Item that will not be reclassified subsequently to profit or loss</i>									
Currency translation differences		—	—	—	2,119,010	—	2,119,010	—	2,119,010
Total comprehensive income		—	—	—	2,070,383	798,800	2,869,183	44,782	2,913,965
Transactions with owners in their capacity as owners									
Purchase of own shares	24	—	(1,038,588)	—	—	—	(1,038,588)	—	(1,038,588)
Cancellation of shares	24	(2)	1,346,094	(1,346,092)	—	—	—	—	—
Release of ordinary shares from Share Scheme Trusts	24	—	—	432,817	(428,643)	—	4,174	—	4,174
Share of other reserves of investments accounted for using the equity method	11	—	—	—	52,809	—	52,809	—	52,809
Employees share-based compensation scheme:									
— value of employee services	27	—	—	—	1,414,961	—	1,414,961	85	1,415,046
— exercise of share options and restricted stock units	24, 27	1	—	298,249	(256,467)	—	41,783	—	41,783
Appropriation to general reserves		—	—	—	(12,711)	12,711	—	—	—
Share consideration for acquisition of an associate completed in prior year		—	—	14,938	(14,938)	—	—	—	—
Others		—	—	—	(4,013)	40	(3,973)	(1,367)	(5,340)
Total transactions with owners in their capacity as owners		(1)	307,506	(600,088)	750,998	12,751	471,166	(1,282)	469,884
Balance at June 30, 2022		406	(36,224)	59,117,538	11,358,029	70,113,506	140,553,255	263,090	140,816,345

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

(Expressed in RMB)

	Note	Unaudited Attributable to owners of the Company							Total equity RMB'000
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
Balance at January 1, 2021		409	(36,224)	64,655,891	8,158,661	50,912,959	123,691,696	321,819	124,013,515
Comprehensive income									
Profit for the period		—	—	—	—	16,061,366	16,061,366	(9,151)	16,052,215
Other comprehensive loss									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Share of other comprehensive loss of investments accounted for using the equity method	11	—	—	—	(54,551)	—	(54,551)	—	(54,551)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income		—	—	—	(2,146)	—	(2,146)	—	(2,146)
Currency translation differences		—	—	—	(162,088)	—	(162,088)	(2,971)	(165,059)
<i>Item that will not be reclassified subsequently to profit or loss</i>									
Currency translation differences		—	—	—	(483,624)	—	(483,624)	—	(483,624)
Total comprehensive income		—	—	—	(702,409)	16,061,366	15,358,957	(12,122)	15,346,835
Transactions with owners in their capacity as owners									
Purchase of own shares	24	—	(4,165,454)	—	—	—	(4,165,454)	—	(4,165,454)
Cancellation of shares	24	(3)	4,165,454	(4,165,451)	—	—	—	—	—
Release of ordinary shares from Share Scheme Trusts	24	—	—	421,805	(414,169)	—	7,636	—	7,636
Share of other reserves of investments accounted for using the equity method	11	—	—	—	178,566	—	178,566	—	178,566
Employees share-based compensation scheme:									
— value of employee services	27	—	—	—	657,545	—	657,545	87	657,632
— exercise of share options and restricted stock units	24, 27	2	—	271,552	(232,228)	—	39,326	—	39,326
Appropriation to general reserves		—	—	—	4,675	(4,675)	—	—	—
Share consideration for acquisition of an associate		—	—	111,429	(111,429)	—	—	—	—
Others		—	—	—	(882)	—	(882)	(40,405)	(41,287)
Total transactions with owners in their capacity as owners		(1)	—	(3,360,665)	82,078	(4,675)	(3,283,263)	(40,318)	(3,323,581)
Balance at June 30, 2021		408	(36,224)	61,295,226	7,538,330	66,969,650	135,767,390	269,379	136,036,769

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

(Expressed in RMB)

	Note	Unaudited	
		Six months ended June 30,	
		2022	2021
		RMB'000	RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(5,118,325)	9,533,448
Income tax paid		(1,913,099)	(1,249,124)
Net cash (used in)/generated from operating activities		(7,031,424)	8,284,324
Cash flows from investing activities			
Capital expenditures		(2,717,280)	(1,828,851)
Proceeds from disposal of property and equipment		14,608	7,237
Placement of short-term bank deposits		(29,410,330)	(35,824,004)
Withdrawal of short-term bank deposits		35,251,545	21,752,541
Placement of long-term bank deposits		(5,145,860)	(6,938,255)
Purchase of short-term investments measured at fair value through profit or loss		(43,925,659)	(105,079,565)
Proceeds from disposal of short-term investments measured at fair value through profit or loss		55,963,009	99,946,272
Purchase of short-term investments measured at fair value through other comprehensive income		(342,840)	(793,274)
Proceeds from maturity of short-term investments measured at fair value through other comprehensive income		573,510	728,323
Purchase of long-term investments measured at amortized cost		(33,579)	(132,283)
Purchase of short-term investments measured at amortized cost		(630,996)	(3,010,944)
Proceeds from maturity of short-term investments measured at amortized cost		2,265,269	970,005
Interest income received		445,399	542,012
Investment income received		272,564	359,848
Purchase of long-term investments measured at fair value through profit or loss		(6,098,340)	(4,813,753)
Proceeds from disposal of long-term investments measured at fair value through profit or loss		793,806	442,766
Purchase of investments accounted for using the equity method		—	(158,097)
Proceeds from disposal of investments accounted for using the equity method		260,021	1,654,366
Dividends received		92,511	188,327
Net cash generated from/(used in) investing activities		7,627,358	(31,987,329)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

(Expressed in RMB)

	Note	Unaudited	
		Six months ended June 30,	
		2022	2021
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings		15,425,360	7,460,286
Repayment of borrowings		(10,202,349)	(5,447,710)
Finance expenses paid		(458,192)	(282,834)
Withdrawal of restricted cash		—	500,000
Net proceeds from exercise of share options		40,839	48,492
Payments for shares repurchase		(1,038,588)	(4,165,454)
Contribution from fund investors		536,700	3,371,000
Payment of lease liabilities		(669,994)	(413,690)
Net cash generated from financing activities		3,633,776	1,070,090
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	21(a)	23,511,579	54,752,443
Effects of exchange rate changes on cash and cash equivalents		441,812	(238,488)
Cash and cash equivalents at end of the period	21(a)	28,183,101	31,881,040

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 General information

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

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

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

The condensed consolidated interim financial information comprises the condensed consolidated balance sheet as of June 30, 2022, the condensed consolidated income statements and the condensed consolidated statements of comprehensive income for the three-month and six-month periods then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information (the “**Interim Financial Information**”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information was approved by the board of directors of the Company on August 19, 2022.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 Basis of preparation

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, 2021 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) by the Group as set out in the 2021 annual report of the Company dated March 22, 2022 (the “**2021 Financial Statements**”), and any public announcement made by the Company during the current period and up to date of approval of this unaudited interim condensed consolidated financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

3 Significant accounting policies

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 annual financial statements for the year ended December 31, 2021, as described in the 2021 Financial Statements, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

The following amended standards are mandatory for the first time for the Group's financial year beginning on January 1, 2022 and are applicable for the Group:

- Reference to the Conceptual Framework — Amendment to IFRS 3
- Property, Plant and Equipment: Proceeds before intended use — Amendment to IAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendment to IAS 37
- Narrow-scope amendments — Amendments to IFRS 3, IAS 16 and IAS 37

The adoption of these amendments to standards has had no significant impact on the results and the financial position of the Group.

The Group has not early adopted the new standards and amendments to IFRSs that have been issued and not yet effective for the year ending December 31, 2022 in the interim condensed consolidated financial information.

4 Significant accounting estimates

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were substantially the same as those applied to the 2021 Financial Statements.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's policies on financial risk management were set out in the 2021 Financial Statements and there have been no significant changes in the financial risk management policies for the three months and six months ended June 30, 2022.

5.2 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

5 Financial risk management and financial instruments (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at June 30, 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
Assets				
Long-term investments measured at fair value through profit or loss (Note 16)	3,446,915	—	49,977,780	53,424,695
Short-term investments measured at fair value through profit or loss (Note 16)	—	—	17,605,624	17,605,624
Short-term investments measured at fair value through other comprehensive income (Note 16)	501,714	—	—	501,714
Bills receivables measured at fair value through other comprehensive income	—	—	102,603	102,603
	3,948,629	—	67,686,007	71,634,636

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

5 Financial risk management and financial instruments (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at December 31, 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)				
Assets				
Long-term investments measured at fair value through profit or loss (Note 16)	4,296,065	—	45,817,637	50,113,702
Short-term investments measured at fair value through profit or loss (Note 16)	—	—	29,311,848	29,311,848
Short-term investments measured at fair value through other comprehensive income (Note 16)	710,865	—	—	710,865
Bills receivables measured at fair value through other comprehensive income	—	—	14,033	14,033
	5,006,930	—	75,143,518	80,150,448

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

5 Financial risk management and financial instruments (continued)

5.2 Fair value estimation (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets mainly include long-term investments measured at fair value through profit or loss and short-term investments measured at fair value through profit or loss.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

5 Financial risk management and financial instruments (continued)

5.2 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the six months ended June 30, 2022 and 2021.

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	45,817,637	28,838,232
Additions	6,103,340	4,438,413
Disposals	(724,244)	(262,701)
Changes in fair value	(2,183,905)	2,902,682
Transfer to long-term investments accounted for using the equity method	—	(145,044)
Transfer to level 1 financial instruments	(30,220)	(975,148)
Exchange gains/(losses)	995,172	(135,170)
At the end of the period	49,977,780	34,661,264
Net unrealized (losses)/gains for the period	(2,307,361)	2,879,951

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

5 Financial risk management and financial instruments (continued)

5.2 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the six months ended June 30, 2022 and 2021.

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	29,311,848	22,376,387
Additions	43,925,659	105,079,565
Disposals	(56,235,573)	(100,306,120)
Changes in fair value	285,746	366,838
Exchange gains/(losses)	317,944	(105,798)
At the end of the period	17,605,624	27,410,872
Net unrealized gains for the period	40,074	182,967

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included long-term investments measured at fair value through profit or loss in unlisted companies (Note 16) and certain listed companies for which sale is restricted for a specified period (Note 16), and short-term investments measured at fair value through profit or loss (Note 16). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

5 Financial risk management and financial instruments (continued)

5.2 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair values		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values	
	As of	As of		As of	As of		
	June 30, 2022	December 31, 2021		June 30, 2022	December 31, 2021		
	RMB'000 (Unaudited)	RMB'000 (Audited)					
Long-term investments measured at fair value through profit or loss	49,977,780	45,817,637	Expected volatility	26%–99%	34%–77%	The higher the expected volatility, the lower the fair value	
			Discount for lack of marketability ("DLOM")	4%–25%	10%–30%		The higher the DLOM, the lower the fair value
			Risk-free rate	0.2%–3%	0.1%–5%		
Short-term investments measured at fair value through profit or loss	17,605,624	29,311,848	Expected rate of return	1%–5%	1%–5%	The higher the expected rate of return, the higher the fair value	

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(Expressed in RMB unless otherwise indicated)

5 Financial risk management and financial instruments (continued)

5.2 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

There were no material transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2022, except that certain financial assets were transferred out of level 3 of fair value hierarchy to level 1 classifications due to the conversion to ordinary shares as the result of the initial public offering or lifting of sale restriction of the investee companies.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, restricted cash, short-term bank deposits, long-term bank deposits, short-term investments measured at amortized cost, long-term investments measured at amortized cost, trade receivables, loan receivables and other receivables, and the Group's financial liabilities that are not measured at fair value, including borrowings, trade payables and other payables, approximate their fair values due to short maturities or the interest rates are close to the market interest rates.

6 Segment information

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

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

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are not included in the measure of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance. Fair value changes on investments measured at fair value through profit or loss, share of net profits/(losses) of investments accounted for using the equity method, other income, other (losses)/gains, net, finance income, finance costs, and income tax expenses are also not allocated to individual operating segments.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

6 Segment information (continued)

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. Revenues from smartphones segment are derived from the sale of smartphones. Revenues from the IoT and lifestyle products segment primarily comprise revenues from sales of (i) the Group's other in-house products, including smart TVs, laptops, AI speakers and smart routers, and (ii) the Group's ecosystem products, including certain IoT and other smart hardware products, as well as certain lifestyle products. Revenues from internet services segment are derived from advertising services and internet value-added services (including online game and fintech business). Others segment primarily comprises revenue from the Group's sale of buildings, hardware repair services for products, installation services for certain IoT products and sale of materials.

The Group's cost of sales for smartphones segment and IoT and lifestyle products segment primarily consist of (i) procurement cost of raw materials and components for the Group's in-house products, (ii) assembly cost charged by the Group's outsourcing partners for the Group's in-house products, (iii) royalty fees for certain technologies embedded in the Group's in-house products, (iv) costs, in the forms of production costs and profit-sharing, paid to the Group's partners for procuring ecosystem products, (v) warranty expenses, and (vi) provision for impairment of inventories. The Group's cost of sales for internet services segment primarily consist of (i) content fees to game developers, and (ii) bandwidth, server custody and cloud service related costs. Cost of sales for others segment primarily consists of development costs of buildings, hardware repair costs and costs from sale of materials. Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the consolidated income statement. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

There were no material inter-segment sales during the three months and six months ended June 30, 2022 and 2021. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated income statement.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

6 Segment information (continued)

The segment results for the three months and six months ended June 30, 2022 and 2021 are as follows:

	Three months ended June 30, 2022				
	Smartphones	IoT and lifestyle products	Internet services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenues	42,268,105	19,811,608	6,971,121	1,120,043	70,170,877
Cost of sales	(38,605,297)	(16,983,584)	(1,880,970)	(932,991)	(58,402,842)
Gross profit	3,662,808	2,828,024	5,090,151	187,052	11,768,035

	Three months ended June 30, 2021				
	Smartphones	IoT and lifestyle products	Internet services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenues	59,088,963	20,734,693	7,033,487	931,817	87,788,960
Cost of sales	(52,095,546)	(17,992,268)	(1,819,718)	(733,386)	(72,640,918)
Gross profit	6,993,417	2,742,425	5,213,769	198,431	15,148,042

	Six months ended June 30, 2022				
	Smartphones	IoT and lifestyle products	Internet services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenues	88,030,794	39,288,965	14,083,602	2,119,018	143,522,379
Cost of sales	(79,845,895)	(33,418,963)	(3,959,321)	(1,820,419)	(119,044,598)
Gross profit	8,184,899	5,870,002	10,124,281	298,599	24,477,781

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

6 Segment information (continued)

	Six months ended June 30, 2021				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
(Unaudited)					
Segment revenues	110,579,946	38,977,960	13,604,335	1,508,882	164,671,123
Cost of sales	(96,952,930)	(33,583,000)	(3,635,837)	(1,190,083)	(135,361,850)
Gross profit	13,627,016	5,394,960	9,968,498	318,799	29,309,273

For the three months and six months ended June 30, 2022 and 2021, the geographical information on the total revenues is as follows:

	Three months ended June 30,				Six months ended June 30,			
	2022		2021		2022		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Mainland China	36,201,979	51.6	44,150,041	50.3	72,091,624	50.2	83,623,755	50.8
Rest of the world								
(Note (a))	33,968,898	48.4	43,638,919	49.7	71,430,755	49.8	81,047,368	49.2
	70,170,877		87,788,960		143,522,379		164,671,123	

Note:

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

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(Expressed in RMB unless otherwise indicated)

6 Segment information (continued)

The major customers which contributed more than 10% of the total revenue of the Group for the three months and six months ended June 30, 2022 and 2021 are listed as below:

	Three months ended June 30,		Six months ended June 30,	
	2022 %	2021 %	2022 %	2021 %
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer A	14.5	15.5	13.4	14.1

All the revenues derived from other single external customer were less than 10% of the Group's total revenues during the three months and six months ended June 30, 2022 and 2021.

7 Other income

	Three months ended June 30,		Six months ended June 30,	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants	56,601	43,615	117,081	87,357
Value-added tax and other tax refunds	15,930	14,320	55,708	78,672
Dividend income	43,124	127,688	61,227	140,176
Additional deduction of input value-added tax	70,522	48,989	117,088	80,460
	186,177	234,612	351,104	386,665

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

8 Other (losses)/gains, net

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gains on disposal of investments accounted				
for using the equity method	182,771	1,199,290	184,186	1,381,867
Foreign exchanges losses, net	(572,288)	(91,057)	(606,673)	(342,868)
Impairment on investments accounted				
for using the equity method	—	(8,794)	(500)	(8,794)
Others	3,070	(392)	(2,513)	4,143
	(386,447)	1,099,047	(425,500)	1,034,348

9 Expenses by nature

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold and royalty fees	52,590,669	68,385,690	107,867,373	127,548,414
Provision for impairment of inventories (Note 20)	1,789,704	621,761	3,320,900	938,879
Employee benefit expenses	4,073,525	3,572,379	7,968,639	6,955,690
Depreciation of property and equipment,				
right-of-use assets and investment properties	603,272	431,658	1,147,736	791,353
Amortization of intangible assets	344,140	296,382	678,109	594,017
Promotion and advertising expenses	1,794,561	2,085,949	3,469,298	3,218,610
Content fees to game developers and				
video providers	744,651	689,034	1,544,532	1,372,486
Credit loss allowance	52,801	15,576	105,969	71,141
Consultancy and professional service fees	345,702	300,132	678,054	587,687
Cloud service, bandwidth and server				
custody fees	483,214	470,554	1,075,088	1,044,336
Warranty expenses	1,433,712	1,325,411	2,525,423	2,397,937

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

10 Finance income and costs

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income:				
Interest income from bank deposits	379,991	322,651	645,693	597,859
Finance costs:				
Interest expense/(income) from liabilities to fund investors (Note 28)	83,974	1,201,012	(381,691)	412,995
Interest expense from borrowings (Note 25) and lease liabilities (Note 22)	292,206	168,853	528,240	322,861
	376,180	1,369,865	146,549	735,856

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

11 Investments accounted for using the equity method

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Investments in associates accounted for using the equity method		
– Listed entities (Note (a))	4,994,530	5,200,905
– Unlisted entities	5,026,088	5,029,846
	10,020,618	10,230,751

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	10,230,751	12,781,995
Additions	—	1,379,916
Disposals	(75,835)	(203,069)
Share of net losses	(138,660)	(17,204)
Share of other comprehensive loss	(16,663)	(54,551)
Share of changes of other reserves	52,809	178,566
Dividends from associates	(31,284)	(48,151)
Impairment provision	(500)	(8,794)
At the end of the period	10,020,618	14,008,708

Notes:

- (a) As at June 30, 2022, the fair value of the investments in associates which were listed entities was RMB7,686,502,000 (December 31, 2021: RMB12,618,111,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

11 Investments accounted for using the equity method (continued)

Management has assessed the level of influence that the Group exercises on certain associates and determined that it has significant influence through the board representation and other relevant facts and circumstances, even though the respective shareholding of some investments is below 20%. Accordingly, these investments have been classified as associates.

12 Income tax expenses

The income tax expenses of the Group during the periods presented are analyzed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	395,747	1,239,533	1,157,214	2,145,435
Deferred income tax	(24,285)	175,701	(671,128)	547,772
Income tax expenses	371,462	1,415,234	486,086	2,693,207

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

Notes:

- (a) Enterprise income tax in mainland China ("EIT")
The income tax provision of the Group in respect of its operations in mainland China was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.
- (b) Cayman Islands and British Virgin Islands income tax
The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. As such, the operating results reported by the Company, including the share-based payments [Note 27], are not subject to any income tax.

The Group entities established under the International Business Companies Acts of British Virgin Islands ("BVI") are exempt from BVI income taxes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

12 Income tax expenses (continued)

Notes (continued):

(c) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax under the two-tiered profits tax regime, which the tax rate is 8.25% for assessable profits in the first HK\$2 million and 16.5% for any assessable profits in excess. However, for two or more connected entities, only one of them may elect the two-tiered profits tax rate.

(d) India income tax

The income tax provision for India entities were calculated at corporate income tax rates of 25% to 35% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.

(e) Preferential EIT rate

Certain subsidiaries in mainland China are entitled to preferential tax rates ranging from 10% to 15%. Main subsidiaries with preferential EIT rates are as follows:

Beijing Xiaomi Mobile Software Co., Ltd. (“**Xiaomi Mobile**”) was qualified as a “Key Software Enterprise” in the third quarter of 2018 and renewed this qualification annually, hence it enjoys a preferential income tax rate of 10% from 2017 to 2021. The directors of the Company consider Xiaomi Mobile can still be qualified upon annual renewal and hence continues to enjoy the preferential income tax rate of 10% for the six months ended June 30, 2022.

Tianxing Digital Technology Co., Ltd. (formerly known as Xiaomi Digital Technology Co., Ltd.) was qualified as a “High and New Technology Enterprise” in November 2018 and renewed this qualification in December 2021, hence it enjoys a preferential income tax rate of 15% from 2018 to 2023.

(f) Super Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Council of the People’s Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The State Taxation Administration of The People’s Republic of China announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020. The State Taxation Administration of The People’s Republic of China announced in March 2021 to extend the preferential claim percentage to December 31, 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the period.

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(Expressed in RMB unless otherwise indicated)

12 Income tax expenses (continued)

Notes (continued):

(g) Withholding tax in mainland China ("WHT")

According to the New Corporate Income Tax Law ("New EIT Law"), distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings of these subsidiaries was accrued as of the end of each reporting period.

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13 Earnings per share**(a) Basic**

Basic earnings per share for the three months and six months ended June 30, 2022 and 2021 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.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit attributable to the owners of the Company	1,386,400	8,268,477	798,800	16,061,366
Weighted average number of ordinary shares in issue (thousand shares)	24,816,255	24,940,364	24,838,045	25,000,212
Basic earnings per share (expressed in RMB per share)	0.06	0.33	0.03	0.64

(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, 2022.

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(Expressed in RMB unless otherwise indicated)

13 Earnings per share (continued)**(b) Diluted (continued)**

For the three months and six months ended June 30, 2022 and 2021, the share options and RSUs granted by the Group's subsidiaries 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,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit attributable to the owners of the Company	1,386,400	8,268,477	798,800	16,061,366
Add: Interest expenses on convertible bonds	—	39,262	—	78,352
Net profit used to determine diluted earnings per share	1,386,400	8,307,739	798,800	16,139,718
Weighted average number of ordinary shares in issue (thousand shares)	24,816,255	24,940,364	24,838,045	25,000,212
Adjustments for restricted shares units ("RSUs") and share options granted to employees (thousand shares)	358,250	579,996	388,833	614,400
Adjustments for share consideration for acquisition of an associate (thousand shares)	846	14,723	525	15,745
Adjustments for convertible bonds (thousand shares)	—	180,447	—	180,447
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	25,175,351	25,715,530	25,227,403	25,810,804
Diluted earnings per share (expressed in RMB per share)	0.06	0.32	0.03	0.63

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

14 Property and equipment

	Electronic equipment	Office equipment	Buildings	Leasehold improvements	Construction in progress (Note (a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Six months ended June 30, 2022						
Opening net book amount	898,941	6,361	3,517,176	835,037	1,707,106	6,964,621
Currency translation differences	546	(19)	61	478	(19)	1,047
Additions	203,134	4,759	—	368,091	778,974	1,354,958
Transfer from construction in progress to buildings	—	—	1,036,002	—	(1,036,002)	—
Disposals	(4,715)	(238)	—	(183,576)	—	(188,529)
Depreciation charge	(169,145)	(1,311)	(49,404)	(238,014)	—	(457,874)
Closing net book amount	928,761	9,552	4,503,835	782,016	1,450,059	7,674,223
At June 30, 2022						
Cost	1,958,158	30,219	4,726,251	2,070,891	1,450,059	10,235,578
Accumulated depreciation	(1,029,397)	(20,667)	(222,416)	(1,288,875)	—	(2,561,355)
Net book amount	928,761	9,552	4,503,835	782,016	1,450,059	7,674,223
(Unaudited)						
Six months ended June 30, 2021						
Opening net book amount	759,031	7,075	3,547,262	316,674	1,675,615	6,305,657
Currency translation differences	(3,001)	(99)	—	(954)	(14)	(4,068)
Additions	199,754	277	—	363,512	461,327	1,024,870
Disposals	(5,592)	(13)	—	(18,892)	(5,438)	(29,935)
Depreciation charge	(141,027)	(1,114)	(43,319)	(123,898)	—	(309,358)
Closing net book amount	809,165	6,126	3,503,943	536,442	2,131,490	6,987,166
At June 30, 2021						
Cost	1,532,283	24,417	3,633,354	1,377,422	2,131,490	8,698,966
Accumulated depreciation	(723,118)	(18,291)	(129,411)	(840,980)	—	(1,711,800)
Net book amount	809,165	6,126	3,503,943	536,442	2,131,490	6,987,166

Note:

(a) Construction in progress as of June 30, 2022 and 2021 mainly comprises new office buildings being constructed in mainland China.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

15 Intangible assets

	Goodwill	License	Trademarks, patents and domain name	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Six months ended June 30, 2022					
Opening net book amount	1,696,639	2,307,442	1,410,024	165,054	5,579,159
Currency translation differences	—	1,524	3,427	3,729	8,680
Additions	—	31,868	—	174,156	206,024
Disposals	—	(6,607)	—	(113)	(6,720)
Amortization charge	—	(515,870)	(115,499)	(46,740)	(678,109)
Closing net book amount	1,696,639	1,818,357	1,297,952	296,086	5,109,034
At June 30, 2022					
Cost	1,696,639	4,591,339	2,198,380	650,189	9,136,547
Accumulated amortization	—	(2,772,982)	(900,428)	(354,103)	(4,027,513)
Net book amount	1,696,639	1,818,357	1,297,952	296,086	5,109,034
(Unaudited)					
Six months ended June 30, 2021					
Opening net book amount	253,251	3,317,008	535,005	160,355	4,265,619
Currency translation differences	—	(18)	(1,238)	(848)	(2,104)
Additions	—	120	—	20,231	20,351
Disposals	—	—	—	(821)	(821)
Amortization charge	—	(512,489)	(47,886)	(33,642)	(594,017)
Closing net book amount	253,251	2,804,621	485,881	145,275	3,689,028
At June 30, 2021					
Cost	253,251	4,549,626	1,148,430	408,946	6,360,253
Accumulated amortization	—	(1,745,005)	(662,549)	(263,671)	(2,671,225)
Net book amount	253,251	2,804,621	485,881	145,275	3,689,028

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

16 Investments

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Current assets		
Short-term investments measured at		
– Amortized cost (Note (a))	—	1,597,919
– Fair value through other comprehensive income (Note (b))	501,714	710,865
– Fair value through profit or loss (Note (c))	17,605,624	29,311,848
	18,107,338	31,620,632
Non-current assets		
Long-term investments measured at amortized cost (Note (b))	402,352	351,362
Long-term investments measured at fair value through profit or loss		
– Ordinary shares investments (Note (d))	19,826,893	22,755,228
– Preferred shares investments (Note (e))	28,071,954	25,108,840
– Other investments (Note (f))	5,525,848	2,249,634
	53,827,047	50,465,064

Notes:

- (a) Short-term investments measured at amortized cost are wealth management products, denominated in US\$, with guaranteed returns ranging from 0.49% to 0.63% per annum for the six months ended June 30, 2022. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due.
- (b) Short-term investments measured at fair value through other comprehensive income and long-term investments measured at amortized cost are mainly debt securities, denominated in HK\$ and US\$, where the contractual cash flows are solely principal and interest. The securities are mainly issued by banks and the fair value of such debt securities was determined based on quoted price on interbank bond market. None of these investments are past due.

Debt securities that are only held for collection of contractual cash flows are measured at amortized cost. Debt securities that are held for both collection of contractual cash flows and for selling, are measured at fair value through other comprehensive income.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

16 Investments (continued)

Notes (continued):

- (c) The short-term investments measured at fair value through profit or loss are wealth management products, denominated in RMB and US\$, with expected rates of return ranging from 1.25% to 4.95% per annum for the six months ended June 30, 2022. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. None of these investments are past due.

The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy (refer to Note 5.2 for details).

- (d) The fair values of the listed securities are determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on quoted market prices (level 1: quoted price (unadjusted) in active markets) without any deduction for transaction costs. For certain listed securities which are restricted for sale in a specified period, their fair values are determined based on quoted market prices and unobservable inputs (i.e. discount rate for lack of marketability) and hence classified as level 3 of the fair value hierarchy. And as of June 30, 2022, the Group has not elected to recognize the fair value gains or losses on these ordinary shares investments in other comprehensive income ("OCI").

The fair values of unlisted securities are measured using a valuation technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy (refer to Note 5.2 for details).

- (e) During the six months ended June 30, 2022, the Group made aggregate preferred shares investments of RMB2,831,483,000. These investees are principally engaged in new energy and integrated circuit industry.

The preferred shares investments in these investees are convertible redeemable preferred shares or ordinary shares with preferential rights. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at fair value through profit or loss (refer to Note 5.2 for details).

- (f) In March, 2022, the Group invested US\$200,000,000 Callable Credit Linked Range Accrual Note ("the Credit Linked Note"), which was issued by Union Bank of Switzerland Aktiengesellschaft. The Credit Linked Note have an interest rate linked to certain underlying reference rate to be paid on January 5 of each year from and including January 5, 2023 up to and including January 5, 2027 or optional redemption date subject to the issuer. As of June 30, 2022, the fair value of the portfolio investment amounted to RMB1,343,833,000.

In March 2022, the Group invested US\$150,000,000 and RMB150,000,000 portfolio investments, with Schroder Investment Management (Hong Kong) Limited and Foresight Fund Management Company Limited appointed as the investment managers. In April 2022, the Group invested RMB10,000,000 and RMB10,000,000 portfolio investments, with Pengyang Asset Management Company Limited and China International Capital Corporation Limited appointed as the investment managers. In May 2022, the Group invested RMB840,000,000 portfolio investment, with Pengyang Asset Management Company Limited appointed as the investment managers. The investment scope of portfolio investments mainly includes debt instruments and equity products, which do not guarantee the repayment of principal or any investment return. As of June 30, 2022, the fair value of the portfolio investment amounted to RMB1,920,777,000.

In September 2021, the Group purchased US\$300,000,000 Undated Additional Tier 1 Capital Bonds ("the Bonds"), which was issued by Industrial and Commercial Bank of China Limited ("ICBC"). The Bonds have an initial fixed distribution rate of 3.20% per annum from and including September 24, 2021 to but excluding September 24, 2026. The distribution rate will thereafter be reset for every five years. The Bonds have no fixed maturity date and the Group has no right to request ICBC to redeem or buyback the Bonds held by the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

16 Investments (continued)

Notes (continued):

In November 2021, the Group entered into an agreement with J.P. MORGAN SECURITIES PLC (“JPMSPCLC”), to swap the Bonds for J.P. Morgan Custom 390E Index Linked Note (“JPM Note”) issued by J.P. Morgan Structured Products B.V. and guaranteed by JPMorgan Chase Bank, N.A. The JPM Note have the distribution rate with reference to J.P. Morgan Custom 390E Index from and including March 24, 2022 to but including September 24, 2026. As of June 30, 2022 and December 31, 2021, the fair value of the JPM Note amounted to RMB1,927,849,000 and RMB1,918,831,000, respectively.

In March 2020, the Group invested US\$50,000,000 Non-Cumulative Perpetual Offshore Preference Shares (“the Offshore Preference Shares”), which was issued by Bank of China Limited (“BOC”). The Offshore Preference Shares have an initial dividend rate of 3.60% per annum from and including March 4, 2020 to but excluding March 4, 2025. The dividend rate will thereafter be reset for every five years. The Offshore Preference Shares are perpetual and have no maturity date. The Group has no right to request BOC to redeem the Offshore Preference Shares. As of June 30, 2022 and December 31, 2021, the fair value of the Offshore Preference Shares amounted to RMB333,389,000 and RMB330,803,000, respectively.

The returns on these products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value changes on ordinary shares investments	403,629	3,538,283	(3,287,125)	4,439,088
Fair value changes on preferred shares investments	89,787	471,886	101,597	1,417,459
Fair value changes on other investments	(144,989)	1,287	(136,896)	5,241
Fair value changes on short-term investments measured at fair value through profit or loss	165,150	153,963	285,746	366,838
	513,577	4,165,419	(3,036,678)	6,228,626

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

17 Loan receivables

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Unsecured loan	7,105,633	5,945,909
Secured loan	—	155,549
Less: credit loss allowance	(1,042,358)	(992,424)
	6,063,275	5,109,034

Loan receivables are loans derived from subsidiaries of the Group which engages in the fintech business. Such amounts are recorded at the principal amount less credit loss allowance. The loan periods granted by the Group to the individuals generally range from 3 months to 12 months. Loan receivables are mainly denominated in RMB. The impairment of loan receivables was provided based on the 'three-stages' model by referring to the changes in credit quality since initial recognition. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is similar to the approach used for the purposes of measuring Expected Credit Loss ("ECL") under IFRS 9 Financial Instruments. The key judgments and assumptions include determination of significant increase in credit risk, definition of default and credit-impaired assets, projecting the PD, LGD and EAD, forward-looking information incorporated in the ECL models, and grouping of instruments for losses measured on a collective basis.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

18 Trade receivables

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Trade receivables		
Up to 3 months	13,177,558	15,740,356
3 to 6 months	1,328,308	1,477,059
6 months to 1 year	607,033	652,701
1 to 2 years	175,553	184,058
Over 2 years	116,556	95,306
	15,405,008	18,149,480
Less: credit loss allowance	(208,380)	(163,977)
	15,196,628	17,985,503

Majority of the Group's trade receivables were denominated in RMB, US\$, India Rupees and EUR.

Trade receivables balances as of June 30, 2022 and December 31, 2021 mainly represented amounts due from certain channel distributors and customers in mainland China, India and Europe who usually settle the amounts due by them within 180 days.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group's expected loss rates are mainly determined based on the corresponding historical credit loss rates which are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has considered the expected changes in macroeconomic factors, such as Consumer Price Index ("CPI"), Gross Domestic Product ("GDP") and Business Climate Index ("BCI"), and accordingly adjusts the historical loss rates based on expected changes in all factors identified.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

19 Prepayments and other receivables

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Receivables from subcontractors for outsourcing of raw materials and amounts paid for third parties	11,087,628	10,271,165
Recoverable value-added tax and other taxes	5,874,674	5,064,593
Prepayments to suppliers	1,430,656	1,044,032
Deposits to suppliers	437,387	440,784
Receivables from market development fund	103,252	181,217
Prepaid fees for patent expenses and other prepaid expenses	990,863	1,407,332
Receivables from employees related to Employee Fund (Note 27)	100,250	100,250
Interest receivables	469,404	516,357
Receivables related to share options and RSUs granted to employees	55,687	180,915
Others	1,180,403	645,239
	21,730,204	19,851,884

Note:

- (a) As of June 30, 2022, among the total amount of "Prepayments and other receivables", in addition to the loans to related parties (Note 33), the other receivables from related parties amounted to RMB230,066,000 (December 31, 2021: RMB539,750,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

20 Inventories

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Raw materials	17,224,530	19,314,001
Finished goods	32,489,903	23,934,395
Work in progress	4,191,944	4,627,210
Spare parts	4,812,417	3,896,430
Others	1,430,868	1,957,057
	60,149,662	53,729,093
Less: provision for impairment (Note (a))	(2,350,943)	(1,331,147)
	57,798,719	52,397,946

Note:

- (a) Provision for impairment was recognized for the amount by which the carrying amount of the inventories exceeds its net realizable value, and was recorded in "cost of sales" in the consolidated income statement. The provision for impairment of inventory amounted to RMB3,320,900,000 and RMB938,879,000 for the six months ended June 30, 2022 and 2021, respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

21 Cash and bank balances**(a) Cash and cash equivalents**

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Cash at bank and in hand	19,157,640	16,024,499
Short-term bank deposits with initial terms within three months	9,025,461	7,487,080
	28,183,101	23,511,579

The weighted average effective interest rate for the short-term bank deposits with initial terms within three months was 2.2% per annum for the six months ended June 30, 2022.

(b) Restricted cash

As of June 30, 2022, among the restricted cash, INR26,350,000,000 (equivalent to RMB2,237,115,000) short-term bank deposits in The Hongkong and Shanghai Banking Corporation Limited and INR10,900,000,000 (equivalent to RMB925,410,000) short-term bank deposits with initial terms within three months in Citibank, were restricted by India tax authorities due to the in-progress investigation described in Note 31.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

22 Leases

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
<i>(i) The consolidated balance sheet includes the following amounts relating to leases:</i>		
Right-of-use assets (Note (a))		
Land use rights	8,208,274	6,078,568
Properties	2,023,960	1,965,161
Servers and other equipment	768,907	1,244,915
Other assets	762	2,796
	11,001,903	9,291,440
Lease liabilities (Note (b))		
Current	(962,826)	(1,532,625)
Non-current	(1,997,489)	(1,748,529)
	(2,960,315)	(3,281,154)

Notes:

- (a) Included in the line item 'Other non-current assets' in the consolidated balance sheet.
- (b) Current lease liabilities and non-current lease liabilities are included in the line item 'Other payables and accruals' and 'Other non-current liabilities' in the consolidated balance sheet, respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

22 Leases (continued)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>(ii) The consolidated income statement includes the following amounts relating to leases:</i>				
Depreciation charge of right-of-use assets	344,459	267,912	655,716	467,960
Interest expense (included in finance costs)	34,604	29,086	58,373	48,199
Expense relating to short-term leases not included in lease liabilities (included in cost of sales and expenses)	121,171	90,407	251,698	274,458
Expense relating to variable lease payments not included in lease liabilities (included in operating expenses)	83,325	66,059	126,172	89,775
	583,559	453,464	1,091,959	880,392

23 Other non-current assets

	As of June 30,	As of December 31,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Right-of-use assets (Note 22)	11,001,903	9,291,440
Investment properties	2,856,488	2,890,635
Long-term deposits to suppliers	1,192,362	1,144,352
Prepayments for land use rights and construction	67,876	1,558,906
Others	745,243	1,058,175
	15,863,872	15,943,508

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

24 Share capital and treasury shares

(a) Share capital

Authorized:

As of January 1, 2022 and June 30, 2022, the total authorized number of ordinary shares is 270,000,000,000 shares with par value of US\$0.0000025 per share.

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares US\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
As of January 1, 2022	24,992,449	62	407	59,717,626
Exercise of share options and RSUs	31,349	—	1	298,249
Shares repurchased and cancelled	(107,462)	—	(2)	(1,346,092)
Issuance of ordinary shares to Share Scheme Trusts (i)	32,539	—	—	—
Release of ordinary shares from Share Scheme Trusts (i)	—	—	—	432,817
Shares issued for acquisition of an associate completed in prior year	5,888	—	—	14,938
As of June 30, 2022 (unaudited)	24,954,763	62	406	59,117,538
As of January 1, 2021	25,187,308	62	409	64,655,891
Exercise of share options and RSUs	31,085	—	2	271,552
Shares repurchased and cancelled	(192,690)	—	(3)	(4,165,451)
Issuance of ordinary shares to Share Scheme Trusts (i)	39,236	—	—	—
Release of ordinary shares from Share Scheme Trusts (i)	—	—	—	421,805
Shares issued for acquisition of an associate	9,420	—	—	111,429
As of June 30, 2021 (unaudited)	25,074,359	62	408	61,295,226

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

24 Share capital and treasury shares (continued)

(a) Share capital (continued)

Issued (continued):

Note:

- (i) The Company issued ordinary shares with respect to the share options and RSUs under the employees share-based compensation scheme to be exercised by certain grantees of the Company to trusts, which were established to hold the shares for and on behalf of the grantees (collectively, "Share Scheme Trusts").

(b) Treasury shares

	Number of shares '000	Amounts RMB'000
As of January 1, 2022	24,503	343,730
Shares repurchased	87,248	1,038,588
Shares cancelled	(107,462)	(1,346,094)
As of June 30, 2022 (unaudited)	4,289	36,224
As of January 1, 2021	4,289	36,224
Shares repurchased	192,690	4,165,454
Shares cancelled	(192,690)	(4,165,454)
As of June 30, 2021 (unaudited)	4,289	36,224

During the six months ended June 30, 2022, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares '000	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$
January 2022	14,295	18.64	17.70	261,322,614
March 2022	35,209	14.60	13.46	498,281,463
April 2022	37,744	13.82	12.26	498,768,037
	87,248			1,258,372,114

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

25 Borrowings

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Included in non-current liabilities		
Secured borrowings (Note (a))	1,244,652	1,576,761
Unsecured borrowings (Note (b))	19,771,327	15,004,487
Convertible bonds (Note (c))	4,458,337	4,138,542
	25,474,316	20,719,790
Included in current liabilities		
Secured borrowings (Note (a))	590,012	507,217
Unsecured borrowings (Note (b))	6,504,766	5,019,833
	7,094,778	5,527,050

Notes:

- (a) As of June 30, 2022, RMB1,834,664,000 (December 31, 2021: RMB2,083,978,000) of borrowings were secured by buildings, construction in progress and land use rights amounting to approximately RMB9,083,409,000 (December 31, 2021: RMB8,468,767,000). The interest rate of these borrowings was 4.05%–4.41% (December 31, 2021: 4.05%–4.66%) per annum.
- (b) As of June 30, 2022, other than the interest rate of 31.50%–52.00% (December 31, 2021: 17.65%–26.00%) for unsecured borrowings in Turkish Lira ("TRY") 378,355,000 (December 31, 2021: TRY24,403,000) which was equivalent to RMB152,727,000 (December 31, 2021: RMB11,768,000), the interest rate of the remaining unsecured borrowings was 1.87% to 4.51% (December 31, 2021: 0.48% to 6.00%) per annum.
- (c) On December 17, 2020, the Group completed the issuance of 7-Year US\$855,000,000 zero coupon guaranteed convertible bonds due on December 17, 2027 (the "Bonds") to third party professional investors (the "bondholders"). The bondholders have the right, at any time on or after January 27, 2021 up to the 10 days prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Group at a conversion price of HKD36.74 per share, subject to adjustments. The outstanding principal amount of the Bonds is repayable by the Group upon the maturity of the Bonds on December 17, 2027, if not previously redeemed, converted or purchased and cancelled.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

25 Borrowings (continued)

Notes (continued):

(c) (continued)

The convertible bonds recognized in the balance sheet are calculated as follows:

	RMB'000
Liability component as of January 1, 2021	4,044,014
Interest accrued	93,835
Effect of foreign currency translation	(40,355)
Liability component as of June 30, 2021	4,097,494

	RMB'000
Liability component as of January 1, 2022	4,138,542
Interest accrued	98,355
Effect of foreign currency translation	221,440
Liability component as of June 30, 2022	4,458,337

The equity component of the Bonds of RMB1,764,799 was included in "Reserves" of the Group as of June 30, 2022 and December 31, 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

26 Deferred income tax

The amount of offsetting deferred income tax assets and liabilities is RMB83,616,000 as of June 30, 2022 (December 31, 2021: RMB191,971,000).

The gross movement on the deferred income tax assets is as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	1,853,918	2,077,468
Credited/(debited) to the consolidated income statement	429,386	(416,770)
At the end of the period	2,283,304	1,660,698

The gross movement on the deferred income tax liabilities is as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	(1,394,688)	(366,952)
Credited/(debited) to the consolidated income statement	241,742	(131,002)
At the end of the period	(1,152,946)	(497,954)

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

27 Share-based payments

On May 5, 2011, the Board of Directors of the Company approved the establishment of the “Xiaomi Corporation 2011 Employee Stock Option Plan” (“**2011 Plan**”) with the purpose of attracting, motivating, retaining and rewarding certain employees and directors. The 2011 Plan is valid and effective for 10 years from the approval of the Board of Directors. The maximum number of shares that may be issued under 2011 Plan shall be 35,905,172 Class B ordinary shares (which were adjusted to 1,436,206,880 shares after the 1 to 4 share split on March 14, 2014 and further 1 to 10 Share Subdivision on June 17, 2018). The 2011 Plan permits the awards of options and RSUs.

Subsequently in August 2012, the 2011 Plan was superseded in its entirety as the “2012 Employee Stock Incentive Plan” (“**Pre-IPO ESOP**”). The purpose of Pre-IPO ESOP is same as the 2011 Plan. The Pre-IPO ESOP is valid and effective for 10 years from the approval of the Board of Directors. Through Pre-IPO ESOP, the Company may grant equity-based incentive up to 45,905,172 Class B ordinary shares initially (which were adjusted to 1,836,206,880 shares after the 1 to 4 share split on March 14, 2014 and further 1 to 10 Share Subdivision on June 17, 2018). The aggregate number of reserved Class B ordinary shares approved was 2,512,694,900 as of June 30, 2022 and December 31, 2021. The Pre-IPO ESOP permits the awards of options and RSUs.

On June 17, 2018, the Board of Directors of the Company adopted the principal terms of the Post-IPO Share Option Scheme. The purpose of Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The total number of Class B ordinary shares available for grant under Post-IPO Share Option Scheme was 1,568,094,311 Class B ordinary shares.

On June 17, 2018, the Board of Directors of the Company adopted the principal terms of the Share Award Scheme. The purpose of the Share Award Scheme are (1) to align the interests of eligible persons with those of the Group through ownership of Class B ordinary shares, dividends and other distributions paid on shares and/or the increase in value of the Class B ordinary shares, and (2) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The aggregate number of Class B ordinary shares underlying all grants made pursuant to the Share Award Scheme will not exceed 1,118,806,541 shares without shareholders’ approval.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

27 Share-based payments (continued)**Pre-IPO ESOP****Share options granted to employees**

Movements in the number of share options granted to employees and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (US\$)
Outstanding as of January 1, 2022	466,216,237	0.08
Forfeited during the period	(17,493,413)	0.15
Transferred to Share Scheme Trusts	(6,350,753)	0.10
Exercised during the period	(31,349,128)	0.20
Outstanding as of June 30, 2022 (unaudited)	411,022,943	0.07
Exercisable as of June 30, 2022 (unaudited)	265,982,691	0.28
Outstanding as of January 1, 2021	605,831,870	0.10
Forfeited during the period	(15,646,733)	0.20
Transferred to Share Scheme Trusts	(11,443,000)	0.10
Exercised during the period	(31,084,671)	0.19
Outstanding as of June 30, 2021 (unaudited)	547,657,466	0.09
Exercisable as of June 30, 2021 (unaudited)	278,020,502	0.26

The weighted-average remaining contract life for outstanding share options was 3.89 years and 4.46 years as of June 30, 2022 and December 31, 2021, respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

27 Share-based payments (continued)

Pre-IPO ESOP (continued)

Share options granted to employees (continued)

Fair value of share options

Prior to the completion of IPO on July 9, 2018, the Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as discount rate and projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Binomial option-pricing model to determine the fair value of the share option as of the grant date.

Share based awards granted to Lei Jun

On June 17, 2018, Lei Jun was granted 42,070,000 share options in Xiaomi Finance Inc. (“Xiaomi Finance”) pursuant to the first share option scheme adopted by Xiaomi Finance. Such share options were vested immediately and Lei Jun can exercise these share options with exercise price of RMB3.8325 for each share option for the following 20 years commencing on June 17, 2018. No share option was exercised for the six months ended June 30, 2022 and 2021, respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

27 Share-based payments (continued)**Share Award Scheme****RSUs granted to employees**

Movements in the number of RSUs granted to the Company's employees under Share Award Scheme and the respective weighted-average grant date fair value are as below:

	Number of RSUs	Weighted average grant date fair value per RSU (US\$)
Outstanding as of January 1, 2022	359,723,827	2.74
Granted during the period	230,250,143	1.79
Forfeited during the period	(41,051,902)	2.44
Transferred to Share Scheme Trust	(25,744,186)	2.07
Outstanding as of June 30, 2022 (unaudited)	523,177,882	2.38
Outstanding as of January 1, 2021	175,401,118	1.65
Granted during the period	16,866,309	4.37
Forfeited during the period	(11,284,208)	2.46
Transferred to Share Scheme Trust	(29,334,138)	1.45
Outstanding as of June 30, 2021 (unaudited)	151,649,081	1.93

The weighted-average remaining contract life for outstanding RSUs was 9.04 years and 8.99 years as of June 30, 2022 and December 31, 2021, respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

27 Share-based payments (continued)**Post-IPO Share Option Scheme****Share options granted to employees**

Movements in the number of share options granted to employees and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (HK\$)
Outstanding as of January 1, 2022	121,900,000	24.53
Granted during the period	—	—
Forfeited during the period	—	—
Outstanding as of June 30, 2022 (unaudited)	121,900,000	24.53
Exercisable as of June 30, 2022 (unaudited)	2,350,000	21.02
Outstanding as of January 1, 2021	227,250,000	24.26
Granted during the period	6,250,000	33.90
Forfeited during the period	(110,000,000)	24.50
Outstanding as of June 30, 2021 (unaudited)	123,500,000	24.53
Exercisable as of June 30, 2021 (unaudited)	—	—

The weighted-average remaining contract life for outstanding share options was 8.20 years and 8.53 years as of June 30, 2022 and December 31, 2021, respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

27 Share-based payments (continued)**Post-IPO Share Option Scheme (continued)****Share options granted to employees (continued)***Fair value of share options*

The Group has used Binomial option-pricing model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Six months ended June 30, 2021
Fair value per share	HK\$33.90
Exercise price	HK\$33.90
Risk-free interest rate	0.78%
Dividend yield	—
Expected volatility	43.03%
Expected terms	10 years

The weighted-average fair value of granted share options was HK\$15.07 per share for the six months ended June 30, 2021.

The total expenses recognized in the consolidated income statement for share options and RSUs granted to the Group's employees under all share schemes are RMB1,415,046,000 and RMB657,632,000 for the six months ended June 30, 2022 and 2021, respectively.

Employee fund

On August 31, 2014, the board of directors of the Company approved the establishment of the Xiaomi Development Fund ("Employee Fund") with the purpose of which is to invest in companies within the business ecosystem of the Group. The Company invited certain employees to participate, with the condition that they would only receive the original investment sum with interest should they decide to resign from the Group within 5 years from the establishment date (the "Lockup Period"). Upon the end of the Lockup Period, the holders would become the equity holders of the Employee Fund. According to the arrangement of Employee Fund, the equity holders of the Employee Fund can demand the Company to buy back the shares at fair value or continue to hold the shares when they resign after the Lockup Period. The Group measures the liability related to cash-settled share-based payments at fair value as of June 30, 2022.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

27 Share-based payments (continued)**Employee fund (continued)**

The total expenses reversed and recognized in the consolidated income statements for the Employee Fund granted to the Group's employees are RMB161,685,000 and RMB630,853,000 for the six months ended June 30, 2022 and 2021, respectively.

28 Other non-current liabilities

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Liabilities to fund investors (Note (a))	15,047,675	14,892,666
Lease liabilities (Note 22)	1,997,489	1,748,529
Others	244,145	272,454
	17,289,309	16,913,649

Note:

- (a) It represents the funds raised by the third party investors under Hubei Xiaomi Yangtze River Industry Investment Fund Partners (Limited Partnership) (湖北小米長江產業基金合夥企業(有限合夥)) (the "Hubei Fund") and Beijing Xiaomi Zhizao Equity Investment Fund Partners (Limited Partnership) (北京小米智造股權投資基金合夥企業(有限合夥)) (the "Beijing Fund"). The Group controls the Hubei Fund and the Beijing Fund as the Group is exposed to and has rights to variable returns from its involvement with the Hubei Fund and the Beijing Fund, and has the ability to affect those returns through its power over the Hubei Fund and the Beijing Fund.

For the amount raised from limited partners of the Hubei Fund, the Group has contractual obligation to settle the liability with the limited partners and therefore is classified as a financial liability measured at amortized cost in the consolidated financial statements. The carrying amount of this financial liability approximates to its fair value.

For the amount raised from limited partners of the Beijing Fund, the Group has contractual obligation to settle the liability with the limited partners and the management designates it as a financial liability measured at fair value through profit or loss in the consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

29 Trade payables

Trade payables primarily include payables for inventories. As of June 30, 2022 and December 31, 2021, the carrying amounts of trade payables were primarily denominated in RMB, US\$ and India Rupees.

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Up to 3 months	64,615,871	70,187,231
3 to 6 months	2,322,846	2,526,217
6 months to 1 year	1,869,476	1,343,318
1 to 2 years	721,973	490,484
Over 2 years	150,276	95,755
	69,680,442	74,643,005

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

30 Other payables and accruals

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Amounts collected for third parties	703,179	1,407,164
Payroll and welfare payables	1,779,129	3,020,943
Deposits payable	3,896,155	4,358,177
Employee fund (Note 27)	1,012,809	1,174,494
Accrual expenses	1,507,607	1,540,780
Payables for construction cost	1,469,690	1,466,372
Payables for investments	119,930	117,733
Other taxes payables	748,363	1,061,927
Lease liabilities (Note 22)	962,826	1,532,625
Payables related to share options and RSUs granted to employees	55,206	234,185
Deposits from customers	1,656,484	1,801,142
Payables under letter of credit	1,213,096	1,152,417
Deferred government grants	1,173,066	121,533
Others	1,237,589	1,235,007
	17,535,129	20,224,499

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

31 Contingencies

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

In connection with the investigations mentioned above, Xiaomi India further received an order on August 11, 2022 whereby certain of its bank deposits were continued to be restricted, alleging Xiaomi India has inappropriately deducted certain costs and expenses, including purchase costs of mobile phones and royalty fees paid to third parties as well as companies within the Group.

Management assessed the aforesaid matters related to Xiaomi India, taking into considerations opinions from professional advisors, and concluded Xiaomi India has valid grounds to respond to the relevant Indian authorities. The Group, hence, has not made any provision as of June 30, 2022 pertaining to these matters. The aforesaid investigations and allegations could take a long period of time to settle, and the Group could receive judgments or enter into settlements that may adversely affect its operating results or cash flows. It is not practical to quantify related financial effects at this stage.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

32 Commitments**(a) Capital commitments**

Capital expenditure contracted for at the end of the year/period but not yet incurred is as follows:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Property and equipment	977,086	808,342
Intangible assets	1,213,773	1,312,398
Investments	684,811	717,909
	2,875,670	2,838,649

(b) Operating lease commitments

The Group leases offices, warehouses, retail stores and servers under non-cancellable operating lease agreements. The Group has recognized right-of-use assets and lease liabilities for these leases, except for certain short-term leases and variable lease payments as shown in the table below, see Note 22 for further information. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Not later than 1 year	81,957	256,271
Later than 1 year and not later than 5 years	—	8,308
Later than 5 years	—	36,132
	81,957	300,711

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

33 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Significant transactions with related parties

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Sales of goods and services		
Associates of the Group	875,183	763,245
Associates of Lei Jun	25,477	35,221
	900,660	798,466
(ii) Purchases of goods and services		
Associates of the Group	19,513,639	23,662,192
Associates of Lei Jun	1,742	7,258
	19,515,381	23,669,450

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

33 Related party transactions (continued)**(b) Period/year end balances with related parties**

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
(i) Trade receivables from related parties		
Associates of the Group	229,518	283,520
Associates of Lei Jun	3,043	10,201
	232,561	293,721
(ii) Trade payables to related parties		
Associates of the Group	7,154,298	9,962,713
Associates of Lei Jun	2,527	164
	7,156,825	9,962,877
(iii) Other receivables from related parties		
Associates of the Group	269,045	497,770
Associates of Lei Jun	49,132	43,662
	318,177	541,432

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

33 Related party transactions (continued)

(b) Period/year end balances with related parties (continued)

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
(iv) Other payables to related parties		
Associates of the Group	187,619	351,001
Associates of Lei Jun	11,178	85,193
	198,797	436,194
(v) Prepayments		
Associates of the Group	108,619	150,553
(vi) Advance from customers		
Associates of the Group	38,884	28,643
Associates of Lei Jun	2,501	4,956
	41,385	33,599

All the balances with related parties above were unsecured, non-interest bearing and repayable within one year.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

33 Related party transactions (continued)

(c) Loans to related parties

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loans to associates:		
At the beginning of the period	1,682	11,197
Loans advanced	80,940	—
Loans repaid	—	(4,126)
Interest charged	858	—
Less: allowance for impairment	—	4,126
Currency translation differences	4,631	(94)
At the end of the period	88,111	11,103

The above loans to related parties were included in "Prepayments and other receivables" in the consolidated balance sheet.

(d) Key management compensation

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries	22,245	20,316
Discretionary bonuses	10,876	12,189
Share-based compensation	195,740	191,472
Employer's contribution to pension schedule	762	838
	229,623	224,815

DEFINITIONS

“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the articles of association of the Company adopted on June 17, 2018 with effect from Listing and amended and restated with effect from June 2, 2022, as amended from time to time
“Beijing Digital Technology”	Beijing Xiaomi Digital Technology Co. Ltd.* (北京小米數碼科技有限公司), a limited liability company established under the laws of mainland China on December 21, 2010 and our indirect wholly-owned subsidiary
“Beijing Duokan”	Beijing Doukan Technology Co., Ltd.* (北京多看科技有限公司), a limited liability company established under the laws of mainland China on February 10, 2010 and our Consolidated Affiliated Entity
“Beijing Electronic Software”	Beijing Xiaomi Electronic Software Co., Ltd.* (北京小米電子軟件技術有限公司), a limited liability company established under the laws of mainland China on July 1, 2014 and our Consolidated Affiliated Entity
“Beijing Wali Culture”	Beijing Wali Culture Communication Co., Ltd.* (北京瓦力文化傳播有限公司), a limited liability company established under the laws of mainland China on May 8, 2014 and our Consolidated Affiliated Entity
“Beijing Wali Internet”	Beijing Wali Internet Technologies Co., Ltd.* (北京瓦力網絡科技有限公司), a limited liability company established under the laws of mainland China on June 1, 2009 and our Consolidated Affiliated Entity
“Beijing Wenmi”	Beijing Wenmi Culture Co., Ltd.* (北京文米文化有限公司), a limited liability company established under the laws of mainland China on December 28, 2016 and our indirect wholly-owned subsidiary

“Board”	our board of Directors
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.0000025 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.0000025 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Xiaomi Corporation 小米集团 (formerly known as Top Elite Limited), a company with limited liability incorporated under the laws of the Cayman Islands on January 5, 2010
“Compliance Advisor”	Guotai Junan Capital Limited, being the compliance advisor of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”, each a “Consolidated Affiliated Entity”	the entities we control through the Contractual Arrangements, namely the Onshore Holdcos and their respective subsidiaries

DEFINITIONS

“Contractual Arrangements”	the set of agreements entered into by each of the WFOEs and the Onshore Holdcos for the purpose of operations of the Restricted Business of the Group in the PRC
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Lei Jun and the directly and indirectly held companies through which Lei Jun has an interested in the Company, namely, Smart Mobile Holdings Limited and Smart Player Limited
“Director(s)”	the director(s) of the Company
“Group”, “our Group”, or “the Group”	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements) from time to time
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	September 9, 2022, being the latest practicable date prior to the bulk printing and publication of this interim report
“Listing”	the listing of the Class B Shares on the Main Board of the Stock Exchange
“Listing Date”	July 9, 2018, the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Onshore Holdcos,” each a “Onshore Holdco”	(i) Beijing Wali Culture, (ii) Rigo Design, (iii) Xiaomi Inc., (iv) Beijing Doukan, (v) Beijing Wali Internet, (vi) Xiaomi Pictures, (vii) Beijing Electronic Software and (viii) Youpin Information Technology
“Pinecone International”	Pinecone International Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 7, 2014 and our indirect wholly-owned subsidiary
“Pinecone Share Option Scheme I”	the share option scheme adopted by Pinecone International on July 30, 2015 as amended from time to time
“Pinecone Share Option Scheme II”	the share option scheme adopted by Pinecone International on June 17, 2018 as amended from time to time
“Post-IPO Share Option Scheme”	the share option scheme adopted by the Company on June 17, 2018 as amended from time to time
“PRC”	the People’s Republic of China
“PRC Legal Advisor”	JunHe LLP
“Pre-IPO ESOP”	the pre-IPO employee stock incentive scheme adopted by the Company dated May 5, 2011 and superseded on August 24, 2012, as amended from time to time
“Prospectus”	the prospectus of the Company dated June 25, 2018

DEFINITIONS

“Registered Shareholders”	the registered shareholders of the Onshore Holdcos
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company
“Rigo Design”	Rigo Design (Beijing) Co., Ltd.* (美卓軟件設計(北京)有限公司), a limited liability company established under the laws of mainland China on April 24, 2012 and our Consolidated Affiliated Entity
“RMB” or “Renminbi”	Renminbi, the lawful currency of mainland China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Award Scheme”	the share award scheme adopted by the Company on June 17, 2018
“Share(s)”	the Class A Shares and/or Class B Shares in the share capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 15 of the Companies Ordinance

“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tianjin Commercial Factoring”	Xiaomi Commercial Factoring (Tianjin) Co., Ltd* (小米商業保理(天津)有限責任公司), a limited liability company established under the laws of mainland China on March 21, 2018 and our indirect wholly-owned subsidiary
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“weighted voting rights” or “WVR”	has the meaning ascribed to it under the Listing Rules
“WFOEs”, each a “WFOE”	Beijing Baien, Xiaomi Mobile Software, Beijing Wenmi, Beijing Digital Technology, Tianjin Commercial Factoring, Beijing Wali, Xiaomi Communications and Xiaomi Youpin Technology
“WVR Beneficiary”	has the meaning ascribed to it under the Listing Rules
“Xiaomi Communications”	Xiaomi Communications Co., Ltd* (小米通訊技術有限公司), a limited liability company established under the laws of mainland China on August 25, 2010 and our indirect wholly-owned subsidiary
“Xiaomi EV”	Xiaomi EV, Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Xiaomi EV Share Option Scheme”	the share option scheme adopted by Xiaomi EV on October 25, 2021

DEFINITIONS

“Xiaomi Finance”	Xiaomi Finance Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands on February 15, 2018 and our direct wholly-owned subsidiary
“Xiaomi Inc.”	Xiaomi Inc.* (小米科技有限責任公司), a limited liability company established under the laws of mainland china on March 3, 2010 and our Consolidated Affiliated Entity
“Xiaomi Pictures”	Xiaomi Pictures Co., Ltd.* (小米影業有限責任公司), a limited liability company established under the laws of mainland China on June 7, 2016 and our Consolidated Affiliated Entity
“Xiaomi Youpin Technology”	Xiaomi Youpin Technology Co. Ltd.* (小米有品科技有限公司), a limited liability company established under the laws of mainland China on May 8, 2018 and our indirect wholly-owned subsidiary
“XMF Share Option Scheme I”	the first share option scheme adopted by Xiaomi Finance on June 17, 2018, as amended from time to time
“XMF Share Option Scheme II”	the second share option scheme adopted by Xiaomi Finance on June 17, 2018
“%”	per cent

* For identification purposes only.

