



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

# XIAOMI CORPORATION

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

## 2023 INTERIM REPORT

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Shareholders who have chosen or are deemed to have consented to receive the corporate communications using electronic means and who have difficulty in receiving or gaining access to the interim report posted on the Company's website will promptly upon request be sent the interim report in printed form free of charge.

Shareholders may at any time choose to change their choice of means of receipt (in printed form or by electronic means through the Company's website) and language (in English only, in Chinese only or in both Chinese and English) of all future corporate communications from the Company by sending reasonable prior notice in writing by post to the Hong Kong Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at [xiaomi.ecom@computershare.com.hk](mailto:xiaomi.ecom@computershare.com.hk).

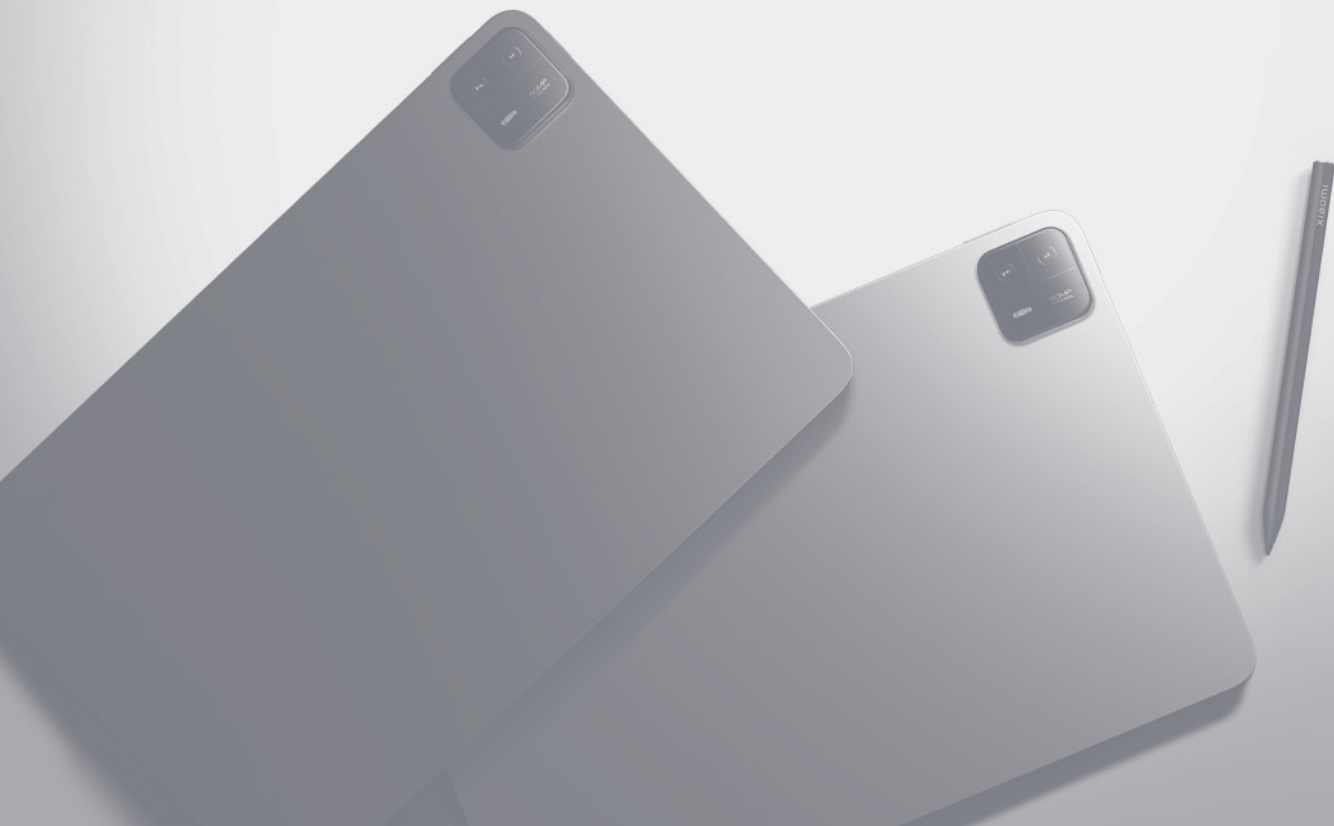
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We relentlessly  
build amazing products  
with honest prices  
to let everyone in the world  
enjoy a better life through  
innovative technology



DESIGNED BY XIAOMI  
xiaomi 13 Ultra 专业摄影套装



# 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)

## Authorized Representatives

Lin Bin (林斌)

So Ka Man (蘇嘉敏)

## Auditor

PricewaterhouseCoopers

*Certified Public Accountants and Registered Public  
Interest Entity Auditor*

22/F, Prince's Building, Central, Hong Kong

## 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

Shouti Technology Finance Sub-Branch, Beijing Branch,  
China Merchants Bank

## Stock Code

1810 (HKD counter) and 81810 (RMB counter)

## Company Website

[www.mi.com](http://www.mi.com)

# KEY HIGHLIGHTS

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

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



**xiaomi**



Six months ended June 30, 2023



Total revenue

126.8  
RMB billion



Global smartphone  
market share ranking<sup>(1)</sup>

#3



Connected IoT  
devices<sup>(2)</sup>

654.5  
million units



Global MIUI MAU<sup>(3)</sup>

606.0  
million



Gross profit

25.8  
RMB billion



Gross profit margin

20.3%



Adjusted net profit<sup>(4)</sup>

8.4  
RMB billion



Adjusted net profit  
margin<sup>(4)</sup>

6.6%

Notes:

(1) According to Canalys, by shipments in the six months ended June 30, 2023

(2) Connected IoT devices as of June 30, 2023, excluding smartphones, tablets and laptops

(3) In June 2023

(4) Non-IFRS measure

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our interim report for the three and six months ended June 30, 2023 to the shareholders.



## 1. Overall Performance

In the first half of 2023, we continued to execute our key corporate strategy of “dual emphasis on scale and profitability”. We maintained our leading market position in each of our business segments, while managed to reduce costs and enhance efficiency, resulting in strong financial performance. In the first half of 2023, our total revenue amounted to RMB126.8 billion and our adjusted net profit was RMB8.4 billion, which included RMB2.6 billion in expenses related to our smart Electric Vehicle (“EV”) business and other new initiatives.

We continued to strengthen our core “Smartphone × AIoT” strategy. According to Canalys, in the first half of 2023, our global smartphone shipments ranked No. 3, with a market share of 12.1%. We have ranked among top three smartphone brands globally for twelve consecutive quarters. According to Canalys, in the first half of 2023, our smartphone shipments ranked in the top three across 50 countries and regions globally and ranked in the top five across 63 countries and regions globally. In the second quarter of 2023, our smartphone shipments ranking rose to No. 2 in Europe with a market share of 21.2% and rose to No. 2 in the Middle East with a market share of 17.1%. Meanwhile, our global monthly active users (“MAU”) of MIUI reached another record high. In June 2023,

the global MAU of MIUI reached 606.0 million, an increase of 10.8% year-over-year. As of June 30, 2023, the number of connected IoT devices on our AIoT platform (excluding smartphones, tablets and laptops) increased to 654.5 million, up 24.2% year-over-year.

We steadily advanced our smartphone premiumization strategy. We adhere to our three design principles on premium smartphones<sup>2</sup>, namely all-round performance with no shortcoming, focusing on user experience instead of specifications and deep integration of software and hardware. Over the past year, we received tremendous receptions from our users to our premium smartphone models<sup>3</sup>, infusing our smartphone premiumization strategy with strong momentum. By enhancing our premium product capabilities and accruing our insights into user mindset, we are better positioned to achieve greater results on various operational fronts, including increasing our market share in premium smartphones, expanding our contribution as a percentage of total premium smartphone sales, and raising our smartphone average selling price (“ASP”) in mainland China.

The successful launch of multiple premium smartphones recently has elevated our position in the premium smartphone market. According to third-party data, in the first half of 2023, our smartphone units sold in the RMB4,000–RMB6,000 price segment in mainland China garnered a market share of 13.7%, a year-over-year increase of 5.9 percentage points. In the first half of 2023, our premium smartphones units sold as a percentage of our overall smartphone units sold in mainland China increased 4.1 percentage points to 20.2%, according to third-party data. In the first half of 2023, the ASP of our smartphones in mainland China also increased by over 21% year-over-year.

Our core philosophy is to continuously invest in technologies that will benefit humanity. We have invested and are actively engaged in 12 technical fields and 99 verticals. As we continue to explore new cutting-edge technologies, we will follow our key paths and principles, namely deep cultivation of underlying technology, continuous and long-term investment, deep integration of software and hardware, and AI<sup>4</sup> empowerment. In the first half of 2023, our research and development expenses were RMB8.7 billion, up 19.4% year-over-year. We expect our R&D investment to exceed RMB100 billion during the five years between 2022 to 2026. As of June 30, 2023, we had 16,834 research and development personnel, accounting for nearly 52% of our employees. In addition, we continued to extend our intellectual property capabilities to foster innovation. As of June 30, 2023, we have obtained more than 33,000 patents worldwide.

AI is an area we have invested in since 2016. Over the years, we have established our AI capabilities in areas such as visual, audio, acoustics, knowledge graphs, NLP<sup>5</sup>, machine learning, multimodal AI, among others. We currently have more than 3,000 top-tier AI professionals. In addition, we are fully embracing large language models.

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

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

<sup>4</sup> Artificial Intelligence.

<sup>5</sup> Natural language processing.

## CHAIRMAN'S STATEMENT

We officially established our dedicated large language model team in April 2023. In terms of self-developed large language models, we have focused on light large language models and on-device deployment, and have made meaningful breakthroughs. Our 6 billion-parameter self-developed large language model ranked No. 1 on the C-EVAL list among peer models with same-level parameters and ranked No. 1 on the CMMLU list of Chinese-language large language models<sup>6</sup>. Furthermore, we empowered our intelligent voice-based AI Assistant (“小愛同學”) with large language models, and have started invitation-based testing.

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

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

We continued to pursue our strategy of “dual emphasis on scale and profitability”. In the first half of 2023, the Group's gross profit margin reached 20.3%. By segment, the gross profit margin of our smartphone business reached 12.3% in the first half of 2023, an increase of 3.0 percentage points year-over-year. The gross profit margin of our IoT and lifestyle products rose to 16.8% in the first half of 2023, up 1.8 percentage points year-over-year. Owing to our relentless efforts in cost savings and efficiency enhancements, the Group's overall expenses in the first half were RMB19.5 billion, down 4.3% year-over-year. The Group's adjusted net profit was RMB8.4 billion, up 69.5% year-over-year.

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

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<sup>6</sup> Results as of August 11, 2023.

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

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

## 2. Smartphones

In the first half of 2023, the global smartphone market continued to experience soft demand. According to Canalsy, global smartphone shipments in the first half of 2023 decreased by 11.8% year-over-year, while we maintained our No. 3 global smartphone shipment ranking with a 12.1% market share. In the first half of 2023, our smartphone revenue reached RMB71.6 billion and our global smartphone shipments amounted to 63.3 million units. Additionally, in the first half of 2023, our smartphone ASP reached RMB1,131, while our smartphone ASP in mainland China was up by more than 21% year-over-year as a result of our continued pursue of smartphone premiumization strategy.

We continued to execute our dual-brand strategy. Under the Xiaomi brand, in August 2023, we unveiled the *Xiaomi MIX Fold 3* in mainland China, illustrating our persistent innovation in foldable smartphones. The *Xiaomi MIX Fold 3* features our proprietary hinge, which adopts a 3-element connecting rod structure and has up to 14 micro-hinges. The tightly stacked rotating mechanism is much slimmer, lighter and more reliable with enhanced durability. In addition, this allows for more room to fit our quad camera system with Leica optical lenses, setting a new bar for image processing on lightweight and ultra-thin foldable smartphones. We launched our *Xiaomi 13 Ultra* smartphone in mainland China in April 2023, bringing Leica’s professional optical capabilities to the field of mobile optics. The *Xiaomi 13 Ultra* features a quad camera system and the upgraded Summicron Lens, which we co-developed with Leica, bringing users a master photography experience. We also launched *Xiaomi 13* and *Xiaomi 13 Pro* in the overseas markets in February 2023, marking the overseas market debut of our smartphone made in partnership with Leica.

Under the Redmi brand, in August 2023, Redmi announced its cooperation with MediaTek and Pixelworks on joint innovation with a focus on synergistic coordination between software and hardware. In August 2023, we unveiled the *Redmi K60 Ultra* in mainland China. Powered by the MediaTek Dimensity 9200+ flagship chipset and the Pixelworks X7 chip that works as a display processor, the *Redmi K60 Ultra* is equipped with the Rage Engine 2.0, firmly consolidating five underlying modular capabilities to achieve profound synergistic coordination between software and hardware, delivering superior functions and experience. Within five minutes of its first sales, the *Redmi K60 Ultra* broke the sales volume record of all Ultra versions of the Redmi K-Series, exceeding 220,000 units sold. In March 2023, we unveiled the *Redmi Note 12 Turbo Series*<sup>9</sup> in mainland China. This series is equipped with the world’s first Qualcomm Snapdragon 7+ Gen 2 chipset, which was jointly developed with Qualcomm. The *Redmi Note 12 Turbo Series* features a super diffusion diversion VC cooling system and proprietary FEAS2.2 intelligent frame stabilization technology for lower power consumption and better heat dissipation. In addition, we brought users the *Redmi Note 12 Turbo Harry Potter Edition*, marking the world’s first smartphone launched in collaboration with the Harry Potter Series.

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

<sup>9</sup> Including the *Redmi Note 12 Turbo* and the *Redmi Note 12 Turbo Harry Potter Edition*.

## CHAIRMAN'S STATEMENT

### 3. IoT and lifestyle products

In the first half of 2023, revenue from our IoT and lifestyle products was RMB39.1 billion, and its gross profit margin reached 16.8%, up 1.8 percentage points year-over-year.

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

In the first half of 2023, our smart large home appliances<sup>10</sup> continued to demonstrate robust growth momentum, with revenue surging by more than 70% year-over-year. Our focus on innovation technology drives the diversification of our home appliance product mix, continually offering our users smarter options with higher standards. In terms of air conditioners, we worked tirelessly to achieve breakthroughs in key technologies, with a focus on our proprietary technology development. In the first half of 2023, our air conditioner shipments increased by over 80% year-over-year. We also consistently enhanced the diversity of our refrigerator and washing machine product mix to bring more options to our users. In the first half of 2023, our refrigerator shipments exceeded 850,000 units and our washing machine shipments exceeded 550,000 units.

According to All View Cloud ("AVC"), in the first half of 2023, our TV shipments ranked No. 1 in mainland China. We continued to introduce large-screen TV to the market and enrich our premium product lineup. In August 2023, we unveiled our premium smart TV *Xiaomi TV S Pro 100"* in mainland China. *Xiaomi TV S Pro 100"* featured with 100-inch giant screen and our proprietary algorithm enables the ability to sharpen image quality and a 4K screen featuring a refresh rate as high as 144Hz, bringing users an exceptionally smooth large-screen experience. In April 2023, we launched the *Xiaomi TV Master Mini LED 86*, equipped with the QD-Mini LED screen and new-generation highly dynamic display technology with 2,000 nits peak brightness, continually adjusting the picture quality of our premium smart TVs and providing a richer experience to our users.

We are committed to meeting the diverse needs of our users on all fronts and strengthening the interconnectivity of other key AIoT products in various user scenarios. For smart office and entertainment scenarios, according to Canalys, in the second quarter of 2023, we achieved the No. 3 tablet shipment ranking in mainland China. In August 2023, we unveiled the *Xiaomi Pad 6 Max 14*. It boasts a 14-inch super large display with an impressive 2.8K resolution and eight speakers on board with Dolby Atmos, captivating users with a cosmic viewing experience and providing greater possibilities for people to work anywhere, anytime. In April 2023, we unveiled the *Xiaomi Pad 6 Series*<sup>11</sup>, incorporates a full upgrade in terms of product appearance, performance, display and meeting scenarios. The *Xiaomi Pad 6 Series* supported NFC one-touch instant transmission, and its transmission can be done simultaneously without matching devices<sup>12</sup>.

<sup>10</sup> Including air conditioners, refrigerators and washing machines.

<sup>11</sup> Including *Xiaomi Pad 6* and *Xiaomi Pad 6 Pro*.

<sup>12</sup> This function is only enabled on certain models, and will be available on more models upon upgrades available on Mi Store, and the NFC function requires the smartphone and the tablet to be logged in under the same account.

For health and fitness scenarios, in the second quarter of 2023, the shipments of our TWS earbud ranked No. 1 in mainland China and our wearable bands<sup>13</sup> shipments ranked No. 2 in mainland China, according to Canalys. We unveiled the *Xiaomi Smart Band 8 Pro* in August 2023. Boasting an all-new 1.74-inch AMOLED narrow-edge large screen, a smoother 60Hz refresh rate and a wide array of pin-and-tuck straps, the *Xiaomi Smart Band 8 Pro* is equipped with an upgraded dual-channel monitoring system for more precise health and fitness management. Moreover, its built-in voice assistant enables users to remotely access and shift between smart scenarios on our Mi Home App, making interconnection even more seamless.

#### 4. Internet services

In the first half of 2023, our internet services revenue was RMB14.5 billion, an increase of 2.8% year-over-year, while the gross profit margin of our internet services reached 73.2%, an increase of 1.3 percentage points year-over-year.

Our global internet user base continued to expand. The MAU of MIUI globally and in mainland China, once again, both hit quarterly record highs. In June 2023, the global MAU of MIUI reached 606.0 million, an increase of 10.8% year-over-year, while the MAU of MIUI in mainland China reached 149.3 million, up 6.5% year-over-year. In June 2023, the global MAU of our smart TV<sup>14</sup> exceeded 62 million, increasing by over 18% year-over-year.

In the first half of 2023, our advertising revenue reached RMB9.5 billion, an increase of 5.1% year-over-year. As we stepped up the refined operations of our advertising business and due to the growing pool of premium smartphone users, revenue from overseas performance-based and brand advertising increased over 50%.

By leveraging our diverse operations strategies for attracting new users and our refined management of paid subscribers, our gaming revenue reached RMB2.3 billion in the first half of 2023, an increase of 12.2% year-over-year.

We continued to unlock partnership opportunities worldwide while optimizing the monetization channels of our advertising business and enhancing our content and service offerings. In the first half of 2023, revenue from our overseas internet services increased 18.1% year-over-year to RMB3.8 billion, accounting for 26.3% of our total internet services revenue, up 3.4 percentage points year-over-year.

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<sup>13</sup> Including basic bands, basic watches and smart watches.

<sup>14</sup> Including *Xiaomi Box* and *Xiaomi TV Stick*.

## CHAIRMAN'S STATEMENT

### 5. Corporate social responsibility (CSR)

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

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

**Lei Jun**

*Chairman*

Hong Kong

August 29, 2023



# MANAGEMENT DISCUSSION AND ANALYSIS

## First Half of 2023 Compared to First Half of 2022

The following table sets forth the comparative figures for the first half of 2023 and 2022:

	Unaudited	
	June 30, 2023	June 30, 2022
	Six months ended	
	(RMB in millions)	
<b>Revenue</b>	<b>126,832.0</b>	143,522.4
Cost of sales	<b>(101,079.4)</b>	(119,044.6)
<b>Gross profit</b>	<b>25,752.6</b>	24,477.8
Research and development expenses	<b>(8,668.2)</b>	(7,257.9)
Selling and marketing expenses	<b>(8,580.6)</b>	(10,588.4)
Administrative expenses	<b>(2,278.4)</b>	(2,560.0)
Fair value changes on investments measured at fair value through profit or loss	<b>3,177.5</b>	(3,036.7)
Share of net losses of investments accounted for using the equity method	<b>(59.0)</b>	(138.6)
Other income	<b>349.6</b>	351.1
Other gains/(losses), net	<b>247.2</b>	(425.5)
<b>Operating profit</b>	<b>9,940.7</b>	821.8
Finance income, net	<b>485.7</b>	499.1
<b>Profit before income tax</b>	<b>10,426.4</b>	1,320.9
Income tax expenses	<b>(2,544.7)</b>	(486.1)
<b>Profit for the period</b>	<b>7,881.7</b>	834.8
<b>Non-IFRS measure: Adjusted Net Profit</b>	<b>8,373.5</b>	4,939.9

## MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue

Revenue decreased by 11.6% to RMB126.8 billion in the first half of 2023 from RMB143.5 billion in the first half of 2022. The following table sets forth our revenue by line of business in the first half of 2023 and the first half of 2022.

	Unaudited six months ended			
	June 30, 2023		June 30, 2022	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	71,580.2	56.4%	88,030.8	61.3%
IoT and lifestyle products	39,087.6	30.8%	39,289.0	27.4%
Internet services	14,472.2	11.4%	14,083.6	9.8%
Others	1,692.0	1.4%	2,119.0	1.5%
Total revenue	126,832.0	100.0%	143,522.4	100.0%

## Smartphones

Revenue from our smartphones segment decreased by 18.7% from RMB88.0 billion in the first half of 2022 to RMB71.6 billion in the first half of 2023, primarily due to the decrease in both our smartphone shipments and ASP. Our smartphone shipments decreased by 18.4% from 77.6 million units in the first half of 2022 to 63.3 million smartphone units in the first half of 2023, primarily due to continued weakened market demand for smartphones globally during the first half of 2023. The ASP of our smartphones decreased by 0.3% to RMB1,131.1 per unit in the first half of 2023 from RMB1,134.7 per unit in the first half of 2022, primarily due to the enhanced efforts to clear our inventories in the overseas market, partially offset by the increased ASP in mainland China.

## IoT and lifestyle products

Revenue from our IoT and lifestyle products segment decreased by 0.5% from RMB39.3 billion in the first half of 2022 to RMB39.1 billion in the first half of 2023, primarily attributable to the decreased revenue from smart TVs and laptops, partially offset by the increased revenue from smart large home appliances and tablets.

Revenue from smart TVs and laptops decreased by 17.7% from RMB11.5 billion in the first half of 2022 to RMB9.4 billion in the first half of 2023, primarily due to the decrease in both shipments and ASP of smart TVs and laptops.

Revenue from our smart large home appliances continued to deliver strong growth with revenue increasing more than 70% year-over-year in the first half of 2023, primarily due to the increase in shipments of our smart air conditioners in mainland China.

### Internet services

Revenue from our internet services segment increased by 2.8% from RMB14.1 billion in the first half of 2022 to RMB14.5 billion in the first half of 2023, primarily due to the increase in revenue from our advertising business and gaming business, partially offset by the decrease in revenue from our fintech business.

### Others

Other revenue decreased by 20.2% from RMB2.1 billion in the first half of 2022 to RMB1.7 billion in the first half of 2023, primarily due to the decrease in revenue from sale of office buildings, partially offset by the increase in revenue from installation services provided for smart air conditioners.

## Cost of Sales

Our cost of sales decreased by 15.1% from RMB119.0 billion in the first half of 2022 to RMB101.1 billion in the first half of 2023. The following table sets forth our cost of sales by line of business in the first half of 2023 and the first half of 2022:

	Unaudited			
	Six months ended		Six months ended	
	June 30, 2023		June 30, 2022	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	62,772.2	49.5%	79,845.9	55.6%
IoT and lifestyle products	32,530.9	25.6%	33,419.0	23.3%
Internet services	3,874.6	3.1%	3,959.4	2.8%
Others	1,901.7	1.5%	1,820.3	1.2%
<b>Total cost of sales</b>	<b>101,079.4</b>	<b>79.7%</b>	<b>119,044.6</b>	<b>82.9%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Smartphones

Cost of sales related to our smartphones segment decreased by 21.4% from RMB79.8 billion in the first half of 2022 to RMB62.8 billion in the first half of 2023, due to the decreased sales of our smartphones, the decreased inventory impairment provisions, as well as the decreased price of key components.

### IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment decreased by 2.7% from RMB33.4 billion in the first half of 2022 to RMB32.5 billion in the first half of 2023, primarily due to the decreased sales of our IoT and lifestyle products.

### Internet services

Cost of sales related to our internet services segment decreased by 2.1% from RMB4.0 billion in the first half of 2022 to RMB3.9 billion in the first half of 2023, primarily due to the decreased cost of our advertising business.

### Others

Cost of sales related to our others segment increased by 4.5% from RMB1.8 billion in the first half of 2022 to RMB1.9 billion in the first half of 2023, due to the increase in cost from installation services provided for smart air conditioners, as well as the disposal of certain obsolete materials, partially offset by the decrease in cost from sale of office buildings.

## Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 5.2% from RMB24.5 billion in the first half of 2022 to RMB25.8 billion in the first half of 2023.

The gross profit margin from our smartphones segment increased from 9.3% in the first half of 2022 to 12.3% in the first half of 2023, mainly due to improved gross profit margin in mainland China due to increased contribution from our premium smartphone shipments, the decreased inventory impairment provisions, as well as the decreased price of key components.

The gross profit margin from our IoT and lifestyle products segment increased from 14.9% in the first half of 2022 to 16.8% in the first half of 2023, mainly due to improved gross profit margin of certain lifestyle products, as well as the strong growth in certain IoT products with higher gross profit margins, such as tablets.

The gross profit margin from our internet services segment increased from 71.9% in the first half of 2022 to 73.2% in the first half of 2023, mainly due to higher revenue contribution from advertising business.

As a result of the foregoing, our gross profit margin increased from 17.1% in the first half of 2022 to 20.3% in the first half of 2023.

### Research and Development Expenses

Our research and development expenses increased by 19.4% from RMB7.3 billion in the first half of 2022 to RMB8.7 billion in the first half of 2023, primarily due to the increase in R&D expenses related to our smart electric vehicle business and other new initiatives.

### Selling and Marketing Expenses

Our selling and marketing expenses decreased by 19.0% from RMB10.6 billion in the first half of 2022 to RMB8.6 billion in the first half of 2023, primarily due to the decrease in packaging and transportation expenses and promotion and advertising expenses.

Promotion and advertising expenses decreased by 21.1% from RMB3.5 billion in the first half of 2022 to RMB2.7 billion in the first half of 2023, primarily due to the decrease in marketing expenses.

### Administrative Expenses

Our administrative expenses decreased by 11.0% from RMB2.6 billion in the first half of 2022 to RMB2.3 billion in the first half of 2023, primarily due to the decrease in compensation for administrative personnel and professional service fees.

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

Our fair value changes on investments measured at fair value through profit or loss changed from a loss of RMB3.0 billion in the first half of 2022 to a gain of RMB3.2 billion in the first half of 2023, primarily due to the fair value gains of listed equity investments in the first half of 2023 compared to the fair value losses of listed equity investments in the first half of 2022, and the increased fair value gains of preferred shares investments in the first half of 2023.

### 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 decreased by 57.4% from RMB138.6 million in the first half of 2022 to RMB59.0 million in the first half of 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Income

Our other income decreased by 0.4% from RMB351.1 million in the first half of 2022 to RMB349.6 million in the first half of 2023.

### Other Gains/(Losses), Net

Our other net gains/(losses) changed from a net loss of RMB425.5 million in the first half of 2022 to a net gain of RMB247.2 million in the first half of 2023, primarily due to lower foreign exchange losses due to US dollar appreciation and higher gains on disposal of investments accounted for using the equity method.

### Finance Income, Net

Our net finance income decreased by 2.7% from RMB499.1 million in the first half of 2022 to RMB485.7 million in the first half of 2023, primarily due to the change of value of the financial liabilities payable to the fund investors.

### Income Tax Expenses

Our income tax expenses increased by 423.5% from RMB0.5 billion in the first half of 2022 to RMB2.5 billion in the first half of 2023, primarily due to increase of operating profit in the first half of 2023.

### Profit for the Period

As a result of the foregoing, we had a profit of RMB7.9 billion in the first half of 2023, compared with a profit of RMB0.8 billion in the first half of 2022.

### Adjusted Net Profit

Our adjusted net profit increased by 69.5% from RMB4.9 billion for the first half of 2022 to RMB8.4 billion for the first half of 2023.

### Non-IFRS Measure: Adjusted Net Profit

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

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

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

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

(RMB in thousand, unless specified)

	Unaudited Six Months Ended June 30, 2022 Adjustments							Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments <sup>(1)</sup>	Amortization of intangible assets resulting from acquisitions <sup>(2)</sup>	Changes of value of financial liabilities to fund investors <sup>(3)</sup>	Income tax effects <sup>(4)</sup>		
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%	

(RMB in thousand, unless specified)

## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

### Liquidity and Financial Resources

On December 4, 2020, the Company completed 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 Reporting Period, other than the funds raised through our Global Offering (as defined in the Prospectus) in July 2018, 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 RMB31.5 billion and RMB28.2 billion as at June 30, 2023 and June 30, 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 at June 30, 2023, the aggregate amount of cash resources of the Group was RMB113.2 billion.

### Gearing Ratio

As at June 30, 2023, our gearing ratio is -57.0%, compared to -24.9% as at June 30, 2022. 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.

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

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

## Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended	
	June 30, 2023	June 30, 2022
	(in millions of RMB)	
Net cash generated from/(used in) operating activities <sup>(1)</sup>	20,162.0	(7,031.4)
Net cash (used in)/generated from investing activities	(14,492.2)	7,627.3
Net cash (used in)/generated from financing activities <sup>(1)</sup>	(2,286.7)	3,633.8
Net increase in cash and cash equivalents	3,383.1	4,229.7
Cash and cash equivalents at beginning of period	27,607.3	23,511.6
Effects of exchange rate changes on cash and cash equivalents	468.6	441.8
Cash and cash equivalents at end of period	31,459.0	28,183.1

## MANAGEMENT DISCUSSION AND ANALYSIS

Note:

- (1) Excluding (1) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech business; (2) the change of trade payables related to the finance factoring business; (3) the change of restricted cash resulting from the fintech business; and (4) the change of deposits from customers resulting from the Airstar bank, the net cash generated from operating activities was RMB19.5 billion in the first half of 2023 and the net cash used in operating activities was RMB7.7 billion in the first half of 2022, respectively. Excluding the change of borrowings for the fintech business, the net cash used in financing activities was RMB2.3 billion in the first half of 2023 and the net cash generated from financing activities was RMB3.7 billion in the first half 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 first half of 2023, net cash generated from our operating activities amounted to RMB20.2 billion, representing cash generated from operations of RMB21.4 billion minus income tax paid of RMB1.3 billion. Cash generated from operations was primarily attributable to our profit before income tax of RMB10.4 billion, adjusted by a decrease in inventories of RMB9.6 billion.

### Net Cash Used in Investing Activities

For the first half of 2023, our net cash used in investing activities was RMB14.5 billion, which was primarily attributed to an increase of short-term bank deposits of RMB5.6 billion, the capital expenditures of RMB3.7 billion, an increase of long-term bank deposits of RMB3.3 billion and an increase of short-term investments measured at fair value through profit or loss of RMB2.9 billion.

### Net Cash Used in Financing Activities

For the first half of 2023, our net cash used in financing activities was RMB2.3 billion, which was primarily attributed to the distribution to fund investors of RMB1.1 billion, the payments for lease liabilities of RMB0.6 billion, as well as a decrease of borrowings of RMB0.5 billion.

### Borrowings

As at June 30, 2022 and June 30, 2023, we had total borrowings of RMB32.6 billion and RMB22.9 billion, respectively.

## Capital Expenditure

	Unaudited	
	Six months ended	
	June 30, 2023	June 30, 2022
	(in millions of RMB)	
Capital expenditures	3,722.1	2,717.3
Placement of long-term investments <sup>(1)</sup>	2,675.2	6,098.3
<b>Total</b>	<b>6,397.3</b>	<b>8,815.6</b>

Note:

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

## Off-Balance Sheet Commitments and Arrangements

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

## Future Plans for Material Investments and Capital Assets

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

## Investment Held

As of June 30, 2023, we had invested in more than 420 companies with an aggregate book value of RMB67.7 billion, an increase of 6.7% year-over-year. For the Reporting Period, we recorded a net gain on disposal of investments (after tax) of RMB0.9 billion. The total amount of these investments (including (i) fair value of our stakes in listed investee companies accounted for using the equity method based on the stock price on June 30, 2023; (ii) book value of our stakes in unlisted investee companies accounted for using the equity method; and (iii) book value of long-term investments measured at fair value through profit or loss) reached RMB70.3 billion as at June 30, 2023.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In the Reporting Period we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

### Employee and Remuneration Policy

As at June 30, 2023, we had 32,464 full-time employees, 30,278 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India and Indonesia. As at June 30, 2023, our research and development personnel, totaling 16,834 employees, were staffed across our various departments.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive compensation packages. As at June 30, 2023, 10,648 employees held share-based awards. The total remuneration expenses, including share-based compensation expenses, in the Reporting Period were RMB8.9 billion.

### Foreign Exchange Risk

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

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

### Pledge of Assets

As of June 30, 2023, we had a restricted deposit of RMB4.6 billion, compared with RMB3.9 billion as at June 30, 2022.

### Contingent Liabilities

Details of the contingencies are set out in Note 31 to the condensed consolidated interim financial information.

# OTHER INFORMATION

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

As at June 30, 2023, 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 <sup>(1)</sup>	Relevant company	Number and class of securities	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>
Lei Jun <sup>(3)</sup>	Beneficiary, founder and settlor of a trust(L)	ARK Trust (Hong Kong) Limited	4,130,113,915	90.06%
			Class A Shares	
			1,924,065,723	9.41%
	Interest in controlled corporations(L)	Smart Mobile Holdings Limited	4,130,113,915	90.06%
			Class A Shares	
			1,772,599,051	8.67%
		Class B Shares		
	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%
			Class B Shares	
Lin Bin <sup>(4)</sup>	Beneficial owner(L)		30,347,523	0.15%
			Class B Shares	
	Trustee of a trust(L)	Apex Star FT LLC	93,438,272	0.46%
			Class B Shares	
	Trustee of a trust(L)	Apex Star LLC	455,795,235	9.94%
			Class A Shares	
		1,699,652,580	8.31%	
		Class B Shares		
	Interest in controlled corporations(L)	Bin Lin and Daisy Liu Family Foundation	60,686,600	0.30%
			Class B Shares	

## OTHER INFORMATION

Name of Director or chief executive	Nature of interest <sup>(1)</sup>	Relevant company	Number and class of securities	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>
Liu Qin <sup>(5)</sup>	Interest in controlled corporations(L) Founder of Trust(L)	Morningside China TMT Fund I, L.P.	7 Class B Shares 184,466,366 Class B Shares	0.00% 0.90%
Liu De <sup>(6)</sup>	Beneficial owner(L) Founder of a trust(L)	Lofty Power International Limited	10,000,000 Class B Shares 135,871,935 Class B Shares	0.05% 0.66%
Chen Dongsheng <sup>(7)</sup>	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, 2023.
- (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 4,130,113,915 Class A Shares and the 1,772,599,051 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 1,699,652,580 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 455,795,235 Class A Shares under the SFO.

- (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 10,000,000 Class B Shares. Lofty Power International Limited is controlled by YYL Trust (formerly known as YYL Family Trust). Accordingly, Liu De, as the settlor and protector of YYL 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 <sup>(1)</sup>
Lei Jun	Beneficial owner	Xiaomi Finance <sup>(2)</sup>	42.07%
	Interest in controlled corporations(L)	Parkway Global Holdings Limited <sup>(3)</sup>	100%
	Interest in controlled corporations(L)	Sunrise Vision Holdings Limited <sup>(3)</sup>	100%
	Interest in controlled corporations(L)	Smart Mobile Holdings Limited <sup>(3)</sup>	100%

Notes:

- (1) The calculation is based on the total number of shares of the associated corporations in issue as at June 30, 2023.
- (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 4,130,113,915 Class A Shares and 1,772,599,051 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.

## OTHER INFORMATION

Save as disclosed above, as at June 30, 2023, 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, 2023, 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 <sup>(1)</sup>
<b>Class A Shares</b>			
Smart Mobile Holdings Limited <sup>(2)</sup>	Beneficial interest	4,130,113,915	90.06%
Sunrise Vision Holdings Limited <sup>(2)</sup>	Interest in controlled corporations	4,130,113,915	90.06%
Parkway Global Holdings Limited <sup>(2)</sup>	Interest in controlled corporations	4,130,113,915	90.06%
ARK Trust (Hong Kong) Limited <sup>(2)</sup>	Trustee	4,130,113,915	90.06%
<b>Class B Shares</b>			
Smart Mobile Holdings Limited <sup>(2)</sup>	Beneficial interest	1,772,599,051	8.67%
Sunrise Vision Holdings Limited <sup>(2)</sup>	Interest in controlled corporations	1,831,820,681	8.95%
Parkway Global Holdings Limited <sup>(2)</sup>	Interest in controlled corporations	1,831,820,681	8.95%
ARK Trust (Hong Kong) Limited <sup>(2)</sup>	Trustee	2,746,664,828	13.43%



Notes:

- (1) The calculation is based on the total number of relevant class of Shares in issue as at June 30, 2023.
- (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 4,130,113,915 Class A Shares and the 1,772,599,051 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 822,599,105 Class B shares held by the trusts.

Save as disclosed above, as at June 30, 2023, no person, other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's 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 Schemes

The Company has four existing share schemes, namely the Pre-IPO ESOP, the Post-IPO Share Option Scheme, the Post-IPO Share Award Scheme, and the 2023 Share Scheme. Each of the two subsidiaries of the Company, Xiaomi Finance and Pinecone International, 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. None of Xiaomi Finance, Pinecone International or Xiaomi EV is a principal subsidiary of the Company as defined in Rule 17.14 of the Listing Rules. From January 1, 2023, the Company will rely on the transitional arrangements provided for the existing shares schemes and will comply with the new Chapter 17 accordingly (effective from January 1, 2023).

A total of 236,666,267 new Shares, representing approximately 1.2% of the weighted average number of the Class B Shares in issue of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Pre-IPO ESOP, the Post-IPO Share Option Scheme, the Post-IPO Share Award Scheme and the 2023 Share 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 overall limit on the number of Shares which may be issued pursuant to the Pre-IPO ESOP is 251,307,455 Class B Shares, which was subsequently adjusted by the Board to 2,512,694,900 Class B Shares (adjusted after taking into account the share subdivision which took place on June 17, 2018). No further Pre-IPO Awards would be granted under the Pre-IPO ESOP after listing.

## OTHER INFORMATION

Details of movements of share options and RSUs granted under the Pre-IPO ESOP during the Reporting Period are as follows:

Grantees by category	Date of grant	Vesting period <sup>(1)</sup>	Exercise Price (US\$)	Number of share options and RSUs				Outstanding as at June 30, 2023	Weighted average closing price of the Share immediately before the date of exercise during the period
				Outstanding as at January 1, 2023	Exercised during the period	Cancelled during the period	Lapsed during the period		
<b>Director:</b>									
Liu De (Executive Director)	1/1/2018	5-10 years	0-0.10225	5,385,220	(5,385,220)	–	–	–	12.56
<b>Category subtotal:</b>				5,385,220	(5,385,220)	–	–	–	
<b>Other grantees by category:</b>									
Employee participants	4/1/2010 to 6/14/2018	1-10 years	0-0.344	303,714,793	(32,523,050)	–	(10,565,000)	260,626,743	12.07
Service Providers	1/1/2012 to 4/1/2018	4-5 years	0-0.344	1,788,070	–	–	–	1,788,070	N/A
<b>Category subtotal:</b>				305,502,863	(32,523,050)	–	(10,565,000)	262,414,813	
<b>Total:</b>				<b>310,888,083</b>	<b>(37,908,270)</b>	<b>–</b>	<b>(10,565,000)</b>	<b>262,414,813</b>	

(1): The exercise period of the options granted under the Pre-IPO ESOP shall commence from the date on which the relevant options become vested and end on the 10th anniversary of the grant date, subject to the terms of the Pre-IPO ESOP and the share option award agreement signed by the grantee.

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

## 2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted by the Company on June 17, 2018.

As at January 1, 2023, the total number of Shares available for grant under the Post-IPO Share Option Scheme was 1,447,394,311 Class B Shares. During the Reporting Period, no share options were granted to eligible participants and no share options lapsed/cancelled pursuant to the Post-IPO Share Option Scheme. Immediately upon the 2023 Share Scheme taking effect on June 8, 2023, no further share options shall be granted under the Post-IPO Share Option Scheme.

Details of movements of share options granted under the Post-IPO Share Option Scheme during the Reporting Period are as follows:

Grantees by category	Date of grant	Vesting Period	Exercise Period	Number of share options					Outstanding as at June 30, 2023	Exercise Price (HK\$)	Fair value of options at the date of grant during the period and the accounting standard and policy adopted <sup>(1)</sup>	Weighted average closing price of the Shares during the period immediately before the date of exercise during the period
				Outstanding as at January 1, 2023	Granted during the period	Cancelled during the period	Lapsed during the period	Exercised during the period				
Employee participants:												
	7/2/2020	4 years	7/2/2021 to 7/1/2030	3,000,000	–	–	–	–	3,000,000	13.60	N/A	N/A
	9/4/2020	4–10 years	9/4/2021 to 9/3/2030	105,200,000	–	–	–	–	105,200,000	24.50	N/A	N/A
	10/9/2020	4 years	10/9/2021 to 10/8/2030	6,250,000	–	–	–	–	6,250,000	21.04	N/A	N/A
	1/6/2021	4 years	1/6/2022 to 1/5/2031	6,250,000	–	–	–	–	6,250,000	33.90	N/A	N/A
<b>Total:</b>				<b>120,700,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>120,700,000</b>			

(1): The fair value of the award shares granted during the Reporting Period were determined based on the market value of the Shares at the respective grant dates.

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

## OTHER INFORMATION

## 3. Post-IPO Share Award Scheme

The Company adopted the Share Award Scheme on June 17, 2018.

The total number of new Class B Shares issued and may be issued pursuant to the Post-IPO Share Award Scheme will not exceed 1,118,806,541 Shares (the “Scheme Mandate”). As at January 1, 2023, 387,027,516 award shares were available for grant under the Post-IPO Share Award Scheme. Immediately upon the 2023 Share Scheme taking effect on June 8, 2023, no further awards shall be granted under the Post-IPO Share Award Scheme.

Details of the award shares granted under the Post-IPO Share Award Scheme (to be satisfied by new Shares) and their movements during the Reporting Period are as follows:

Grantees by category	Date of grant	Vesting Period	Purchase price	Number of Award Shares					Unvested Award Shares as at June 30, 2023	Closing price of Shares immediately before the grant during the period	Fair value of Award Shares at the date of grant during the period and the accounting standard and policy adopted <sup>(1)</sup>	Weighted average closing price of the Shares immediately before the date of vesting during the period
				Unvested Award Shares as at January 1, 2023	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period				
Employee Participants:												
	4/1/2019	4-10 years	Nil	7,449,568	–	(1,974,121)	–	(5,675)	5,469,772	N/A	N/A	12.10
	7/19/2019	1 year	Nil	–	–	–	–	–	–	N/A	N/A	N/A
	9/4/2019	4-5 years	Nil	4,650,879	–	(91,169)	–	(51,694)	4,508,016	N/A	N/A	12.10
	11/28/2019	4 years	Nil	3,139,179	–	–	–	(59,279)	3,079,900	N/A	N/A	N/A
	1/6/2020	4 years	Nil	16,254,501	–	(7,946,584)	–	(333,476)	7,974,441	N/A	N/A	11.62
	4/1/2020	1-4 years	Nil	6,746,619	–	(3,225,459) <sup>(2)</sup>	–	(210,359)	3,310,801	N/A	N/A	12.07
	7/2/2020	4-5 years	Nil	8,830,227	–	(333,741) <sup>(2)</sup>	–	(273,595)	8,222,891	N/A	N/A	11.87
	9/4/2020	4-10 years	Nil	11,000,000	–	–	–	(500,000)	10,500,000	N/A	N/A	N/A
	10/10/2020	4-5 years	Nil	1,718,468	–	(13,956)	–	(148,043)	1,556,469	N/A	N/A	12.10
	1/6/2021	4 years	Nil	8,546,264	–	(2,847,539)	–	(557,866)	5,140,859	N/A	N/A	11.66
	7/2/2021	1-4 years	Nil	40,220,229	–	(2,588,663) <sup>(2)</sup>	–	(1,599,411)	36,032,155	N/A	N/A	12.03
	7/5/2021	4-10 years	Nil	99,263,285	–	(38,889)	–	(4,950,000)	94,274,396	N/A	N/A	12.05
	11/24/2021	1-10 years	Nil	33,732,320	–	(121,004)	–	(1,585,279)	32,026,037	N/A	N/A	12.05
	3/23/2022	1-10 years	Nil	149,464,631	–	(29,310,849) <sup>(2)</sup>	–	(5,305,533)	114,848,249	N/A	N/A	11.46

Grantees by category	Date of grant	Vesting Period	Purchase price	Number of Award Shares						Unvested Award Shares as at June 30, 2023	Closing price of Shares immediately before the grant during the period	Fair value of Award Shares at the date of grant during the period and the accounting standard and policy adopted <sup>(1)</sup>	Weighted average closing price of the Shares immediately before the date of vesting during the period
				Unvested Award Shares as at January 1, 2023	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period	Unvested Award Shares as at June 30, 2023				
	5/20/2022	1-5 years	Nil	46,926,172	—	(11,176,171)	—	(2,423,486)	33,326,515	N/A	N/A	10.96	
	8/21/2022	4 years	Nil	84,497,537	—	(1,306,261) <sup>(2)</sup>	—	(2,691,780)	80,499,496	N/A	N/A	11.14	
	11/24/2022	4-5 years	Nil	41,816,250	—	(605,065)	—	(1,875,204)	39,335,981	N/A	N/A	11.40	
	3/27/2023	1-10 years	Nil	—	186,947,038 <sup>(3)</sup>	(233,937)	—	(5,471,625)	181,241,476	12.44	12.00	11.87	
	5/25/2023	2-4 years	Nil	—	48,802,290 <sup>(3)</sup>	(14,843)	—	(811,564)	47,975,883	10.40	10.50	11.68	
<b>Category subtotal:</b>				564,256,129	235,749,328	(61,828,251)	—	(28,853,869)	709,323,337				
<b>Service Providers:</b>													
	7/19/2019	1 year	Nil	—	—	—	—	—	—	N/A	N/A	N/A	
	9/4/2019	4 years	Nil	—	—	—	—	—	—	N/A	N/A	N/A	
	1/6/2020	4 years	Nil	11,032	—	(5,516)	—	—	5,516	N/A	N/A	11.62	
	4/1/2020	1-4 years	Nil	4,708	—	(2,353)	—	—	2,355	N/A	N/A	11.62	
	7/2/2020	4 years	Nil	2,081	—	(1,040)	—	—	1,041	N/A	N/A	12.10	
	10/10/2020	4 years	Nil	59,289	—	(1,605)	—	(15,264)	42,420	N/A	N/A	11.62	
	1/6/2021	4 years	Nil	29,236	—	(9,739)	—	(176)	19,321	N/A	N/A	11.62	
	7/2/2021	4 years	Nil	293,948	—	(35,622)	—	(55,374)	202,952	N/A	N/A	12.02	
	11/24/2021	4 years	Nil	98,782	—	—	—	(19,329)	79,453	N/A	N/A	N/A	
	3/23/2022	4 years	Nil	763,480	—	(183,234)	—	(26,205)	554,041	N/A	N/A	11.43	
	5/20/2022	4 years	Nil	525,195	—	(112,940)	—	(53,400)	358,855	N/A	N/A	11.21	
	8/21/2022	4 years	Nil	330,584	—	(12,027)	—	(64,381)	254,176	N/A	N/A	10.86	
	11/24/2022	4 years	Nil	35,757	—	—	—	—	35,757	N/A	N/A	N/A	
	3/27/2023	4 years	Nil	—	688,684 <sup>(3)</sup>	—	—	—	688,684	12.44	12.00	N/A	
	5/25/2023	4 years	Nil	—	228,255 <sup>(3)</sup>	—	—	—	228,255	10.40	10.50	N/A	
<b>Category subtotal:</b>				2,154,092	916,939	(364,076)	—	(234,129)	2,472,826				
<b>Total:</b>				<b>566,410,221</b>	<b>236,666,267</b>	<b>(62,192,327)</b>	<b>—</b>	<b>(29,087,998)</b>	<b>711,796,163</b>				

## OTHER INFORMATION

- (1): The fair value of the award shares granted during the Reporting Period were determined based on the market value of the Shares at the respective grant dates.
- (2): Among the total number of Awards Shares vested as stated, 72,269 Award Shares were issued to employee participants who subsequently become connected persons for the purpose of Listing Rules during the Reporting Period by way of existing shares. At the time of grant, these employee participants were not connected persons.
- (3): A time-based vesting schedule is applicable to the award shares. The number of award shares to be vested at every anniversary year shall be based on the selected participant's performance rank in the said anniversary year. The performance rank is linked to the performance of the selected participant (and in some cases of the selected participant's department) in the anniversary year as assessed by the Group.

Details of the outstanding award shares granted under the Post-IPO Share Award Scheme (to be satisfied by existing Shares) are as follows:

Grantees by category	Date of grant	Vesting Period	Purchase price	Number of Award Shares					Unvested Award Shares as at June 30, 2023	Closing price of Shares immediately before the grant during the period	Fair value of Award Shares at the date of grant during the period and the accounting standard and policy adopted <sup>(1)</sup>	Weighted average closing price of the Shares immediately before the date of vesting during the period
				Unvested Award Shares as at January 1, 2023	Granted during the period	Vested during the period <sup>(2)</sup>	Cancelled during the period	Lapsed during the period				
Grantees in aggregate:												
	1/6/2021	4 years	Nil	13,406	–	(4,468)	–	–	8,938	N/A	N/A	11.62
	11/24/2021	4 years	Nil	8,619	–	–	–	–	8,619	N/A	N/A	N/A
	3/23/2022	4–10 years	Nil	1,510,618	–	(2,654)	–	–	1,507,964	N/A	N/A	11.40
	5/20/2022	3–4 years	Nil	1,038,787	–	(330,000)	–	–	708,787	N/A	N/A	10.86
	8/21/2022	4 years	Nil	110,433	–	(22,657)	–	–	87,776	N/A	N/A	10.86
	11/24/2022	4 years	Nil	497,680	–	–	–	–	497,680	N/A	N/A	N/A
	3/27/2023	4–5 years	Nil	–	2,150,692 <sup>(3)</sup>	–	–	–	2,150,692	12.44	12.00	N/A
<b>Total:</b>				<b>3,179,543</b>	<b>2,150,692</b>	<b>(359,779)</b>	<b>–</b>	<b>–</b>	<b>4,970,456</b>			

- (1): The fair value of the award shares granted during the Reporting Period were determined based on the market value of the Shares at the respective grant dates.
- (2): Please also refer to Note (2) above set out on page 36 of this interim report.
- (3): Please also refer to Note (3) above set out on page 36 of this interim report.

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

#### 4. 2023 Share Scheme

The 2023 Share Scheme was approved at the annual general meeting by the Shareholders on June 8, 2023. The purpose of the 2023 Share Scheme is (1) to provide the Company with a flexible means of attracting, remunerating, incentivizing, retaining, rewarding, compensating and/or providing benefits to eligible participants; (2) to align the interests of eligible participants with those of the Company and Shareholders by providing such eligible participants with the opportunity to acquire proprietary interests in the Company and become Shareholders; and (3) to encourage eligible participants to contribute to the long-term growth, performance and profits of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

The total number of Class B Shares which may be issued pursuant to all awards to be granted under the 2023 Share Scheme and awards to be granted under any other share schemes of the Company is not more than 2,503,959,565 (the "**Scheme Mandate Limit**"). Within the Scheme Mandate Limit, the total number of Shares which may be issued pursuant to awards to be granted to service provider participants under this Scheme is not more than 125,197,978 (the "**Service Provider Sublimit**").

During the Reporting Period, no share awards were granted to eligible participants under the 2023 Share Scheme. It follows that, as of June 30, 2023, 2,503,959,565 Shares and 125,197,978 Shares were available for grant under the 2023 Share Scheme Limit and the Service Provider Sublimit, respectively.

### 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.

## OTHER INFORMATION

As of June 30, 2023, the WVR Beneficiaries were Lei Jun and Lin Bin. Lei Jun beneficially owns 4,130,113,915 Class A Shares, representing approximately 62.3% 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 455,795,235 Class A Shares, representing 6.9% 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, 2023, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 4,585,909,150 Class B Shares, representing 22.4% of the total number of issued and outstanding Class B Shares or 18.3% 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;
- (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 Reporting Period.



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.

### 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 Reporting Period.

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

During the Reporting Period and up to the Latest Practicable Date, the Company repurchased a total of 57,700,000 Class B Shares (the "Shares Repurchased") of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$625,503,026. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
May	4,400,000	10.54	10.46	46,197,760
June	38,200,000	11.00	9.96	407,830,772
July	6,900,000	10.88	10.66	74,524,630
September	8,200,000	12.00	11.58	96,949,864
Total	57,700,000			625,503,026

## OTHER INFORMATION

As at the Latest Practicable Date, the number of Class B Shares in issue was reduced by 49,500,000 shares as a result of the cancellation of the Shares Repurchased in May 2023, June 2023 and July 2023 accordingly, and all of the Shared Repurchase in September 2023 are in the process of being cancelled. Upon cancellation of the Shares Repurchased in May 2023, June 2023 and July 2023, the WVR Beneficiaries of the Company simultaneously reduced their WVR in the Company proportionately by way of converting their Class A Shares into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of shares carrying WVR of the Company shall not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

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

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

### **Disclosure of Changes in Directors' and Chief Executive's Information pursuant to Listing Rule 13.51B(1)**

Mr. Liu Qin, a non-executive Director, has retired as a non-executive director of XPeng Inc. (NYSE ticker: XPEV, SEHK stock code: 9868) in June 2023.

### **Interim Dividend**

The Board has resolved not to declare an interim dividend for the Reporting Period.

### **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.

The Audit Committee has reviewed interim report and the unaudited interim results of the Group for the three and six months ended June 30, 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers.

## 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 Reporting Period:

- Reviewed and monitored whether the Company is operated and managed for the benefits of all its Shareholders.
- 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, director nomination policy, shareholders' communication policy, procedures for nomination of director by shareholders, disclosure of information policy, connected transactions policy, whistle-blowing policy, dividend policy, board remuneration policy, board policy on obtaining independent views and inputs, 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).

## OTHER INFORMATION

- Reviewed and confirmed that the WVR Beneficiaries have been members of the Board throughout the Reporting Period and no matters under Rule 8A.17 of the Listing Rules have occurred during the Reporting Period, and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the Reporting Period.
- 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.

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.

Having reviewed the remuneration, terms of engagement and the work performance of the Compliance Advisor, the Corporate Governance Committee confirmed to the Board that it was not aware of any factors that would require it to consider either the removal of the current Compliance Advisor or the appointment of a new compliance advisor. As a result, the Corporate Governance Committee recommended that the Board retain the services of the Compliance Advisor.

## 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, except as otherwise prescribed by the state.

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 2022 annual report published on April 26, 2023.

## Material Litigation

As at June 30, 2023, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

## 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, 2023 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 45 to 105, which comprises the interim condensed consolidated balance sheet of Xiaomi Corporation (the “**Company**”) and its subsidiaries (together, the “**Group**”) as of June 30, 2023 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 selected explanatory notes. 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 29, 2023

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# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

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

(Expressed in Renminbi ("RMB"))

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Revenue	6	67,354,908	70,170,877	126,832,042	143,522,379
Cost of sales	6, 9	(53,193,892)	(58,402,842)	(101,079,459)	(119,044,598)
<b>Gross profit</b>		<b>14,161,016</b>	11,768,035	<b>25,752,583</b>	24,477,781
Research and development expenses	9	(4,554,803)	(3,763,374)	(8,668,163)	(7,257,913)
Selling and marketing expenses	9	(4,476,758)	(5,332,208)	(8,580,622)	(10,588,392)
Administrative expenses	9	(1,143,190)	(1,315,404)	(2,278,363)	(2,559,977)
Fair value changes on investments measured at fair value through profit or loss	16	(275,784)	513,577	3,177,475	(3,036,678)
Share of net profits/(losses) of investments accounted for using the equity method	11	74,046	62,672	(59,035)	(138,660)
Other income	7	184,776	186,177	349,610	351,104
Other gains/(losses), net	8	71,223	(386,447)	247,250	(425,500)
<b>Operating profit</b>		<b>4,040,526</b>	1,733,028	<b>9,940,735</b>	821,765
Finance income	10	851,273	379,991	1,529,423	645,693
Finance costs	10	63,882	(376,180)	(1,043,764)	(146,549)
<b>Profit before income tax</b>		<b>4,955,681</b>	1,736,839	<b>10,426,394</b>	1,320,909
Income tax expenses	12	(1,290,157)	(371,462)	(2,544,732)	(486,086)
<b>Profit for the period</b>		<b>3,665,524</b>	1,365,377	<b>7,881,662</b>	834,823
<b>Attributable to:</b>					
— Owners of the Company		3,669,975	1,386,400	7,873,814	798,800
— Non-controlling interests		(4,451)	(21,023)	7,848	36,023
		<b>3,665,524</b>	1,365,377	<b>7,881,662</b>	834,823
<b>Earnings per share (expressed in RMB per share):</b>	13				
Basic		0.15	0.06	0.32	0.03
Diluted		0.15	0.06	0.31	0.03

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

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Expressed in RMB)

	Note	Unaudited		Unaudited	
		Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Profit for the period</b>		<b>3,665,524</b>	1,365,377	<b>7,881,662</b>	834,823
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Share of other comprehensive (loss)/income of investments accounted for using the equity method	11	<b>(4,330)</b>	4,433	<b>(27,903)</b>	(16,663)
Transfer of share of other comprehensive income to profit or loss upon disposal of investments accounted for using equity method		<b>(471)</b>	—	<b>(464)</b>	—
Net losses from changes in fair value of financial assets at fair value through other comprehensive income		<b>(8,634)</b>	(3,769)	<b>(15,833)</b>	(6,944)
Currency translation differences		<b>586,382</b>	46,083	<b>567,037</b>	(16,261)
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Currency translation differences		<b>2,157,698</b>	2,295,418	<b>1,590,208</b>	2,119,010
<b>Other comprehensive income for the period, net of tax</b>		<b>2,730,645</b>	2,342,165	<b>2,113,045</b>	2,079,142
<b>Total comprehensive income for the period</b>		<b>6,396,169</b>	3,707,542	<b>9,994,707</b>	2,913,965
<b>Attributable to:</b>					
— Owners of the Company		<b>6,390,417</b>	3,717,982	<b>9,980,329</b>	2,869,183
— Non-controlling interests		<b>5,752</b>	(10,440)	<b>14,378</b>	44,782
		<b>6,396,169</b>	3,707,542	<b>9,994,707</b>	2,913,965

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



# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2023

(Expressed in RMB)

	Note	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	14	12,019,697	9,138,221
Intangible assets	15	6,022,056	4,629,676
Investments accounted for using the equity method	11	8,216,675	7,932,192
Long-term investments measured at fair value through profit or loss	16	59,467,861	55,979,974
Deferred income tax assets	26	2,616,219	2,278,175
Long-term bank deposits		13,785,172	16,788,346
Long-term investments measured at amortized cost	16	393,037	405,371
Other non-current assets	23	15,540,046	15,940,461
		<b>118,060,763</b>	113,092,416
<b>Current assets</b>			
Inventories	20	38,454,691	50,437,891
Trade receivables	18	12,541,275	11,795,074
Loan receivables	17	7,143,860	7,829,563
Prepayments and other receivables	19	19,819,186	18,578,491
Bills receivables measured at fair value through other comprehensive income		1,640,327	40,003
Short-term investments measured at fair value through other comprehensive income	16	585,089	449,109
Short-term investments measured at amortized cost	16	1,002,271	—
Short-term investments measured at fair value through profit or loss	16	13,128,102	9,845,910
Short-term bank deposits		43,095,579	29,874,707
Restricted cash	21(b)	4,626,218	3,956,786
Cash and cash equivalents	21(a)	31,458,952	27,607,261
		<b>173,495,550</b>	160,414,795
<b>Total assets</b>		<b>291,556,313</b>	273,507,211

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2023

(Expressed in RMB)

	Note	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	407	406
Reserves	24	154,774,544	143,658,052
		<b>154,774,951</b>	143,658,458
<b>Non-controlling interests</b>		<b>278,341</b>	264,602
<b>Total equity</b>		<b>155,053,292</b>	143,923,060
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	25	21,763,554	21,493,261
Deferred income tax liabilities	26	1,326,542	983,256
Warranty provision		1,067,218	945,270
Other non-current liabilities	28	17,760,467	16,534,831
		<b>41,917,781</b>	39,956,618
<b>Current liabilities</b>			
Trade payables	29	55,106,248	53,093,543
Other payables and accruals	30	20,201,026	18,440,716
Advance from customers		9,887,617	9,587,959
Borrowings	25	1,122,048	2,150,741
Income tax liabilities		2,308,186	1,384,133
Warranty provision		5,960,115	4,970,441
		<b>94,585,240</b>	89,627,533
<b>Total liabilities</b>		<b>136,503,021</b>	129,584,151
<b>Total equity and liabilities</b>		<b>291,556,313</b>	273,507,211

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



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

(Expressed in RMB)

	Note	Unaudited Attributable to owners of the Company						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	Sub-total RMB'000		
<b>Balance at January 1, 2022</b>		407	(343,730)	59,717,626	8,536,648	69,301,955	137,212,906	219,590	137,432,496
<b>Comprehensive income</b>									
Profit for the period		—	—	—	—	798,800	798,800	36,023	834,823
<b>Other comprehensive income</b>									
<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
<b>Total comprehensive income</b>		—	—	—	2,070,383	798,800	2,869,183	44,782	2,913,965
<b>Transactions with owners in their capacity as owners</b>									
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 RSUs	24, 27	1	—	298,249	(256,467)	—	41,783	—	41,783
Appropriation to general reserves		—	—	—	(12,711)	12,711	—	—	—
Share consideration for acquisition of Zimi completed in 2021		—	—	14,938	(14,938)	—	—	—	—
Others		—	—	—	(4,013)	40	(3,973)	(1,367)	(5,340)
<b>Total transactions with owners in their capacity as owners</b>		(1)	307,506	(600,088)	750,998	12,751	471,166	(1,282)	469,884
<b>Balance at June 30, 2022</b>		406	(36,224)	59,117,538	11,358,029	70,113,506	140,553,255	263,090	140,816,345

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

(Expressed in RMB)

	Note	Unaudited	
		Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations		21,430,534	(5,118,325)
Income tax paid		(1,268,523)	(1,913,099)
Net cash generated from/(used in) operating activities		20,162,011	(7,031,424)
<b>Cash flows from investing activities</b>			
Capital expenditures		(3,722,137)	(2,717,280)
Proceeds from disposal of property and equipment		61,112	14,608
Placement of short-term bank deposits		(36,904,029)	(29,410,330)
Maturity of short-term bank deposits		31,277,967	35,251,545
Placement of long-term bank deposits		(5,164,460)	(5,145,860)
Proceeds from disposal of long-term bank deposits		1,875,150	—
Purchase of short-term investments measured at fair value through profit or loss		(21,387,314)	(43,925,659)
Proceeds from maturity of short-term investments measured at fair value through profit or loss		18,485,551	55,963,009
Purchase of short-term investments measured at fair value through other comprehensive income		(625,376)	(342,840)
Proceeds from maturity of short-term investments measured at fair value through other comprehensive income		505,395	573,510
Purchase of long-term investments measured at amortized cost		(9,376)	(33,579)
Purchase of short-term investments measured at amortized cost		(2,500,000)	(630,996)
Proceeds from maturity of investments measured at amortized cost		1,500,000	2,265,269
Interest income received		1,519,206	445,399
Investment income received		116,667	272,564
Purchase of long-term investments measured at fair value through profit or loss		(2,626,369)	(6,098,340)
Proceeds from disposal of long-term investments measured at fair value through profit or loss		2,695,333	793,806
Purchase of investments accounted for using the equity method		(48,807)	—
Proceeds from disposal of investments accounted for using the equity method		333,523	260,021
Dividends received		125,767	92,511
Net cash (used in)/generated from investing activities		(14,492,197)	7,627,358

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

(Expressed in RMB)

	Note	Unaudited	
		Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		898,693	15,425,360
Repayment of borrowings		(1,402,063)	(10,202,349)
Finance expenses paid		(321,856)	(458,192)
Contribution from fund investors		467,578	536,700
Distribution to fund investors		(1,053,866)	—
Net proceeds from exercise of share options		37,590	40,839
Payments for shares repurchase		(439,006)	(1,038,588)
Payments for buyback of employee fund		(17,048)	—
Proceeds from financial assets sold under repurchase agreements		132,360	—
Payment of lease liabilities		(589,078)	(669,994)
Net cash (used in)/generated from financing activities		(2,286,696)	3,633,776
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period	21(a)	27,607,261	23,511,579
Effects of exchange rate changes on cash and cash equivalents		468,573	441,812
<b>Cash and cash equivalents at end of the period</b>	21(a)	<b>31,458,952</b>	<b>28,183,101</b>

The above interim 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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including controlled structured entities (together, the “**Group**”) are principally engaged in development and sales of smartphones, internet of things (“**IoT**”) and lifestyle products, provision of internet services and investments holding in the People’s Republic of China (“**the PRC**”) 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 interim condensed consolidated balance sheet as of June 30, 2023, the interim condensed consolidated income statements and the interim condensed consolidated statements of comprehensive income for the three-month and six-month periods then ended, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (the “**Interim Financial Information**”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information was approved by the Board of Directors of the Company on August 29, 2023.

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 consolidated financial statements of the Group for the year ended December 31, 2022 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as set out in the 2022 annual report of the Company dated March 24, 2023 (the “**2022 Financial Statements**”), and any public announcement made by the Company during the six months ended June 30, 2023 (the “**Interim Report Period**”) and up to date of approval of this unaudited Interim Financial Information.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

### 3 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 2022 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 new and amended standards are mandatory for the first time for the Group's financial year beginning on January 1, 2023:

- IFRS 17 Insurance contracts
- Disclosure of accounting policies — Amendments to IAS 1 and IFRS practice statement 2
- Definition of accounting estimates — Amendments to IAS 8
- Deferred tax related to assets and liabilities arising from a single transaction — Amendments to IAS 12
- International tax reform — Pillar Two Model Rules — Amendments to IAS 12

The adoption of these new and amended standards has had no significant impact on the Group's results for the Interim Report Period and the Group's financial position as of June 30, 2023.

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, 2023 in the Interim Financial Information.

#### **Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The Group has changed its accounting policies following the adoption of Amendments to IAS 12 (the "Amendments"). From the effective date on January 1, 2023, the Group recognized deferred income tax assets and deferred income tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

### 3 Accounting policies (continued)

#### Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

In accordance with the transitional provisions, the Group applied the Amendments for the first time by recognizing deferred income tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being January 1, 2022, an adjustment of RMB555,070,000 was recognized to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resultant deferred tax assets and deferred tax liabilities met the set-off provisions and would be presented on a net basis on the consolidated balance sheet. Since the Group had considered the lease as a single transaction in which the assets and liabilities are integrally linked and recognized deferred income tax on a net basis previously, there were no impact on opening retained earnings upon the adoption of the Amendments.

### 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 2022 Financial Statements.

### 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 2022 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, 2023.

## 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

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.

The following table presents the Group's financial assets that are measured at fair value at June 30, 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>(Unaudited)</b>				
<b>Assets</b>				
Long-term investments measured at fair value through profit or loss (Note 16)	4,998,255	—	54,469,606	59,467,861
Short-term investments measured at fair value through profit or loss (Note 16)	—	—	13,128,102	13,128,102
Short-term investments measured at fair value through other comprehensive income (Note 16)	585,089	—	—	585,089
Bills receivables measured at fair value through other comprehensive income	—	—	1,640,327	1,640,327
	5,583,344	—	69,238,035	74,821,379

## 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, 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>(Audited)</b>				
<b>Assets</b>				
Long-term investments measured at fair value through profit or loss (Note 16)	4,547,386	—	51,432,588	55,979,974
Short-term investments measured at fair value through profit or loss (Note 16)	—	—	9,845,910	9,845,910
Short-term investments measured at fair value through other comprehensive income (Note 16)	449,109	—	—	449,109
Bills receivables measured at fair value through other comprehensive income	—	—	40,003	40,003
	4,996,495	—	61,318,501	66,314,996

#### (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, 2023 and 2022.

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	51,432,588	45,817,637
Additions	2,654,506	6,103,340
Disposals	(1,205,632)	(724,244)
Changes in fair value	2,590,633	(2,183,905)
Transfer to long-term investments accounted for using the equity method	(458,544)	—
Transfer to level 1 financial instruments	(1,282,823)	(30,220)
Exchange gains	738,878	995,172
At the end of the period	54,469,606	49,977,780
Net unrealized gains/(losses) for the period	2,053,364	(2,307,361)

## 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, 2023 and 2022.

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	9,845,910	29,311,848
Additions	21,805,310	43,925,659
Disposals	(18,600,823)	(56,235,573)
Changes in fair value	108,048	285,746
Exchange (losses)/gains	(30,343)	317,944
At the end of the period	13,128,102	17,605,624
Net unrealized gains for the period	43,807	40,074

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 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 June 30, 2023	As of December 31, 2022		As of June 30, 2023	As of December 31, 2022	
	RMB'000 (Unaudited)	RMB'000 (Audited)				
Long-term investments measured at fair value through profit or loss						
— Ordinary shares investments and preferred shares investments	47,415,942	45,232,193	Expected volatility	15%–103%	26%–99%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability (“DLOM”)	5%–25%	2%–30%	The higher the DLOM, the lower the fair value

## 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)

Description	Fair values		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
	As of June 30, 2023	As of December 31, 2022		As of June 30, 2023	As of December 31, 2022	
	RMB'000 (Unaudited)	RMB'000 (Audited)				
			Risk-free rate	1.9%–4.9%	0.2%–5%	The higher the risk-free rate, the higher the fair value
– Other investments (Note(a))	7,053,664	6,200,395	N/A	N/A	N/A	N/A
	54,469,606	51,432,588				
Short-term investments measured at fair value through profit or loss	13,128,102	9,845,910	Expected rate of return	0.3%–3.2%	1%–4%	The higher the expected rate of return, the higher the fair value

Note:

- (a) The Group determines the fair values of its long-term other investments (Note 16(f)) as of the reporting date based on the reported net asset values of the respective investments as provided by financial institutions.



## 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)

There were no material transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2023, 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 of the Company that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

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

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. 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 gains/(losses), 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 hardware repair services for products, installation services for certain IoT products, sale of materials and sale of buildings.

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 hardware repair costs, installation costs, costs from sale of materials and development costs of buildings. Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the interim condensed 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, 2023 and 2022. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the interim condensed consolidated income statement.

## 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, 2023 and 2022 are as follows:

	Three months ended June 30, 2023				
	Smartphones	IoT and lifestyle products	Internet services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>(Unaudited)</b>					
Segment revenues	36,595,461	22,253,866	7,444,079	1,061,502	67,354,908
Cost of sales	(31,720,488)	(18,343,767)	(1,926,198)	(1,203,439)	(53,193,892)
Gross profit/(loss)	4,874,973	3,910,099	5,517,881	(141,937)	14,161,016

	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
<b>(Unaudited)</b>					
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

	Six months ended June 30, 2023				
	Smartphones	IoT and lifestyle products	Internet services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>(Unaudited)</b>					
Segment revenues	71,580,207	39,087,648	14,472,227	1,691,960	126,832,042
Cost of sales	(62,772,217)	(32,530,885)	(3,874,599)	(1,901,758)	(101,079,459)
Gross profit/(loss)	8,807,990	6,556,763	10,597,628	(209,798)	25,752,583

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 6 Segment information (continued)

	Six months ended June 30, 2022				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
<b>(Unaudited)</b>					
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

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

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

Note:

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(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, 2023 and 2022 are listed as below:

	Three months ended June 30,		Six months ended June 30,	
	2023 % (Unaudited)	2022 % (Unaudited)	2023 % (Unaudited)	2022 % (Unaudited)
Customer A	14.3	14.5	12.7	13.4

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, 2023 and 2022.

### 7 Other income

	Three months ended June 30,		Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants	75,636	56,601	130,749	117,081
Value-added tax and other tax refunds	19,578	15,930	65,218	55,708
Dividend income	69,540	43,124	102,218	61,227
Additional deduction of input value-added tax	20,022	70,522	51,425	117,088
	184,776	186,177	349,610	351,104

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 8 Other gains/(losses), net

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net gains on partial disposal of investments accounted for using the equity method	66,769	182,771	206,398	184,186
Foreign exchanges (losses)/gains, net	(28,197)	(572,288)	13,941	(606,673)
Impairment on investments accounted for using the equity method	—	—	(7,138)	(500)
Others	32,651	3,070	34,049	(2,513)
	71,223	(386,447)	247,250	(425,500)

## 9 Expenses by nature

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold and royalty fees	47,641,858	52,590,669	90,402,822	107,867,373
Provision for impairment of inventories (Note 20)	881,462	1,789,704	2,695,954	3,320,900
Employee benefit expenses	4,418,111	4,073,525	8,918,568	7,968,639
Depreciation of property and equipment, right-of-use assets and investment properties	598,701	603,272	1,178,938	1,147,736
Amortization of intangible assets	426,732	344,140	788,205	678,109
Promotion and advertising expenses	1,468,832	1,794,561	2,735,705	3,469,298
Content fees to game developers and video providers	798,591	744,651	1,663,088	1,544,532
Credit loss allowance	24,615	52,801	83,572	105,969
Consultancy and professional service fees	383,883	345,702	666,739	678,054
Cloud service, bandwidth and server custody fees	479,301	483,214	1,029,850	1,075,088
Warranty expenses	1,894,883	1,433,712	2,758,314	2,525,423

## 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,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Finance income:</b>				
Interest income from bank deposits	851,273	379,991	1,529,423	645,693

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Finance costs:</b>				
Changes in amortized cost of liabilities to fund investors (Note 28)	(322,874)	83,974	537,720	(381,691)
Interest expense from borrowings (Note 25) and lease liabilities (Note 22)	258,992	292,206	506,044	528,240
	(63,882)	376,180	1,043,764	146,549

## 11 Investments accounted for using the equity method

	As of June 30,	As of December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investments in associates accounted for using the equity method		
— Listed entities (Note (a))	2,589,924	2,918,299
— Unlisted entities	5,626,751	5,013,893
	8,216,675	7,932,192

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 11 Investments accounted for using the equity method (continued)

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>At the beginning of the period</b>	<b>7,932,192</b>	10,230,751
Additions	510,951	—
Disposals	(114,706)	(75,835)
Share of net losses	(59,035)	(138,660)
Share of other comprehensive loss	(27,903)	(16,663)
Share of changes of other reserves	5,863	52,809
Dividends from associates	(23,549)	(31,284)
Impairment provision	(7,138)	(500)
<b>At the end of the period</b>	<b>8,216,675</b>	10,020,618

Notes:

- (a) As at June 30, 2023, the fair value of the investments in associates which were listed entities was RMB5,227,148,000 (December 31, 2022: RMB4,204,010,000).

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.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

### 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,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	1,476,060	395,747	2,539,490	1,157,214
Deferred income tax	(185,903)	(24,285)	5,242	(671,128)
<b>Income tax expenses</b>	<b>1,290,157</b>	<b>371,462</b>	<b>2,544,732</b>	<b>486,086</b>

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.
- (c) Hong Kong income tax  
Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.
- (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.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 12 Income tax expenses (continued)

Notes (continued):

## (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 enjoyed a preferential income tax rate of 10% from 2017 to 2022. 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, 2023.

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 ("**STA**") further announced in March 2021 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction until December 2023. The STA announced in September 2022 to increase the Super Deduction rate to 200% of their research and development expenses from October 1, 2022 to December 31, 2022. The STA further announced in March 2023 that enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Super Deduction from January 1, 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.

(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.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

### 13 Earnings per share

#### (a) Basic

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

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

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the inclusion of potential ordinary shares from the convertible bonds would be anti-dilutive, it is not included in the calculation of diluted earnings per share for the three months and six months ended June 30, 2023.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 13 Earnings per share (continued)

## (b) Diluted (continued)

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

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

## 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
<b>(Unaudited)</b>						
<b>Six months ended June 30, 2023</b>						
Opening net book amount	1,136,106	10,485	4,474,495	639,823	2,877,312	9,138,221
Currency translation differences	1,522	354	68	3,404	—	5,348
Additions	461,529	430	—	281,396	2,757,132	3,500,487
Transfer from construction in progress to electronic equipment, buildings and intangible assets	25,970	—	1,778,288	—	(1,821,350)	(17,092)
Transfer from investment properties to buildings	—	—	37,658	—	—	37,658
Disposals	(36,271)	(23)	—	(31,733)	—	(68,027)
Depreciation charge	(248,562)	(1,575)	(56,378)	(270,383)	—	(576,898)
<b>Closing net book amount</b>	<b>1,340,294</b>	<b>9,671</b>	<b>6,234,131</b>	<b>622,507</b>	<b>3,813,094</b>	<b>12,019,697</b>
<b>At June 30, 2023</b>						
Cost	2,805,428	34,937	6,581,773	2,173,996	3,813,094	15,409,228
Accumulated depreciation	(1,465,134)	(25,266)	(347,642)	(1,551,489)	—	(3,389,531)
<b>Net book amount</b>	<b>1,340,294</b>	<b>9,671</b>	<b>6,234,131</b>	<b>622,507</b>	<b>3,813,094</b>	<b>12,019,697</b>
<b>(Unaudited)</b>						
<b>Six months ended June 30, 2022</b>						
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)
<b>Closing net book amount</b>	<b>928,761</b>	<b>9,552</b>	<b>4,503,835</b>	<b>782,016</b>	<b>1,450,059</b>	<b>7,674,223</b>
<b>At June 30, 2022</b>						
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)
<b>Net book amount</b>	<b>928,761</b>	<b>9,552</b>	<b>4,503,835</b>	<b>782,016</b>	<b>1,450,059</b>	<b>7,674,223</b>

Note:

(a) Construction in progress as of June 30, 2023 and 2022 mainly comprises new office buildings and factories 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
<b>(Unaudited)</b>					
<b>Six months ended June 30, 2023</b>					
Opening net book amount	1,696,639	1,300,256	1,215,246	417,535	4,629,676
Currency translation differences	—	2	3,541	3,159	6,702
Additions	—	2,016,191	3,883	138,624	2,158,698
Transfer from construction in progress	—	—	—	17,092	17,092
Disposals	—	—	(318)	(1,589)	(1,907)
Amortization charge	—	(584,326)	(119,722)	(84,157)	(788,205)
<b>Closing net book amount</b>	<b>1,696,639</b>	<b>2,732,123</b>	<b>1,102,630</b>	<b>490,664</b>	<b>6,022,056</b>
<b>At June 30, 2023</b>					
Cost	1,696,639	6,609,143	2,252,301	998,719	11,556,802
Accumulated amortization	—	(3,877,020)	(1,149,671)	(508,055)	(5,534,746)
<b>Net book amount</b>	<b>1,696,639</b>	<b>2,732,123</b>	<b>1,102,630</b>	<b>490,664</b>	<b>6,022,056</b>
<b>(Unaudited)</b>					
<b>Six months ended June 30, 2022</b>					
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)
<b>Closing net book amount</b>	<b>1,696,639</b>	<b>1,818,357</b>	<b>1,297,952</b>	<b>296,086</b>	<b>5,109,034</b>
<b>At June 30, 2022</b>					
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)
<b>Net book amount</b>	<b>1,696,639</b>	<b>1,818,357</b>	<b>1,297,952</b>	<b>296,086</b>	<b>5,109,034</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 16 Investments

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

Notes:

- (a) Short-term investments measured at amortized cost are shareholders' deposits deposited by the Group in an associate Chongqing Xiaomi Consumer Finance Co., Ltd., with an interest rate of 3.27% per annum. 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\$, US\$ and RMB, where the contractual cash flows are solely principal and interest. Debt securities that are only held for collection of contractual cash flows are measured at amortized cost, and that are held for both collection of contractual cash flows and for selling are measured at fair value through other comprehensive income. The securities are mainly issued by corporates and banks and the fair value of such debt securities was determined based on quoted price on bond market. None of these investments are past due.
- (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 0.25% to 3.20% per annum for the six months ended June 30, 2023. None of these investments are past due.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 16 Investments (continued)

Notes (continued):

- (d) The fair values of the listed securities are determined based on the closing prices quoted in active markets (level 1: quoted price (unadjusted) in active markets). 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.

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. The major assumptions used in the valuation for investment in private companies refer to Note 5.2.

- (e) During the six months ended June 30, 2023, the Group made aggregate preferred shares investments of RMB1,139,948,000 (2022: RMB2,831,483,000). These investees are principally engaged in sales of goods, provision of internet services 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. For the major assumptions used in the valuation for investment in private companies, please refer to Note 5.2.

- (f) Other investments mainly represents the debts investments in certain reputable bank or non-bank financial institutions. As the returns on these investment 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 the reported net asset values of the respective investments as provided by financial institutions.

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

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



## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

### 17 Loan receivables

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Unsecured loan	8,015,341	8,625,680
Less: credit loss allowance	(871,481)	(796,117)
	<b>7,143,860</b>	<b>7,829,563</b>

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

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

Trade receivables balances as of June 30, 2023 and December 31, 2022 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, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Receivables from subcontractors for outsourcing of raw materials and amounts paid for third parties	9,207,360	8,919,697
Recoverable value-added tax and other taxes	5,476,383	4,641,951
Prepayments to suppliers	1,510,806	1,567,950
Deposits to suppliers	421,102	382,399
Receivables from market development fund	231,077	153,919
Prepaid fees for patent expenses and other prepaid expenses	1,031,746	1,102,919
Receivables from employees related to Employee Fund (Note 27)	93,050	95,850
Interest receivables	221,111	200,138
Receivables related to share options and RSUs granted to employees	184,262	159,302
Receivables for disposal of investments	205,094	251,733
Operating and finance lease receivables	690,271	484,588
Others	705,331	762,646
	<b>19,977,593</b>	18,723,092
Less: credit loss allowance	<b>(158,407)</b>	(144,601)
	<b>19,819,186</b>	18,578,491

Note:

- (a) As of June 30, 2023, the "Prepayments and other receivables" included other receivables from related parties amounted to RMB868,292,000 (December 31, 2022: RMB363,944,000) in addition to the loans to related parties as in Note 33.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 20 Inventories

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

Note:

- (a) During the six months ended June 30, 2023, provision for impairment of RMB2,695,954,000 (RMB3,320,900,000 for six months ended June 30, 2022) was recognized for the amount by which the carrying amount of the inventories exceeded its net realizable value, and was recorded in "cost of sales" in the consolidated income statement.

## 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, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Cash at bank and in hand	25,358,120	22,156,628
Short-term bank deposits with initial terms within three months	6,100,832	5,450,633
	<b>31,458,952</b>	<b>27,607,261</b>

The weighted average effective interest rate for the short-term bank deposits with initial terms within three months was 4.72% per annum for the six months ended June 30, 2023.

#### (b) Restricted cash

As of June 30, 2023, among the restricted cash, INR44,135,338,000 (equivalent to RMB3,904,212,000) was restricted by India 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

(i) The consolidated balance sheet includes the following amounts relating to leases:

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
<b>Right-of-use assets (Note (a))</b>		
Land use rights	8,103,273	8,118,481
Properties	1,600,780	1,757,332
Servers and other equipment	277,038	488,430
Other assets	2,374	741
	<b>9,983,465</b>	<b>10,364,984</b>
<b>Lease liabilities (Note (b))</b>		
Current	(771,015)	(947,392)
Non-current	(1,287,867)	(1,464,736)
	<b>(2,058,882)</b>	<b>(2,412,128)</b>

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)**

(ii) The consolidated income statement includes the following amounts relating to leases:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets	278,134	344,459	567,933	655,716
Interest expense (included in finance costs)	20,552	34,604	40,277	58,373
Expense relating to short-term leases not included in lease liabilities (included in cost of sales and research and development expenses)	105,383	121,171	205,430	251,698
Expense relating to variable lease payments not included in lease liabilities (included in selling and marketing expenses)	54,772	83,325	105,716	126,172
	458,583	583,559	919,098	1,091,959

**23 Other non-current assets**

	As of June 30,	As of December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Right-of-use assets (Note 22)	9,983,465	10,364,984
Investment properties	2,639,535	2,863,867
Long-term deposits to suppliers	1,302,860	1,256,373
Prepayments for property and equipment	895,121	921,434
Others	719,065	533,803
	15,540,046	15,940,461

## 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, 2023 and June 30, 2023, the total authorized number of ordinary shares is 270,000,000,000 shares with par value of US\$0.0000025 per share. The number of authorized share capital of Class A and Class B Share is 4,585,909,150 and 20,456,731,112, respectively.

## 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
<b>As of January 1, 2023</b>	<b>24,951,334</b>	<b>62</b>	<b>406</b>	<b>59,483,288</b>
Exercise of share options and RSUs	37,908	—	1	446,197
Shares repurchased and cancelled	(16,000)	—	—	(154,571)
Issuance of ordinary shares to Share Scheme Trusts (i)	64,093	—	—	—
Release of ordinary shares from Share Scheme Trusts (i)	—	—	—	858,218
Share issued for acquisition of Zimi completed in 2021	5,305	—	—	64,752
<b>As of June 30, 2023 (unaudited)</b>	<b>25,042,640</b>	<b>62</b>	<b>407</b>	<b>60,697,884</b>
<b>As of January 1, 2022</b>	<b>24,992,449</b>	<b>62</b>	<b>407</b>	<b>59,717,626</b>
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
Share issued for acquisition of Zimi completed in 2021	5,888	—	—	14,938
<b>As of June 30, 2022 (unaudited)</b>	<b>24,954,763</b>	<b>62</b>	<b>406</b>	<b>59,117,538</b>



## 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
<b>As of January 1, 2023</b>	<b>20,289</b>	<b>190,795</b>
Shares repurchased	44,538	439,006
Shares cancelled	(16,000)	(154,571)
Release of ordinary shares from Share Scheme Trusts	(428)	(4,889)
<b>As of June 30, 2023 (unaudited)</b>	<b>48,399</b>	<b>470,341</b>
<b>As of January 1, 2022</b>	<b>24,503</b>	<b>343,730</b>
Shares repurchased	87,248	1,038,588
Shares cancelled	(107,462)	(1,346,094)
<b>As of June 30, 2022 (unaudited)</b>	<b>4,289</b>	<b>36,224</b>

During the six months ended June 30, 2023, 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\$'000
April 2023	1,938	12.36	12.02	23,773
May 2023	4,400	10.54	10.46	46,198
June 2023	38,200	11.00	9.96	407,831
	<b>44,538</b>			<b>477,802</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 25 Borrowings

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

Notes:

- (a) As of June 30, 2023, other than the interest rate of 14.30% (December 31, 2022: 14.30%) for unsecured borrowings in Turkish Lira ("TRY") 189,466,000 (December 31, 2022: TRY189,466,000) which was equivalent to RMB52,762,000 (December 31, 2022: RMB70,538,000), the interest rate of the remaining unsecured borrowings was 2.38% to 4.10% (December 31, 2022: 2.10% to 4.10%) per annum.
- (b) 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):

(b) (continued)

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

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

	RMB'000
<b>Liability component as of January 1, 2023</b>	<b>4,734,741</b>
Interest accrued	<b>110,475</b>
Effect of foreign currency translation	<b>181,987</b>
<b>Liability component as of June 30, 2023</b>	<b>5,027,203</b>

The equity component of the Bonds of RMB1,764,799,000 was included in "Reserves" of the Group as of June 30, 2023 and December 31, 2022.

## 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 RMB592,631,000 as of June 30, 2023 (December 31, 2022: RMB698,411,000).

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>At the beginning of the period</b>	<b>2,561,062</b>	1,853,918
Adjustment on amendment to IAS 12 (Note 3)	<b>415,524</b>	555,070
<b>At the beginning of the period (Restated)</b>	<b>2,976,586</b>	2,408,988
Credited to the consolidated income statement	<b>232,264</b>	298,288
<b>At the end of the period</b>	<b>3,208,850</b>	2,707,276

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>At the beginning of the period</b>	<b>(1,266,143)</b>	(1,394,688)
Adjustment on amendment to IAS 12 (Note 3)	<b>(415,524)</b>	(555,070)
<b>At the beginning of the period (Restated)</b>	<b>(1,681,667)</b>	(1,949,758)
(Debited)/credited to the consolidated income statement	<b>(237,506)</b>	372,840
<b>At the end of the period</b>	<b>(1,919,173)</b>	(1,576,918)

## 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 was 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 to 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 was 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. The Pre-IPO ESOP permits the awards of options and RSUs.

On June 17, 2018, the Board of Directors of the Company adopted the establishment 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 shares.

On June 17, 2018, the Board of Directors of the Company adopted the establishment 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.

On March 24, 2023, the Board of Directors of the Company adopted the establishment of the 2023 Share Scheme. The purpose of the 2023 Share 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 2023 Share Scheme will not exceed 2,503,959,565 shares without shareholder’s 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, 2023	345,873,793	0.05
Forfeited during the period	(10,565,000)	0.11
Transferred to Share Scheme Trusts	(4,735,000)	0.12
Exercised during the period	(37,908,270)	0.17
Outstanding as of June 30, 2023 (unaudited)	292,665,523	0.03
Exercisable as of June 30, 2023 (unaudited)	237,503,023	0.25
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

The weighted-average remaining contract life for outstanding share options was 2.86 years and 3.39 years as of June 30, 2023 and December 31, 2022, respectively.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

### 27 Share-based payments (continued)

#### Pre-IPO ESOP (continued)

##### 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, 2023 and 2022, respectively.

#### 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, 2023	120,700,000	24.53
Granted during the period	—	—
Forfeited during the period	—	—
Exercised during the period	—	—
Outstanding as of June 30, 2023 (unaudited)	120,700,000	24.53
Exercisable as of June 30, 2023 (unaudited)	7,425,000	23.55
Outstanding as of January 1, 2022	121,900,000	24.53
Granted during the period	—	—
Forfeited during the period	—	—
Exercised 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

## 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)**

The weighted-average remaining contract life for outstanding share options was 7.20 years and 7.69 years as of June 30, 2023 and December 31, 2022, respectively.

*Fair value of share options*

The Group has used the Binomial option-pricing model to determine the fair value of the share option as of the grant date.

**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 (HK\$)
Outstanding as of January 1, 2023	569,589,764	16.86
Granted during the period	238,816,959	11.69
Forfeited during the period	(29,087,998)	16.46
Transferred to Share Scheme Trust	(62,552,106)	14.61
<b>Outstanding as of June 30, 2023 (unaudited)</b>	<b>716,766,619</b>	<b>15.35</b>
Outstanding as of January 1, 2022	359,723,827	21.44
Granted during the period	230,250,143	14.05
Forfeited during the period	(41,051,902)	19.07
Transferred to Share Scheme Trust	(25,744,186)	16.13
<b>Outstanding as of June 30, 2022 (unaudited)</b>	<b>523,177,882</b>	<b>18.64</b>

The weighted-average remaining contract life for outstanding RSUs was 8.81 years and 8.83 years as of June 30, 2023 and December 31, 2022, respectively.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

### 27 Share-based payments (continued)

#### Share Award Scheme (continued)

##### RSUs granted to employees (continued)

The total expenses recognized in the consolidated income statement in connection with share options and RSUs granted to the Group's employees under all share-based payment schemes are RMB1,522,695,000 and RMB1,415,046,000 for the six months ended June 30, 2023 and 2022, 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, 2023.

The total expenses recognized and reversed in the consolidated income statements for the Employee Fund granted to the Group's employees are RMB67,554,000 and RMB161,685,000 for the six months ended June 30, 2023 and 2022, respectively.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 28 Other non-current liabilities

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Liabilities to fund investors (Note (a))	14,810,660	14,859,228
Lease liabilities (Note 22)	1,287,867	1,464,736
Payables for purchase of intangible assets	1,441,547	—
Others	220,393	210,867
	<b>17,760,467</b>	<b>16,534,831</b>

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, 2023 and December 31, 2022, the carrying amounts of trade payables were primarily denominated in RMB, US\$ and INR.

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

## 30 Other payables and accruals

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Amounts collected for third parties	741,748	842,068
Payroll and welfare payables	1,914,195	2,535,922
Deposits payable	3,712,810	4,335,731
Employee fund (Note 27)	854,229	811,018
Accrual expenses	2,044,860	1,752,006
Payables for construction cost	2,140,656	1,748,373
Payables for investments	94,667	93,866
Other taxes payables	1,324,382	886,005
Lease liabilities (Note 22)	771,015	947,392
Deposits from customers	1,509,409	1,607,408
Payables under letter of credit	—	271,630
Deferred government grants	2,205,316	1,169,511
Payables for purchase of intangible assets	509,419	—
Others	2,378,320	1,439,786
	<b>20,201,026</b>	<b>18,440,716</b>

## 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 (the “**ED**”) in relation to compliance of relevant income tax regulations, custom duties regulations as well as foreign exchange regulations, respectively.

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

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

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

## 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 period/year but not yet incurred is as follows:

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	<b>As of December 31, 2022 RMB'000 (Audited)</b>
Property and equipment	1,610,098	2,366,080
Intangible assets	5,991	1,165,439
Investments	681,087	882,374
	<b>2,297,176</b>	<b>4,413,893</b>

**(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, variable lease payments and leases contracted but before the commencement date 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:

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	<b>As of December 31, 2022 RMB'000 (Audited)</b>
Not later than 1 year	87,248	289,127
Later than 1 year and not later than 5 years	81,603	681,126
Later than 5 years	855,925	855,925
	<b>1,024,776</b>	<b>1,826,178</b>

## 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,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>(i) Sales of goods and services</b>		
Associates of the Group	200,339	875,183
Associates of Lei Jun	36,422	25,477
	<b>236,761</b>	900,660
<b>(ii) Purchases of goods and services</b>		
Associates of the Group	13,900,417	19,513,639
Associates of Lei Jun	1,449	1,742
	<b>13,901,866</b>	19,515,381

## 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, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
<b>(i) Trade receivables from related parties</b>		
Associates of the Group	204,581	292,583
Associates of Lei Jun	2,715	3,001
	<b>207,296</b>	295,584
<b>(ii) Trade payables to related parties</b>		
Associates of the Group	7,732,875	7,171,035
Associates of Lei Jun	2,704	1,767
	<b>7,735,579</b>	7,172,802
<b>(iii) Other receivables from related parties</b>		
Associates of the Group	812,183	294,097
Associates of Lei Jun	56,109	71,783
	<b>868,292</b>	365,880
<b>(iv) Other payables to related parties</b>		
Associates of the Group	143,868	85,431
Associates of Lei Jun	6,530	86,461
	<b>150,398</b>	171,892



## 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, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
<b>(v) Prepayments</b>		
Associates of the Group	90,531	160,699
<b>(vi) Advance from customers</b>		
Associates of the Group	68,504	37,838
Associates of Lei Jun	75	80
	<b>68,579</b>	<b>37,918</b>

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,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Loans to associates:</b>		
At the beginning of the period	1,936	1,682
Loans advanced	—	80,940
Loans repaid	(2,761)	—
Interest charged	—	858
Allowance for impairment reversed	757	—
Currency translation differences	68	4,631
At the end of the period	—	88,111

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

**33 Related party transactions (continued)****(d) Key management compensation**

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries	10,985	22,245
Discretionary bonuses	—	10,876
Share-based compensation	140,931	195,740
Employer's contribution to pension schedule	892	762
	<b>152,808</b>	<b>229,623</b>

**34 Events after the reporting period**

The Company has repurchased 6,900,000 Class B ordinary shares of the Company in July 2023 at a total considerations of approximately HK\$74,525,000.

# 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
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“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 Duokan 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 wholly-owned subsidiary

“Board”	our board of Directors
“CG Code”	the Corporate Governance Code 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 8, 2023, 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

<b>“Main Board”</b>	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
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
<b>“Onshore Holdcos,” each a “Onshore Holdco”</b>	(i) Beijing Wali Culture, (ii) Rigo Design, (iii) Xiaomi Inc., (iv) Beijing Duokan, (v) Beijing Wali Internet, (vi) Xiaomi Pictures, (vii) Beijing Electronic Software and (viii) Youpin Information Technology
<b>“Pinecone International”</b>	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
<b>“Pinecone Share Option Scheme I”</b>	the share option scheme adopted by Pinecone International on July 30, 2015 as amended from time to time
<b>“Pinecone Share Option Scheme II”</b>	the share option scheme adopted by Pinecone International on June 17, 2018 as amended from time to time
<b>“Post-IPO Share Option Scheme”</b>	the share option scheme adopted by the Company on June 17, 2018 as amended from time to time
<b>“PRC”</b>	the People’s Republic of China
<b>“PRC Legal Advisor”</b>	JunHe LLP
<b>“Pre-IPO ESOP”</b>	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
<b>“Prospectus”</b>	the prospectus of the Company dated June 25, 2018

## DEFINITIONS

“Registered Shareholders”	the registered shareholders of the Onshore Holdcos
“Reporting Period”	the six months ended June 30, 2023
“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” or “Post-IPO 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
“Youpin Information Technology”	Youpin Information Technology Co., Ltd.* (有品信息科技有限公司), a limited liability company established under the laws of mainland China on April 4, 2018 and our Consolidated Affiliated Entity
“%”	per cent
“2023 Share Scheme”	the share scheme adopted by the Company on June 8, 2023 as amended from time to time

\* For identification purposes only.

