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XIAOMI CORPORATION

小米集团

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

(Stock Code: 1810; and Debt Stock Codes: 40209 and 40511)

**(1) PROPOSED ISSUE OF US\$ DENOMINATED SENIOR BONDS
TO BE UNCONDITIONALLY AND IRREVOCABLY
GUARANTEED BY THE COMPANY AND
(2) CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE THREE MONTHS ENDED
MARCH 31, 2021**

(1) THE PROPOSED BONDS ISSUE

The Issuer, a wholly-owned subsidiary of the Company, proposes to conduct an international offering of the Bonds to professional investors only, including Bonds issued under its Green Finance Framework (the “**Green Bonds**”), subject to market and other conditions. The Bonds are proposed to be unconditionally and irrevocably guaranteed by the Company.

Completion of the Proposed Bonds Issue is subject to, among others, market conditions and investor interest. As at the date of this announcement, the principal amount, the interest rate, the payment date and certain other terms and conditions of the Bonds have yet to be finalized. Upon finalizing the terms of the Bonds, it is expected that the Issuer, the Company, the Joint Global Coordinators, the Joint Lead Managers and Joint Bookrunners and the other initial purchasers (if any) will enter into a purchase agreement.

The Bonds and the related guarantee by the Company have not been, and will not be, registered under the U.S. Securities Act. The Bonds will be offered or sold only (i) in the U.S. to Qualified Institutional Buyers as defined in Rule 144A under the U.S. Securities Act in compliance with Rule 144A, and (ii) outside the U.S. in offshore transactions in reliance on Regulation S under the U.S. Securities Act. None of the Bonds will be offered to the public in Hong Kong other than professional investors, nor will the Bonds be placed to any connected persons of the Issuer or the Company.

UK MiFIR professionals/ECPs-only — Manufacturer target market (UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels).

No PRIIPs KID — No PRIIPs key information document has been prepared as the Bonds will not be available to retail investors in the European Economic Area.

No UK PRIIPs KID — No UK PRIIPs key information document has been prepared as the Bonds will not be available to retail investors in the United Kingdom.

Reason for the Proposed Bonds Issue

The Group intends to use the net proceeds of the sale of the Bonds (excluding the Green Bonds) for general corporate purposes.

The Group intends to use the net proceeds of the sale of the Green Bonds or an equivalent amount thereof for financing or refinancing, in whole or in part, one or more of the Group's new or existing Eligible Projects, pursuant to the Group's Green Finance Framework. The Green Finance Framework has received a "second party opinion" by an independent consultant.

The Group may reallocate the use of the net proceeds in response to unforeseen events or changing business conditions.

Listing

Application will be made to the Stock Exchange for listing of, and permission to deal in, the Bonds by way of debt issue to professional investors only. Listing of the Bonds on the Stock Exchange is not to be taken as an indication of the merits of the Bonds, the Issuer or the Company.

(2) CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

In connection with the Proposed Bonds Issue, the Company will provide certain professional investors with recent financial information as extracted from the condensed consolidated interim financial information of the Company for the three months ended March 31, 2021 (the "**Unaudited Financial Statements**"), which contain more information than the Company's quarterly results announcement previously published on May 26, 2021. To ensure equal dissemination of information to the shareholders of the Company and public investors, the Unaudited Financial Statements are attached to this announcement.

GENERAL

As no binding agreement in relation to the Proposed Bonds Issue has been entered into as at the date of this announcement, the Proposed Bonds Issue may or may not materialize. Potential investors and shareholders of the Company are advised to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Bonds Issue will be made by the Company as and when appropriate.

PRC ONSHORE BOND ISSUANCE

The Company is also pleased to announce that Xiaomi Communications Co., Ltd. (小米通訊技術有限公司) (the “**Onshore Issuer**”), a domestic wholly-owned subsidiary of the Company, intends to issue the short-term technological innovation corporate bonds (Series 1) (科技創新短期公司債券 (第一期)) on the Shanghai Stock Exchange. It is expected that the use of the net proceeds from the bond offering by the Onshore Issuer will include, but not limited to, supplementing working capital and repaying loans in relation to investments in research and development and advanced manufacturing.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

- “Board” : the board of Directors
- “Bonds” : one or more series of US\$ denominated senior bonds, including the Green Bonds, to be issued by the Issuer and unconditionally and irrevocably guaranteed by the Company
- “Company” : Xiaomi Corporation, a limited liability company incorporated in the Cayman Islands, the Class B shares of which are listed on the Stock Exchange (Stock Code: 1810)
- “Director(s)” : the director(s) of the Company
- “Eligible Projects” : the investments and expenditures made by the Group in assets and projects that are aligned with one or more of the following project categories: (a) eco-efficient and circular economy adapted products, production technologies and processes; (b) energy efficiency; (c) green buildings; (d) clean transportation; (e) pollution prevention and control; and (f) renewable energy
- “Group” : the Company, its subsidiaries, and its variable interest entities and their respective subsidiaries, unless the context indicates otherwise
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China

- “Issuer” : Xiaomi Best Time International Limited, a public company limited by shares incorporated under the laws of Hong Kong
- “Joint Global Coordinators” : Goldman Sachs (Asia) L.L.C., Credit Suisse (Hong Kong) Limited and J.P. Morgan Securities plc
- “Joint Lead Managers and Joint Bookrunners” : Goldman Sachs (Asia) L.L.C., Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, CLSA Limited, Morgan Stanley & Co. International plc, Citigroup Global Markets Inc, The Hongkong and Shanghai Banking Corporation Limited, Bank of China Limited, China Construction Bank (Asia) Corporation Limited, ICBC International Securities Limited and AMTD Global Markets Limited
- “Listing Rules” : the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
- “PRIIPs” : packaged retail investment and insurance-based products (as defined by Regulation (EU) No. 1286/2014, as amended)
- “professional investors” : has the meaning ascribed to it in Chapter 37 of the Listing Rules
- “Proposed Bonds Issue” : the proposed issue of the Bonds
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “subsidiary” : has the meaning ascribed to it under the Listing Rules
- “UK PRIIPs” : packaged retail investment and insurance-based products (as defined by Regulation (EU) No. 1286/2014, as amended, and as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018)
- “U.S.” or “United States” : the United States of America, its territories and possessions and all areas subject to its jurisdiction
- “U.S. Securities Act” : the United States Securities Act of 1933, as amended
- “US\$” : United States dollars, the official currency of the U.S.

By order of the Board
Xiaomi Corporation
Lei Jun
Chairman

Hong Kong, July 6, 2021

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

Xiaomi Corporation

Condensed Consolidated Interim Financial Information

For the three months ended March 31, 2021

Report on Review of Interim Financial Information



羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 38, which comprises the condensed consolidated balance sheet of Xiaomi Corporation (the “**Company**”) and its subsidiaries (together, the “**Group**”) as of March 31, 2021 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other 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, May 26, 2021

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CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended March 31, 2021

(Expressed in Renminbi (“RMB”))

		Unaudited	
		Three months ended	
		March 31,	
	Note	2021	2020
		RMB’000	RMB’000
Revenue	6	76,882,163	49,702,167
Cost of sales	6, 9	<u>(62,720,932)</u>	<u>(42,143,710)</u>
Gross profit		14,161,231	7,558,457
Selling and marketing expenses	9	(4,163,475)	(2,624,873)
Administrative expenses	9	(987,652)	(781,533)
Research and development expenses	9	(3,011,991)	(1,870,984)
Fair value changes on investments measured at fair value through profit or loss	14	2,063,207	347,846
Share of gains of investments accounted for using the equity method	11	8,989	130,738
Other income	7	152,053	73,727
Other losses, net	8	<u>(64,699)</u>	<u>(510,190)</u>
Operating profit		8,157,663	2,323,188
Finance income	10	275,208	291,946
Finance costs	10	<u>634,009</u>	<u>(161,045)</u>
Profit before income tax		9,066,880	2,454,089
Income tax expenses	12	<u>(1,277,973)</u>	<u>(294,195)</u>
Profit for the period		<u>7,788,907</u>	<u>2,159,894</u>
Attributable to:			
— Owners of the Company		7,792,889	2,163,515
— Non-controlling interests		<u>(3,982)</u>	<u>(3,621)</u>
		<u>7,788,907</u>	<u>2,159,894</u>
Earnings per share (expressed in RMB per share):	13		
Basic		<u>0.311</u>	0.091
Diluted		<u>0.302</u>	0.089

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2021
(Expressed in RMB)

	Note	Unaudited Three months ended March 31,	
		2021	2020
		RMB'000	RMB'000
Profit for the period		7,788,907	2,159,894
Other comprehensive income:			
<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	(55,217)	23,436
Net income from changes in fair value of financial assets			
at fair value through other comprehensive income		3,715	—
Currency translation differences		97,164	8,345
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		358,708	485,447
		<u>404,370</u>	<u>517,228</u>
Other comprehensive income for the period, net of tax			
		<u>8,193,277</u>	<u>2,677,122</u>
Attributable to:			
— Owners of the Company		8,196,150	2,675,233
— Non-controlling interests		(2,873)	1,889
		<u>8,193,277</u>	<u>2,677,122</u>

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

CONDENSED CONSOLIDATED BALANCE SHEET

As of March 31, 2021
(Expressed in RMB)

	Note	Unaudited As of March 31, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Assets			
Non-current assets			
Property and equipment		6,652,138	6,305,657
Intangible assets		3,981,590	4,265,619
Investments accounted for using the equity method	11	13,173,876	12,781,995
Long-term investments measured at fair value through profit or loss	14	38,765,178	35,215,319
Deferred income tax assets	23	1,717,411	2,011,072
Long-term bank deposits		13,406,709	9,608,677
Long-term investments measured at amortized cost	14	354,066	232,798
Other non-current assets	19, 20	8,756,654	6,975,851
		<u>86,807,622</u>	<u>77,396,988</u>
Current assets			
Inventories	18	49,537,348	41,670,719
Trade receivables	16	12,638,874	10,161,019
Loan receivables	15	7,636,143	8,919,088
Prepayments and other receivables	17	22,995,233	16,181,520
Bills receivables measured at fair value through other comprehensive income		875,972	200,000
Short-term investments measured at fair value through other comprehensive income	14	1,119,270	797,456
Short-term investments measured at amortized cost	14	1,314,541	—
Short-term investments measured at fair value through profit or loss	14	22,855,966	22,376,387
Short-term bank deposits		34,939,507	17,598,946
Restricted cash		2,073,854	3,625,257
Cash and cash equivalents		34,279,506	54,752,443
		<u>190,266,214</u>	<u>176,282,835</u>
Total assets		<u><u>277,073,836</u></u>	<u><u>253,679,823</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As of March 31, 2021
(Expressed in RMB)

	Note	Unaudited As of March 31, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	21	410	409
Reserves	21	<u>131,935,957</u>	<u>123,691,287</u>
		<u>131,936,367</u>	<u>123,691,696</u>
Non-controlling interests		<u>318,979</u>	<u>321,819</u>
Total equity		<u><u>132,255,346</u></u>	<u><u>124,013,515</u></u>
Liabilities			
Non-current liabilities			
Borrowings	22	13,612,704	10,634,806
Deferred income tax liabilities	23	378,966	300,556
Warranty provision		844,056	802,590
Other non-current liabilities	25	<u>10,181,834</u>	<u>10,001,428</u>
		<u>25,017,560</u>	<u>21,739,380</u>
Current liabilities			
Trade payables	26	82,306,095	72,198,856
Other payables and accruals	27	14,664,300	13,619,655
Advance from customers		11,644,068	11,999,086
Borrowings	22	7,392,181	6,961,937
Income tax liabilities		826,122	674,298
Warranty provision		<u>2,968,164</u>	<u>2,473,096</u>
		<u>119,800,930</u>	<u>107,926,928</u>
Total liabilities		<u><u>144,818,490</u></u>	<u><u>129,666,308</u></u>
Total equity and liabilities		<u><u>277,073,836</u></u>	<u><u>253,679,823</u></u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2021
(Expressed in RMB)

Note	Unaudited							Non-controlling interests	Total equity
	Attributable to owners of the Company						Sub-total		
	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2021	409	(36,224)	64,655,891	8,158,661	50,912,959	123,691,696	321,819	124,013,515	
Comprehensive income									
Profit for the period	—	—	—	—	7,792,889	7,792,889	(3,982)	7,788,907	
Other comprehensive income									
<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	—	—	—	(55,217)	—	(55,217)	—	
Net gains from changes in fair value of financial assets at fair value through other comprehensive income		—	—	—	3,715	—	3,715	—	
Currency translation differences		—	—	—	96,055	—	96,055	1,109	
<i>Item that will not be reclassified subsequently to profit or loss</i>									
Currency translation differences		—	—	—	358,708	—	358,708	—	
Total comprehensive income		—	—	—	403,261	7,792,889	8,196,150	(2,873)	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended March 31, 2021
(Expressed in RMB)

Note	Unaudited								
	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Sub-total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Transactions with owners in their capacity as owners									
Purchase of own shares	21	—	(421,660)	—	—	—	(421,660)	—	(421,660)
Release of ordinary shares from Share Scheme Trusts	21	—	—	204,038	(199,449)	—	4,589	—	4,589
Share of other reserves of investments accounted for using the equity method	11	—	—	—	172,989	—	172,989	—	172,989
Employees share-based compensation scheme: — value of employee services	24	—	—	—	272,930	—	272,930	33	272,963
— exercise of share options and restricted stock units	21, 24	1	—	127,808	(108,136)	—	19,673	—	19,673
Appropriation to general reserve		—	—	—	2,562	(2,562)	—	—	—
Total transactions with owners in their capacity as owners		1	(421,660)	331,846	140,896	(2,562)	48,521	33	48,554
Balance at March 31, 2021		410	(457,884)	64,987,737	8,702,818	58,703,286	131,936,367	318,979	132,255,346

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended March 31, 2021
(Expressed in RMB)

	Unaudited								
	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Sub-total			
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2020		388	(1,052,822)	43,578,836	8,031,146	30,773,026	81,330,574	327,102	81,657,676
Comprehensive income									
Profit for the period		—	—	—	—	2,163,515	2,163,515	(3,621)	2,159,894
Other comprehensive income									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Share of other comprehensive income of investments accounted for using the equity method	11	—	—	—	23,436	—	23,436	—	23,436
Currency translation differences		—	—	—	2,835	—	2,835	5,510	8,345
<i>Item that will not be reclassified subsequently to profit or loss</i>									
Currency translation differences		—	—	—	485,447	—	485,447	—	485,447
Total comprehensive income		—	—	—	511,718	2,163,515	2,675,233	1,889	2,677,122

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended March 31, 2021
(Expressed in RMB)

	Unaudited								
	Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Transactions with owners in their capacity as owners									
Cancellation of shares	21	—	890,791	(894,058)	—	—	(3,267)	—	(3,267)
Release of ordinary shares from Share Scheme Trusts	21	—	—	241,546	(230,528)	—	11,018	—	11,018
Share of other reserves of investments accounted for using the equity method	11	—	—	—	32,597	—	32,597	—	32,597
Employees share-based compensation scheme:									
— value of employee services	24	—	—	—	485,278	—	485,278	105	485,383
— exercise of share options and restricted stock units	21, 24	1	—	424,982	(376,871)	—	48,112	—	48,112
Appropriation to general reserve		—	—	—	15,574	(15,574)	—	—	—
Total transactions with owners in their capacity as owners		<u>1</u>	<u>890,791</u>	<u>(227,530)</u>	<u>(73,950)</u>	<u>(15,574)</u>	<u>573,738</u>	<u>105</u>	<u>573,843</u>
Balance at March 31, 2020		<u>389</u>	<u>(162,031)</u>	<u>43,351,306</u>	<u>8,468,914</u>	<u>32,920,967</u>	<u>84,579,545</u>	<u>329,096</u>	<u>84,908,641</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2021
(Expressed in RMB)

	Unaudited	
	Three months ended	
	March 31,	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operations	2,036,329	(7,518,535)
Income tax paid	(582,343)	(686,804)
	<u>1,453,986</u>	<u>(8,205,339)</u>
Cash flows from investing activities		
Capital expenditures	(1,131,037)	(642,252)
Proceeds from disposal of property and equipment	2,063	3,754
Placement of short-term bank deposits	(24,847,697)	(10,664,639)
Withdrawal of short-term bank deposits	7,682,822	19,047,866
Placement of long-term bank deposits	(3,808,032)	(1,790,064)
Purchase of short-term investments measured at fair value through profit or loss	(62,513,666)	(20,625,058)
Proceeds from maturity of short-term investments measured at fair value through profit or loss	61,980,859	24,140,390
Purchase of short-term investments measured at fair value through other comprehensive income	(536,565)	—
Proceeds from maturity of short-term investments measured at fair value through other comprehensive income	222,301	—
Purchase of long-term investments measured at amortized cost	(119,225)	—
Purchase of short-term investments measured at amortized cost	(1,314,541)	—
Interest income received	241,783	394,375
Investment income received	196,740	61,362
Purchase of long-term investments measured at fair value through profit or loss	(1,986,100)	(2,449,658)
Proceeds from disposal of long-term investments measured at fair value through profit or loss	299,652	733,528
Purchase of investments accounted for using the equity method	(152,097)	—
Proceeds from disposal of investments accounted for using the equity method	223,579	—
Dividends received	12,488	787
	<u>(25,546,673)</u>	<u>8,210,391</u>
Net cash (used in)/generated from investing activities		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

*For the three months ended March 31, 2021
(Expressed in RMB)*

	Unaudited	
	Three months ended	
	March 31,	
	2021	2020
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from borrowings	4,541,903	3,516,778
Repayment of borrowings	(1,271,102)	(4,767,579)
Finance expenses paid	(90,522)	(118,262)
Withdrawal of restricted cash	500,000	180,203
Net proceeds from exercise of share options	34,769	92,440
Payment of lease liabilities	(131,481)	(134,909)
	<u>3,583,567</u>	<u>(1,231,329)</u>
Net decrease in cash and cash equivalents	(20,509,120)	(1,226,277)
Cash and cash equivalents at the beginning of the period	54,752,443	25,919,861
Effects of exchange rate changes on cash and cash equivalents	36,183	380,103
	<u>34,279,506</u>	<u>25,073,687</u>

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

1 General information

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

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

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

The condensed consolidated interim financial information comprises the condensed consolidated balance sheet as of March 31, 2021, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other 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 May 26, 2021.

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

2 Basis of preparation

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

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 2020 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) by the Group as set out in the 2020 annual report of the Company dated March 24, 2021 (the “**2020 Financial Statements**”).

3 Significant accounting policies

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2020, as described in the 2020 Financial Statements, except for the adoption of amended standards as set out below.

New and amended standards adopted by the Group

The following amended standards are mandatory for the first time for the Group’s financial year beginning on January 1, 2021 and are applicable for the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on Interest Rate Benchmark Reform — Phase 2

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

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 2020 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 2020 Financial Statements and there have been no significant changes in the financial risk management policies for the three months ended March 31, 2021.

5.2 Fair value estimation

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
Assets				
Long-term investments measured at fair value through profit or loss (Note 14)	7,617,301	—	31,147,877	38,765,178
Short-term investments measured at fair value through profit or loss (Note 14)	—	—	22,855,966	22,855,966
Short-term investments measured at fair value through other comprehensive income (Note 14)	1,119,270	—	—	1,119,270
Bills receivables measured at fair value through other comprehensive income	—	—	875,972	875,972
	<u>8,736,571</u>	<u>—</u>	<u>54,879,815</u>	<u>63,616,386</u>

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, 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)				
Assets				
Long-term investments measured at fair value through profit or loss (Note 14)	6,377,087	—	28,838,232	35,215,319
Short-term investments measured at fair value through profit or loss (Note 14)	—	—	22,376,387	22,376,387
Short-term investments measured at fair value through other comprehensive income (Note 14)	797,456	—	—	797,456
Bills receivables measured at fair value through other comprehensive income	—	—	200,000	200,000
	<u>7,174,543</u>	<u>—</u>	<u>51,414,619</u>	<u>58,589,162</u>

(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.

(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.

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 three months ended March 31, 2021 and 2020.

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	28,838,232	17,028,273
Additions	1,773,828	1,286,398
Disposals	(203,512)	(81,678)
Changes in fair value	720,491	41
Transfer to long-term investments accounted for using the equity method	(145,044)	—
Exchange gains	163,882	140,857
	<u>31,147,877</u>	<u>18,373,891</u>
At the end of the period		
Net unrealized gains for the period	<u>719,120</u>	<u>41</u>

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the three months ended March 31, 2021 and 2020.

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	22,376,387	16,463,390
Additions	62,513,666	20,625,058
Disposals	(62,177,599)	(24,201,752)
Changes in fair value	212,875	117,544
Exchange losses	(69,363)	—
	<u>22,855,966</u>	<u>13,004,240</u>
At the end of the period		
Net unrealized gains for the period	<u>96,056</u>	<u>56,182</u>

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 14), and short-term investments measured at fair value through profit or loss (Note 14). 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.

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 March 31,	As of December 31,		As of March 31,	As of December 31,	
	2021	2020		2021	2020	
	RMB'000	RMB'000				
	(Unaudited)	(Audited)				
Long-term investments measured at fair value through profit or loss	31,147,877	28,838,232	Expected volatility	34%–62%	28%–71%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability (“DLOM”)	15%–30%	10%–25%	The higher the DLOM, the lower the fair value
			Risk-free rate	0.1%–3%	0.1%–5%	The higher the risk-free rate, the higher the fair value
Short-term investments measured at fair value through profit or loss	22,855,966	22,376,387	Expected rate of return	1%–4%	1%–7%	The higher the expected rate of return, the higher the fair value

There were no material transfers between level 1, 2 and 3 of fair value hierarchy classifications during the three months ended March 31, 2021.

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

6 Segment information

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

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

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

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 and sale of materials.

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

There were no material inter-segment sales during the three months ended March 31, 2021 and 2020. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated income statement.

6 Segment information (continued)

The segment results for the three months ended March 31, 2021 and 2020 are as follows:

	Three months ended March 31, 2021				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
(Unaudited)					
Segment revenues	51,490,983	18,243,267	6,570,848	577,065	76,882,163
Cost of sales	(44,857,384)	(15,590,732)	(1,816,119)	(456,697)	(62,720,932)
Gross profit	6,633,599	2,652,535	4,754,729	120,368	14,161,231
	Three months ended March 31, 2020				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
(Unaudited)					
Segment revenues	30,324,723	12,984,208	5,900,696	492,540	49,702,167
Cost of sales	(27,872,334)	(11,242,932)	(2,529,144)	(499,300)	(42,143,710)
Gross profit/(loss)	2,452,389	1,741,276	3,371,552	(6,760)	7,558,457

For the three months ended March 31, 2021 and 2020, the geographical information on the total revenues is as follows:

	Three months ended March 31, 2021		2020	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Mainland China	39,473,714	51.3	24,870,044	50.0
Rest of the world (Note(a))	37,408,449	48.7	24,832,123	50.0
	<u>76,882,163</u>		<u>49,702,167</u>	

Note:

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

The major customers which contributed nearly 10% of the total revenue of the Group for the three months ended March 31, 2021 and 2020 are listed as below:

	Three months ended March 31,	
	2021 %	2020 %
	(Unaudited)	(Unaudited)
Customer A	<u>12.6</u>	<u>9.4</u>

All the revenues derived from other single external customer were less than 10% of the Group's total revenues during the three months ended March 31, 2021 and 2020.

7 Other income

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	43,742	14,988
Value-added tax and other tax refunds	64,352	30,429
Dividend income	12,488	787
Additional deduction of input value added tax	31,471	27,523
	<u>152,053</u>	<u>73,727</u>

8 Other losses, net

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gains on disposal of an investment accounted for using the equity method	182,577	—
Foreign exchanges losses, net	(251,811)	(503,346)
Impairment on an investment accounted for using the equity method	—	(25,976)
Others	4,535	19,132
	<u>(64,699)</u>	<u>(510,190)</u>

9 Expenses by nature

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	57,003,065	36,844,207
Provision for impairment of inventories (Note 18)	317,118	409,339
Royalty fees	2,159,659	1,526,460
Employee benefit expenses	3,383,311	2,209,921
Depreciation of property and equipment, right-of-use assets and investment properties	359,695	229,692
Amortization of intangible assets	297,635	122,228
Promotion and advertising expenses	1,132,661	851,772
Content fees to game developers and video providers	683,452	688,934
Credit loss allowance for loan receivables	58,553	491,554
Consultancy and professional service fees	287,555	194,210
Cloud service, bandwidth and server custody fees	573,782	453,912
Warranty expenses	1,072,526	637,878

10 Finance income and costs

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	<u>275,208</u>	<u>291,946</u>
	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
Finance costs:		
Interest expense from liabilities to fund investors (Note 25)	<u>(788,017)</u>	41,006
Interest expense from borrowings (Note 22) and lease liabilities (Note 19)	<u>154,008</u>	<u>120,039</u>
	<u>(634,009)</u>	<u>161,045</u>

11 Investments accounted for using the equity method

	As of	As of
	March 31,	December 31,
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investments in associate accounted for using the equity method		
— Listed entities (Note (a))	<u>8,071,406</u>	7,994,282
— Unlisted entities	<u>5,102,470</u>	<u>4,787,713</u>
	<u>13,173,876</u>	<u>12,781,995</u>
	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	<u>12,781,995</u>	9,300,507
Additions	297,141	—
Disposals	(32,021)	—
Share of gains	8,989	130,738
Share of other comprehensive (loss)/income	(55,217)	23,436
Share of changes of other reserves	172,989	32,597
Impairment provision	—	(25,976)
	<u>13,173,876</u>	<u>9,461,302</u>

Note:

(a) As at March 31, 2021, the fair value of the investments in associates which were listed entities was RMB25,825,694,000 (December 31, 2020: RMB27,255,565,000).

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.

12 Income tax expenses

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

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	905,902	532,406
Deferred income tax	372,071	(238,211)
Income tax expenses	1,277,973	294,195

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 24), 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 (of which the tax rate was 16.5% up to April 1, 2018 when the two-tiered profits tax regime took effect), under which the tax rate is 8.25% for assessable profits in the first HK\$2 million and 16.5% for any assessable profits in excess.

(d) *India income tax*

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

(e) *Preferential EIT rate*

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

Beijing Xiaomi Mobile Software Co., Ltd. ("Xiaomi Mobile") was qualified as a "Key Software Enterprise" in the third quarter of 2018 and renewed this qualification annually, hence it enjoys a preferential income tax rate of 10% from 2017 to 2020. 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 three months ended March 31, 2021.

Xiaomi Digital Technology Co., Ltd. ("Xiaomi Digital") was qualified as a "High and New Technology Enterprise" in November 2018, hence it enjoys a preferential income tax rate of 15% for three years from 2018 to 2020. Xiaomi Digital is in the process of renewing this qualification. The directors of the Company consider it can still be qualified upon renewal and hence continues to enjoy the preferential income tax rate of 15% for the three months ended March 31, 2021.

12 Income tax expenses (continued)

Notes (continued):

(f) *Super Deduction for research and development expense*

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

(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.

13 Earnings per share

(a) Basic

Basic earnings per share for the three months ended March 31, 2021 and 2020 are calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the periods.

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net profit attributable to the owners of the Company	7,792,889	2,163,515
Weighted average number of ordinary shares in issue (thousand shares)	25,064,362	23,835,403
Basic earnings per share (expressed in RMB per share)	0.311	0.091

(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.

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net profit attributable to the owners of the Company	7,792,889	2,163,515
Add: Interest expense on convertible bonds	39,091	—
Net profit used to determine diluted earnings per share	7,831,980	2,163,515
Weighted average number of ordinary shares in issue (thousand shares)	25,064,362	23,835,403
Adjustments for restricted shares units ("RSUs") and share options granted to employees (thousand shares)	618,933	493,070
Adjustments for share consideration for acquisition of an associate (thousand shares)	27,856	—
Adjustments for convertible bonds (thousand shares)	180,447	—
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	25,891,598	24,328,473
Diluted earnings per share (expressed in RMB per share)	0.302	0.089

14 Investments

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Current assets		
Short-term investments measured at		
— Amortized cost (Note (a))	1,314,541	—
— Fair value through other comprehensive income (Note (b))	1,119,270	797,456
— Fair value through profit or loss (Note (c))	22,855,966	22,376,387
	<u>25,289,777</u>	<u>23,173,843</u>
Non-current assets		
Long-term investments measured at amortized cost (Note (b))	354,066	232,798
Long-term investments measured at fair value through profit or loss		
— Equity investments (Note (d))	15,569,193	13,969,457
— Preferred shares investments (Note (e))	23,195,985	21,245,862
	<u>39,119,244</u>	<u>35,448,117</u>

Notes:

- (a) Short-term investments measured at amortized cost are wealth management products (“WMPs”), denominated in United States dollar (“US\$”), with guaranteed returns ranging from 0.70% to 0.75% per annum for the three months ended March 31, 2021. 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) These investments measured at fair value through other comprehensive income and amortized cost are mainly debt securities, denominated in Hong Kong dollar (“HK\$”) and US\$, where the contractual cash flows are solely principal and interest. The securities are mainly issued by banks and the fair value of such debt securities was determined based on quoted price on interbank bond market. None of these investments are past due.

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

- (c) The short-term investments measured at fair value through profit or loss are WMPs, denominated in RMB and US\$, with expected rates of return ranging from 0.65% to 3.85% for the three months ended March 31, 2021. The returns on all of these WMPs are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due.

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

- (d) The fair values of the listed securities are determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on quoted market prices (level 1: quoted price (unadjusted) in active markets) without any deduction for transaction costs. For certain listed securities which are restricted for sale in a specified period, their fair values are determined based on quoted market prices and unobservable inputs (i.e. discount rate for lack of marketability) and hence classified as level 3 of the fair value hierarchy. And as of March 31, 2021, the Group has not elected to recognize the fair value gains or losses on these equity investments in OCI.

The fair values of unlisted securities are measured using a valuation technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy. The major assumptions used in the valuation for investment in private companies refer to Note 5.2.

- (e) For the three months ended March 31, 2021, the Group made aggregate preferred shares investments of RMB1,679,828,000. These investees are principally engaged in sales of goods and provision of internet services.

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.

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

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value changes on equity investments	900,805	385,848
Fair value changes on preferred shares investments	949,527	(155,546)
Fair value changes on short-term investments measured at fair value through profit or loss	212,875	117,544
	<u>2,063,207</u>	<u>347,846</u>

15 Loan receivables

	As of	As of
	March 31,	December 31,
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Unsecured loan	8,795,169	11,350,989
Secured loan	1,182,861	377,183
Less: credit loss allowance	(2,341,887)	(2,809,084)
	<u>7,636,143</u>	<u>8,919,088</u>

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

16 Trade receivables

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

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Trade receivables		
Up to 3 months	11,704,592	9,400,187
3 to 6 months	741,337	534,660
6 months to 1 year	116,854	234,844
1 to 2 years	156,641	110,291
Over 2 years	115,693	81,797
	<u>12,835,117</u>	<u>10,361,779</u>
Less: credit loss allowance	(196,243)	(200,760)
	<u><u>12,638,874</u></u>	<u><u>10,161,019</u></u>

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

Trade receivables balances as of March 31, 2021 and December 31, 2020 mainly represented amounts due from certain channel distributors and customers in mainland China and India who usually settle the amounts due by them within 180 days.

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

17 Prepayments and other receivables

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Receivables from subcontractors for outsourcing of raw materials and amounts paid for third parties	15,065,515	7,363,158
Recoverable value-added tax and other taxes	4,997,399	5,649,195
Prepayments to suppliers	810,840	996,788
Deposits to suppliers	409,253	343,141
Receivables from market development fund	377,060	304,787
Prepaid fees for patent expenses and other prepaid expenses	412,276	436,447
Receivables from employees related to Employee Fund (Note 24)	100,750	100,750
Interest receivables	502,153	444,441
Loans to related parties	11,264	11,197
Receivables related to share options and RSUs granted to employees	52,154	300,772
Others	256,569	230,844
	<u>22,995,233</u>	<u>16,181,520</u>

18 Inventories

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Raw materials	24,840,290	15,684,698
Finished goods	15,874,451	17,909,963
Work in progress	4,660,588	4,135,024
Spare parts	2,385,389	1,967,593
Others	2,856,764	3,199,153
	<u>50,617,482</u>	<u>42,896,431</u>
Less: provision for impairment (Note (a))	<u>(1,080,134)</u>	<u>(1,225,712)</u>
	<u>49,537,348</u>	<u>41,670,719</u>

Note:

- (a) Provision for impairment was recognized for the amount by which the carrying amount of the inventories exceeds its net realizable value, and was recorded in “cost of sales” in the consolidated income statements. The provisions for impairment expenses of inventory amounted to RMB317,118,000 and RMB409,339,000 for the three months ended March 31, 2021 and 2020, respectively.

19 Leases

As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
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(i) The consolidated balance sheet includes the following amounts relating to leases:

Right-of-use assets (Note(a))

Land use rights	4,786,309	4,490,143
Servers and other equipment	1,420,952	—
Properties	890,996	865,533
Other assets	8,205	9,948
	<u>7,106,462</u>	<u>5,365,624</u>

Lease liabilities (Note(b))

Current	(892,984)	(363,397)
Non-current	(1,487,498)	(516,482)
	<u>(2,380,482)</u>	<u>(879,879)</u>

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.

Three months ended March 31, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
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(ii) The consolidated income statement includes the following amounts relating to leases:

Depreciation charge of right-of-use assets	200,048	116,633
Interest expense (included in finance costs)	19,113	11,621
Expense relating to short-term leases not included in lease liabilities (included in cost of sales and expenses)	184,051	186,034
Expense relating to variable lease payments not included in lease liabilities (included in operating expenses)	23,716	—
	<u>426,928</u>	<u>314,288</u>

20 Other non-current assets

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Right-of-use assets (Note 19)	7,106,462	5,365,624
Investment properties	1,206,070	1,213,247
Others	444,122	396,980
	<u>8,756,654</u>	<u>6,975,851</u>

21 Share capital and treasury shares

(a) Share capital

Authorized:

As of January 1, 2021 and March 31, 2021, the total authorized number of ordinary shares is 270,000,000,000 shares with par value of US\$0.0000025 per share.

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares US\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
As of January 1, 2021	25,187,308	62	409	64,655,891
Exercise of share options and RSUs	16,484	—	1	127,808
Release of ordinary shares from Share Scheme Trusts (i)	—	—	—	204,038
As of March 31, 2021 (unaudited)	<u>25,203,792</u>	<u>62</u>	<u>410</u>	<u>64,987,737</u>
As of January 1, 2020	24,107,395	59	388	43,578,836
Exercise of share options and RSUs	52,618	—	1	424,982
Shares repurchased and cancelled	(110,317)	—	—	(894,058)
Release of ordinary shares from Share Scheme Trusts (i)	—	—	—	241,546
As of March 31, 2020 (unaudited)	<u>24,049,696</u>	<u>59</u>	<u>389</u>	<u>43,351,306</u>

Note:

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

(b) *Treasury shares*

	Number of shares '000	Amounts RMB'000
As of January 1, 2021	4,289	36,224
Shares repurchased	<u>19,308</u>	<u>421,660</u>
As of March 31, 2021 (unaudited)	<u><u>23,597</u></u>	<u><u>457,884</u></u>
As of January 1, 2020	130,240	1,052,822
Shares cancelled	<u>(110,317)</u>	<u>(890,791)</u>
As of March 31, 2020 (unaudited)	<u><u>19,923</u></u>	<u><u>162,031</u></u>

During the three months ended March 31, 2021, 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\$
March 2021	<u><u>19,308</u></u>	<u><u>26.20</u></u>	<u><u>25.50</u></u>	<u><u>498,900,661</u></u>

22 Borrowings

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Included in non-current liabilities		
Asset-backed securities (Note (a))	—	465,000
Secured borrowings (Note (c))	1,814,081	1,594,936
Unsecured borrowings (Note (d))	7,678,499	4,530,856
Convertible bonds (Note (e))	<u>4,120,124</u>	<u>4,044,014</u>
	<u><u>13,612,704</u></u>	<u><u>10,634,806</u></u>
Included in current liabilities		
Asset-backed securities (Note (a))	2,841,529	3,589,629
Fund raised through trusts (Note (b))	547,500	547,500
Secured borrowings (Note (c))	599,295	460,257
Unsecured borrowings (Note (d))	<u>3,403,857</u>	<u>2,364,551</u>
	<u><u>7,392,181</u></u>	<u><u>6,961,937</u></u>

Notes:

- (a) The Group has securitized certain loan receivables and completed several rounds of issuance of its asset-backed securities (“ABS”). As of March 31, 2021, the total ABS amounting to RMB2,841,529,000 (December 31, 2020: RMB4,054,629,000) bore interest at 2.59%–7.50% per annum.

- (b) The Group has securitized certain loan receivables and raised several rounds of funds through third party trusts. As of March 31, 2021, the fund raised through trust amounting to RMB547,500,000 (December 31, 2020: RMB547,500,000) bore interest 7.00% per annum. The Group is committed to unconditionally repurchase the aforementioned securitized loan receivables. The balance will mature before December 2021.
- (c) As of March 31, 2021, RMB2,303,488,000 (December 31, 2020: RMB2,055,193,000) of borrowings were secured by buildings, construction in progress and land use rights amounting to approximately RMB7,394,399,000 (December 31, 2020: RMB8,343,327,000). The interest rate of these borrowings was 4.05%–4.90% per annum. Among of these borrowings, RMB200,000,000 should be repaid by the end of May 10, 2021, RMB36,873,000 should be repaid by the end of September 7, 2021, RMB200,000,000 should be repaid by the end of November 10, 2021, RMB15,661,000 should be repaid by the end of December 29, 2021, RMB36,873,000 should be repaid by the end of March 8, 2022, RMB867,728,000 should be repaid by the end of March 23, 2027, RMB523,527,000 should be repaid by the end of December 12, 2027 and RMB422,826,000 should be repaid by the end of July 6, 2035.

As of March 31, 2021, RMB109,888,000 (December 31, 2020: nil) represented the bills discounted with recourse, which should be repaid within one year.

- (d) The Group issued US\$600,000,000 (equivalent to approximately RMB3,942,780,000) senior notes to professional investors on April 29, 2020 with a term to maturity of ten years and at interest rate 3.38% per annum. The net proceeds of the notes issued, after deducting underwriting commissions and certain offering expenses, was approximately US\$589,900,000 (equivalent to approximately RMB3,876,410,000).

The Group issued RMB1,000,000,000 bonds in Mainland China on April 2, 2020 with a term to maturity of one year and at coupon rates 2.78% per annum.

The Group had RMB190,000,000 (December 31, 2020: RMB190,000,000) unsecured borrowings with interest rate 5.10% per annum, RMB210,000,000 (December 31, 2020: RMB210,000,000) unsecured borrowings with interest rate 3.59% per annum, RMB88,539,000 (December 31, 2020: RMB88,539,000) unsecured borrowings with interest rate 4.31% per annum, RMB97,206,000 (December 31, 2020: RMB97,206,000) unsecured borrowings with interest rate 4.25% per annum, RMB133,212,000 (December 31, 2020: RMB133,212,000) unsecured borrowings with interest rate 3.85% per annum, RMB300,000,000 (December 31, 2020: nil) unsecured borrowings with interest rate 3.85% per annum, all of these borrowings should be repaid by the Group in 2021.

The Group had US\$112,224,000 which was equivalent to approximately RMB737,591,000 (December 31, 2020: nil) unsecured borrowings with interest rate 1 month London Inter Bank Offered Rate (“LIBOR”) +0.33% per annum, which should be repaid by the end of September 17, 2021; US\$480,000,000 which was equivalent to RMB3,154,224,000 (December 31, 2020: nil) unsecured borrowings with interest rate 1 month LIBOR + 1.1% per annum, which should be repaid by the end of May 19, 2025.

The Group had RMB400,000,000 (December 31, 2020: RMB400,000,000) and RMB200,000,000 (December 31, 2020: RMB200,000,000) of borrowings with interest rate 6.00% per annum secured by intra-group companies, which should be repaid by the Group in April and June of 2021, respectively. The Group had RMB500,000,000 (December 31, 2020: RMB500,000,000) of borrowings with interest rate 2.69% per annum secured by intra-group companies, which should be repaid by the end of November 20, 2023.

The Group had RMB206,000,000 (December 31, 2020: RMB206,000,000) unsecured borrowings with interest rate 4.66% per annum. Among of these borrowings, RMB10,000,000 should be repaid by the end of June 20, 2021, RMB11,000,000 should be repaid by the end of December 20, 2021, and RMB185,000,000 should be repaid by the end of November 26, 2029.

- (e) On December 17, 2020, the Group completed the issuance of 7-Year US\$855,000,000 (equivalent to approximately RMB5,578,790,000) 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 HK\$36.74 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.

The liabilities and equity components of the Bonds are presented as follows:

	RMB'000
The face value of convertible bond issued on the issue date	5,578,790
Issue premium	<u>292,886</u>
Gross proceeds	5,871,676
Less: transaction cost	<u>(70,654)</u>
Net proceeds	5,801,022
Less: equity component	<u>(1,764,799)</u>
Liability component on initial recognition	4,036,223
Interest expense	<u>7,791</u>
Liability component as of December 31, 2020	<u><u>4,044,014</u></u>

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

	RMB'000
Liability component as of January 1, 2021	4,044,014
Interest accrued	46,815
Effect of foreign currency translation	<u>29,295</u>
Liability component as of March 31, 2021	<u><u>4,120,124</u></u>

For the three months ended March 31, 2021, the interest rate of the interest-bearing liabilities ranges from 0.59% to 7.5% per annum (Three months ended March 31, 2020: from 2.05% to 7.5%).

23 Deferred income tax

The amount of offsetting deferred income tax assets and liabilities is RMB68,140,000 as of March 31, 2021 (December 31, 2020: RMB66,396,000).

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

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	2,077,468	1,406,376
(Debited)/credited to the consolidated income statement	<u>(291,917)</u>	<u>174,270</u>
At the end of the period	<u><u>1,785,551</u></u>	<u><u>1,580,646</u></u>

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

	Three months ended March 31,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	(366,952)	(702,863)
(Debited)/credited to the consolidated income statement	<u>(80,154)</u>	<u>63,941</u>
At the end of the period	<u>(447,106)</u>	<u>(638,922)</u>

24 Share-based payments

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

Subsequently in August 2012, the 2011 Plan was superseded in its entirety as the “2012 Employee Stock Incentive Plan” (“**Pre-IPO ESOP**”). The purpose of Pre-IPO ESOP is same as the 2011 Plan. The Pre-IPO ESOP is valid and effective for 10 years from the approval of the Board of Directors. Through Pre-IPO ESOP, the Company may grant equity-based incentive up to 45,905,172 Class B ordinary shares initially (which were adjusted to 1,836,206,880 shares after the 1 to 4 share split on March 14, 2014 and further 1 to 10 Share Subdivision on June 17, 2018). The aggregate number of reserved Class B ordinary shares was 2,512,694,900 as of March 31, 2021 and December 31, 2020. The Pre-IPO ESOP permits the awards of options and RSUs.

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

On June 17, 2018, the Board of Directors of the Company adopted the principal terms of the Share Award Scheme. The purpose of the Share Award Scheme are (1) to align the interests of eligible persons with those of the Group through ownership of Class B ordinary shares, dividends and other distributions paid on the 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.

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, 2021	605,831,870	0.10
Forfeited during the period	(12,128,400)	0.16
Transferred to Share Scheme Trusts	(6,829,500)	0.10
Exercised during the period	<u>(16,483,924)</u>	<u>0.18</u>
Outstanding as of March 31, 2021 (unaudited)	570,390,046	0.10
Exercisable as of March 31, 2021 (unaudited)	<u>289,406,326</u>	<u>0.24</u>
Outstanding as of January 1, 2020	855,801,907	0.12
Forfeited during the period	(6,323,800)	0.31
Transferred to Share Scheme Trusts	(15,449,600)	0.10
Exercised during the period	<u>(52,617,880)</u>	<u>0.13</u>
Outstanding as of March 31, 2020 (unaudited)	781,410,627	0.12
Exercisable as of March 31, 2020 (unaudited)	<u>329,461,567</u>	<u>0.21</u>

The weighted-average remaining contract life for outstanding share options was 5.15 years and 5.48 years as of March 31, 2021 and December 31, 2020, respectively.

Fair value of share options

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

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

The total expenses recognized in the consolidated income statements for Pre-IPO ESOP granted to the Group's employees are RMB115,716,000 and RMB346,994,000 for the three months ended March 31, 2021 and 2020, respectively.

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 three months ended March 31, 2021 and 2020, respectively.

Share Award Scheme

RSUs granted to employees

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

	Number of RSUs	Weighted average grant date fair value per RSU (US\$)
Outstanding as of January 1, 2021	175,401,118	1.65
Granted during the period	17,781,745	4.37
Forfeited during the period	(7,016,561)	2.55
Transferred to Share Scheme Trust	(9,853,561)	1.68
	<hr/>	<hr/>
Outstanding as of March 31, 2021 (unaudited)	176,312,741	1.89
	<hr/>	<hr/>
Outstanding as of January 1, 2020	90,106,933	1.20
Granted during the period	48,925,550	1.41
Forfeited during the period	(4,422,093)	1.23
Transferred to Share Scheme Trust	(1,003,395)	1.45
	<hr/>	<hr/>
Outstanding as of March 31, 2020 (unaudited)	133,606,995	1.27
Vested as of March 31, 2020 (unaudited)	240,816	1.18
	<hr/>	<hr/>

The weighted-average remaining contract life for outstanding RSUs was 9.40 years and 9.06 years as of March 31, 2021 and December 31, 2020, respectively.

The total expenses recognized in the consolidated income statements for Share Award Scheme RSU granted to the Group's employees are RMB190,633,000 and RMB138,389,000 for the three months ended March 31, 2021 and 2020, 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, 2021	227,250,000	24.26
Granted during the period	6,250,000	33.90
Forfeited during the period	(110,000,000)	24.50
	<hr/>	<hr/>
Outstanding as of March 31, 2021 (unaudited)	123,500,000	24.53
Exercisable as of March 31, 2021 (unaudited)	—	—
	<hr/>	<hr/>

The weighted-average remaining contract life for outstanding share options was 9.45 years and 9.68 years as of March 31, 2021 and December 31, 2020, respectively.

Fair value of share options

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

	Three months ended March 31, 2021
Fair value per share	HK\$33.90
Exercise price	HK\$33.90
Risk-free interest rate	0.78%
Dividend yield	—
Expected volatility	43.03%
Expected terms	10 years

The weighted-average fair value of granted share options was HK\$15.07 per share for the three months ended March 31, 2021.

The total expenses reversed in the consolidated income statement for Post-IPO Share Option Scheme granted to the Group's employees are RMB33,386,000 for the three months ended March 31, 2021.

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 March 31, 2021.

The total expenses recognized in the consolidated income statements for the Employee Fund granted to the Group's employees are RMB392,714,000 and RMB84,538,000 for the three months ended March 31, 2021 and 2020, respectively.

25 Other non-current liabilities

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Liabilities to fund investors (Note (a))	8,576,516	9,364,533
Lease liabilities (Note 19)	1,487,498	516,482
Others	117,820	120,413
	<u>10,181,834</u>	<u>10,001,428</u>

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**”). The Group controls the Hubei Fund as the Group is exposed to and has rights to variable returns from its involvement with the Hubei Fund and has the ability to affect those returns through its power over the Hubei Fund. For the amount raised from limited partners, 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.

26 Trade payables

Trade payables primarily include payables for inventories and royalty fees. As of March 31, 2021 and December 31, 2020, the carrying amounts of trade payables were primarily denominated in RMB, US\$ and India Rupees.

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

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Up to 3 months	70,990,318	68,909,758
3 to 6 months	10,767,207	2,312,665
6 months to 1 year	300,796	873,537
1 to 2 years	220,656	34,200
Over 2 years	27,118	68,696
	<u>82,306,095</u>	<u>72,198,856</u>

27 Other payables and accruals

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Amounts collected for third parties	1,336,490	2,642,533
Payroll and welfare payables	1,371,314	1,728,843
Deposits payable	2,763,893	1,956,126
Employee fund (Note 24)	1,329,428	936,714
Accrual expenses	1,086,455	1,106,137
Payables for construction cost	1,517,165	1,807,120
Payables for investments	130,729	116,250
Other taxes payables	601,809	547,339
Lease liabilities (Note 19)	892,984	363,397
Payables related to share options and RSUs granted to employees	47,722	204,385
Deposits from customers	1,796,525	1,327,919
Others	1,789,786	882,892
	<u>14,664,300</u>	<u>13,619,655</u>

28 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. Although based on currently available information, the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or result of operations, litigations are inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period. As of March 31, 2021 and December 31, 2020, no material provisions were recorded.

29 Commitments

(a) Capital commitments

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

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Property and equipment	1,336,484	1,558,000
Intangible assets	33,476	33,437
Investments	1,316,722	529,026
	<u>2,686,682</u>	<u>2,120,463</u>

(b) Operating lease commitments

The Group leases offices, warehouses, retail stores and servers under non-cancellable operating lease agreements. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of March 31, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Not later than 1 year	158,739	620,398
Later than 1 year and not later than 5 years	13,951	41,660
Later than 5 years	21	14,924
	<u>172,711</u>	<u>676,982</u>

From January 1, 2019, in accordance with IFRS 16 Lease, the Group has recognized right-of-use assets for these leases, except for certain short-term leases and variable lease payments, see Note 19 for further information.

30 Events after the reporting period

The Company repurchased 173,381,600 Class B ordinary shares between April 1, 2021 to April 23, 2021, representing approximately 0.72% of the total issued share capital of the Company as on the respective transaction day. The total consideration was approximately HK\$4,494,026,000.