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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)

RESULTS ANNOUNCEMENT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Xiaomi Corporation 小米集团 (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and six months ended June 30, 2022. These interim results have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, and reviewed by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the International Auditing and Assurance Standards Board. The interim results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

KEY HIGHLIGHTS

	Unaudited Three months ended				Quarter-
	June 30, 2022	June 30, 2021	Year- on-year change	March 31, 2022	on- quarter change
	(Renminbi (“ RMB ”) in millions, unless specified)				
Revenue	70,170.9	87,789.0	-20.1%	73,351.5	-4.3%
Gross profit	11,768.1	15,148.1	-22.3%	12,709.7	-7.4%
Operating profit/(loss)	1,733.2	10,725.7	-83.8%	(911.4)	N/A
Profit/(loss) before income tax	1,737.0	9,678.5	-82.1%	(416.1)	N/A
Profit/(loss) for the period	1,365.4	8,263.3	-83.5%	(530.7)	N/A
Non-IFRS measure:					
Adjusted Net Profit	2,081.3	6,321.5	-67.1%	2,858.6	-27.2%

**Unaudited
Six months ended**

	June 30, 2022	June 30, 2021	Year- on-year change
	(RMB in millions, unless specified)		
Revenue	143,522.4	164,671.2	-12.8%
Gross profit	24,477.8	29,309.3	-16.5%
Operating profit	821.8	18,883.4	-95.6%
Profit before income tax	1,320.9	18,745.4	-93.0%
Profit for the period	834.8	16,052.2	-94.8%
Non-IFRS measure: Adjusted Net Profit	4,939.9	12,390.8	-60.1%

BUSINESS REVIEW AND OUTLOOK

1. Overall Performance

In the second quarter of 2022, against continued global macroeconomic headwinds, we proactively optimized our operational management, steadfastly advanced our corporate strategies and strengthened our long-term competitiveness. In the second quarter of 2022, total revenue reached RMB70.2 billion. We continue to execute our “Smartphone × AIoT” core strategy, at the same time also diligently developing our smart Electric Vehicle (“EV”) and other new initiatives. Our adjusted net profit reached RMB2.1 billion in the second quarter of 2022, which included RMB611 million of expenses related to smart EV and other new initiatives.

We are committed to our “Smartphone × AIoT” core strategy. In the second quarter of 2022, our global smartphone shipments increased quarter-over-quarter to reach 39.1 million units. According to Canalys, we maintained our No. 3 global smartphone shipment ranking with 13.8% market share, an increase of 1.2 percentage points quarter-over-quarter. At the same time, our global smartphone user base continued to grow. In June 2022, monthly active users (“MAU”) of MIUI again reached record highs both globally and in mainland China. Globally, MAU of MIUI reached 547.0 million, an increase of 93.1 million users year-over-year. In mainland China, MAU of MIUI reached 140.2 million, an increase of 16.3 million users year-over-year. As of June 30, 2022, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 526.9 million, up 40.7% year-over-year. The number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) exceeded 10 million for the first time to reach 10.2 million, an increase of 37.0% year-over-year.

Technology advancement is our foundation, and our proprietary breakthrough technologies further strengthen our core competitiveness. In the second quarter of 2022, our research and development expenses reached RMB3.8 billion, an increase of 22.8% year-over-year. In July 2022, we launched our proprietary *Surge G1* battery management chip on our new flagship smartphone *Xiaomi 12S Ultra*, which is also equipped with our previously launched *Surge P1* proprietary charging chip. The combination of these technologies effectively boost smartphone battery life and enhance overall user experience.

We remain focused on executing our premiumization strategy. In May 2022, we announced our long-term strategic partnership in imaging technology with Leica. In July 2022, we unveiled the *Xiaomi 12S* series⁽¹⁾ with our first co-engineered imaging system, and the series has won rave reviews due to its unparalleled smartphone imaging experience. On JD.com, each model of the *Xiaomi 12S* series has generated over 98% positive reviews.⁽²⁾ In August 2022, we launched *Xiaomi MIX Fold 2*, our second-generation foldable smartphone, boasting revolutionary ultra-slim design. In the second quarter of 2022, according to third-party data, our smartphone market share in the RMB3,000 to RMB4,000 price segment in mainland China increased 3.5 percentage points year-over-year to 18.2%, and in the RMB4,000 to RMB5,000 price segment, our market share rose 2.0 percentage points year-over-year to 15.5%.

Our new retail strategy in mainland China has achieved steady progress. According to Canalys, in the second quarter of 2022, our smartphone shipments in mainland China ranked No. 4 with 15.7% market share, an increase of 1.7 percentage points quarter-over-quarter. According to third-party data, we continued to rank No. 1 in the online channel in mainland China. During the 618 e-Commerce Shopping Festival in 2022, our cumulative paid gross merchandise value (“GMV”) from all sales channels exceeded RMB18.7 billion, and we ranked No. 1 among Android smartphones in terms of both sales volume and sales value on platforms including Tmall.com and JD.com. Meanwhile, we continued to improve the operating efficiency of our offline stores. As of June 30, 2022, the number of our offline retail stores in mainland China exceeded 10,600. According to third-party data, in mainland China, the proportion of our premium smartphone⁽³⁾ shipments through the offline channel increased over 5 percentage points year-over-year in the second quarter. In addition, our offline channel has also enhanced the sales of our IoT and lifestyle products. In this quarter, the proportion of our offline store GMV in mainland China derived from IoT and lifestyle products increased over 11 percentage points year-over-year.

Despite continued macroeconomic headwinds, we continued to expand our global footprint, and our international brand has gained further recognition. In the second quarter of 2022, our revenue from overseas markets reached RMB34.0 billion, accounting for 48.4% of total revenue. According to Canalys, in the second quarter of 2022, our smartphone shipments ranked top three in 55 countries and regions and among the top five in 67 countries and regions. Furthermore, our market share in Europe, Latin America, Southeast Asia, Middle East and Africa all increased quarter-over-quarter. In August 2022, Xiaomi was named on the Fortune Global 500 list for the fourth consecutive year and ranked 266th, advancing 72 spots from 2021.

2. Smartphones

In the second quarter of 2022, global macroeconomic turbulence and the resurgence of COVID-19 continued to impact overall market demand for smartphones. Global smartphone industry shipments declined 8.9% year-over-year and 7.7% quarter-over-quarter, and mainland China industry shipments declined 10.1% year-over-year and 10.9% quarter-over-quarter, according to Canalys. In this quarter, our smartphone revenue reached RMB42.3 billion, and our global smartphone shipments reached 39.1 million units, an increase of 1.5% quarter-over-quarter. According to Canalys, our global smartphone shipments maintained the No. 3 ranking in the second quarter of 2022 with market share of 13.8%, and our market share has increased for two consecutive quarters.

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

(2) As of August 4, 2022.

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

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

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

3. IoT and lifestyle products

In the second quarter of 2022, revenue from our IoT and lifestyle products amounted to RMB19.8 billion, an increase of 1.7% quarter-over-quarter. In the mainland China market, many IoT product categories such as smart large home appliances (including air conditioners, refrigerators and washing machines) achieved solid growth. However, IoT and lifestyle products revenue in overseas markets was affected by global inflation and other macroeconomic factors, as demand decreased year-over-year for discretionary items such as scooters and robot vacuum cleaners.

In the second quarter of 2022, global shipments of our smart TV grew year-over-year to reach 2.6 million units, outperforming the overall decline in the global TV market. According to All View Cloud (“AVC”), our TV shipments ranked No. 1 in mainland China and maintained its top five global ranking in the second quarter of 2022. In addition, benefiting from cost advantages brought by our economies of scale and the lower prices of key components, the gross profit margin of our smart TV business increased substantially year-over-year in the second quarter. During the 618 e-Commerce Shopping Festival in 2022, our TV products ranked No. 1 in terms of combined sales volume across JD.com and Tmall.com.

In the second quarter, our smart large home appliances continued to deliver strong growth with revenue increasing over 25% year-over-year to set a record high. Within this category, shipments of our air conditioners exceeded 1.2 million units in the second quarter, an increase of over 35% year-over-year. As of July 2022, our air conditioner shipments year-to-date have already exceeded the 2 million units we shipped in 2021. Our new products including *Mijia Smart Air Conditioner with Ventilation Vertical 3 HP* and *Mijia 610L Side-by-side Refrigerator* also achieved encouraging sales performance. In August 2022, we launched our *Mijia Dual-Drum Washer Dryer 15kg*, which features dual partition design as well as hygienic disinfection and combined washing and drying functions. Our offline retail network of over 10,600 stores provided our users broader access to the sales and service of large home appliances, improving sales as well as overall customer experience.

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

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

4. Internet services

In the second quarter of 2022, our internet services revenue reached RMB7.0 billion. During this quarter, macroeconomic headwinds and the resurgence of COVID-19 had a significant impact on advertising budgets in mainland China. However, driven by the sustained growth of our user base and stronger content and service operations, revenue from our overseas internet services achieved rapid growth despite macroeconomic uncertainties. Our overseas internet services revenue achieved a quarterly high of RMB1.7 billion, an increase of 52.1% year-over-year, and accounted for 23.9% of total internet services revenue.

In the second quarter, the MAU of MIUI globally and in mainland China both achieved record highs. In June 2022, global MAU of MIUI reached 547.0 million while MAU of MIUI in mainland China reached 140.2 million. In the second quarter of 2022, we added 17.8 million MAU of MIUI globally, including 4.6 million MAU in mainland China.

In the second quarter of 2022, our advertising revenue reached RMB4.5 billion, an increase of 0.6% year-over-year. Our pre-installation advertising revenue in mainland China was impacted by lower advertising budgets and fluctuation in smartphone shipments. However, revenue from our various overseas advertising segments maintained solid growth. Overseas advertising revenue increased over 50% year-over-year, mainly benefiting from the continued expansion of our overseas user base, enhanced content and service operations, as well as deeper collaboration with our global business partners.

In the second quarter, our gaming revenue reached RMB1.0 billion, an increase of 4.7% year-over-year, which outperformed the overall market primarily due to the growth of our active gaming user base and stronger user engagement.

Our TV internet user base continued its robust growth momentum in the second quarter. In June 2022, global MAU of our smart TV⁽⁴⁾ reached approximately 53 million. While content supply in mainland China was limited in the second quarter, revenue from our mainland China TV value-added services increased nearly 25% year-over-year in this quarter due to optimized content operations.

5. Overseas markets

Despite global macroeconomic headwinds, we continued to develop our business operations in major overseas markets. In the second quarter of 2022, revenue from overseas markets reached RMB34.0 billion and accounted for 48.4% of our total revenue. According to Canalys, in the second quarter of 2022, our market share of smartphone shipments ranked top three in 55 countries and regions and among the top five in 67 countries and regions.

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

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

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

6. Strategy updates

Smartphone × AIoT

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

Research and development investment

In the second quarter of 2022, our research and development expenses reached RMB3.8 billion, an increase of 22.8% year-over-year. We are building an ever-expanding technology ecosystem spanning smartphones, wearable devices, smart home, smart manufacturing, smart EVs and bionic robots, to better connect people to the world around them and improve their lives.

Expenses related to our smart EV and other new initiatives reached RMB611 million in the second quarter of 2022. We plan to adopt a self-developed full stack approach to autonomous driving technology and have assembled a research and development team of more than 500 professionals. We plan to invest RMB3.3 billion in autonomous driving research and development in the first phase to further push technological breakthroughs in this area.

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

New Retail

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

While the resurgence of COVID-19 resulted in temporary closures of certain stores and affected our offline operations in the second quarter of 2022, we proactively responded to the challenge and optimized our operations. As of June 30, 2022, the number of our offline retail stores in mainland China exceeded 10,600. Our smartphone shipment market share in the offline channel in mainland China has also increased, reaching 8.0% in this quarter, according to third-party data.

Corporate social responsibility (CSR)

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

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

In June 2022, Xiaomi Public Welfare Platform launched a special project dedicated to rural revitalization, bringing together public resources to promote development in rural areas. At present, projects on the Xiaomi Public Welfare Platform cover diverse initiatives including aid and poverty reduction, education assistance and children's care in addition to rural revitalization. Furthermore, in Henan province, which was hit by floods in July last year, Beijing Xiaomi Foundation contributed to the repair and reconstruction of 79 village schools and modernized their teaching equipment. In August 2022, to support pandemic prevention and control in Hainan province and the procurement of related supplies, Beijing Xiaomi Foundation donated RMB1 million to Hainan Red Cross Society.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2022 Compared to Second Quarter of 2021

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

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

Revenue

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

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

Smartphones

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

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment decreased by 4.5% from RMB20.7 billion in the second quarter of 2021 to RMB19.8 billion in the second quarter of 2022, primarily due to the weakened demand of certain IoT products under continued global macroeconomic headwinds in the overseas markets, partially offset by the increased revenue of *Xiaomi Pad 5* series tablets and smart large home appliance category in mainland China. Our smart large home appliance category, which comprises smart air conditioners, refrigerators and washing machines, continued to deliver strong growth with revenue increasing more than 25% year-over-year in the second quarter of 2022, primarily due to the increase in shipment of our smart air conditioners and refrigerators in mainland China. Revenue from smart TVs and laptops decreased by 12.4% from RMB6.0 billion in the second quarter of 2021 to RMB5.3 billion in the second quarter of 2022, primarily due to the decrease in the average selling price of smart TVs as prices of display panels declined, partially offset by increase in shipment units.

Internet services

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

Others

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

Cost of Sales

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

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

Smartphones

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

IoT and lifestyle products

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

Internet services

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

Others

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

Gross Profit and Margin

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

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

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

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

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

Research and Development Expenses

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

Selling and Marketing Expenses

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

Administrative Expenses

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

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

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

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

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

Other Income

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

Other (Losses)/Gains, Net

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

Finance Income/(Costs), Net

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

Income Tax Expenses

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

Profit for the Period

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

Adjusted Net Profit

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

Second Quarter of 2022 Compared to First Quarter of 2022

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

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

Revenue

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

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

Smartphones

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

IoT and lifestyle products

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

Internet services

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

Others

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

Cost of Sales

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

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

Smartphones

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

IoT and lifestyle products

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

Internet services

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

Others

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

Gross Profit and Margin

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

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

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

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

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

Research and Development Expenses

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

Selling and Marketing Expenses

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

Administrative Expenses

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

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

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

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

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

Other Income

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

Other Losses, Net

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

Finance Income, Net

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

Income Tax Expenses

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

Profit/(Loss) for the Period

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

Adjusted Net Profit

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

Non-IFRS Measure: Adjusted Net Profit

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

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

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

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

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

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

Consolidated Statement of Cash Flows

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

Note:

- (1) Excluding (1) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech business; (2) the change of trade payments related to the finance factoring business; (3) the change of restricted cash resulting from the fintech business; and (4) the change of deposits from customers resulting from the Airstar bank, the net cash used in operating activities was RMB0.1 billion in the second quarter of 2022 and the net cash used in operating activities was RMB7.6 billion in the first quarter of 2022, respectively. Excluding the change of borrowings for the fintech business, the net cash generated from financing activities was RMB0.9 billion in the second quarter of 2022 and the net cash generated from financing activities was RMB2.8 billion in the first quarter of 2022, respectively. The information in this footnote is based on the management accounts of the Group, which have not been audited or reviewed by the Group’s auditor. The accounting policies applied in the preparation of the management accounts are consistent with those used for other figures in this announcement.

Net Cash Generated From Operating Activities

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

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

Net Cash Used In Investing Activities

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

Net Cash Generated From Financing Activities

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

Borrowings

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

Capital Expenditure

	Unaudited	
	Three months ended	
	June 30, 2022	March 31, 2022
	(RMB in millions)	
Capital expenditures	1,395.9	1,321.4
Placement of long-term investments ⁽¹⁾	2,930.1	3,168.2
Total	4,326.0	4,489.6

Note:

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

Off-Balance Sheet Commitments and Arrangements

As of June 30, 2022, except for financial guarantee contracts, we had not entered into any significant off-balance sheet commitments or arrangements.

Future Plans for Material Investments and Capital Assets

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

Investments Held

As of June 30, 2022, we had invested in more than 400 companies with an aggregate book value of RMB63.4 billion, an increase of 9.6% year-over-year. In the second quarter of 2022, we recorded a net gain on disposal of investments (after tax) of RMB0.3 billion. The total amount of our investments (including (i) fair value of our stakes in listed investee companies accounted for using the equity method based on the stock price on June 30, 2022; (ii) book value of our stakes in unlisted investee companies accounted for using the equity method; and (iii) book value of long term investments measured at fair value through profit or loss) reached RMB66.1 billion as of June 30, 2022.

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at June 30, 2022) during the six months ended June 30, 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Employee and Remuneration Policy

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

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

Foreign Exchange Risk

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

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

Pledge of Assets

As of June 30, 2022, we pledged a restricted deposit of RMB3.9 billion, compared with RMB3.5 billion as of March 31, 2022. We also had pledged certain construction in progress and land use right for borrowings.

Contingent Liabilities

We did not have any material contingent liabilities as of June 30, 2022 and March 31, 2022. Further details of the contingencies are set out in Note 9 to the financial information.

CONDENSED FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENTS

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

(Expressed in Renminbi (“RMB”))

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Expressed in RMB)

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

CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2022

(Expressed in RMB)

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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*As of June 30, 2022**(Expressed in RMB)*

	Note	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		406	407
Reserves		<u>140,552,849</u>	<u>137,212,499</u>
		<u>140,553,255</u>	<u>137,212,906</u>
Non-controlling interests		<u>263,090</u>	<u>219,590</u>
Total equity		<u><u>140,816,345</u></u>	<u><u>137,432,496</u></u>
Liabilities			
Non-current liabilities			
Borrowings	7	25,474,316	20,719,790
Deferred income tax liabilities		1,069,330	1,202,717
Warranty provision		1,100,959	895,747
Other non-current liabilities		<u>17,289,309</u>	<u>16,913,649</u>
		<u>44,933,914</u>	<u>39,731,903</u>
Current liabilities			
Trade payables	8	69,680,442	74,643,005
Other payables and accruals		17,535,129	20,224,499
Advance from customers		7,823,186	9,289,177
Borrowings	7	7,094,778	5,527,050
Income tax liabilities		1,390,416	2,335,124
Warranty provision		<u>3,808,279</u>	<u>3,708,616</u>
		<u>107,332,230</u>	<u>115,727,471</u>
Total liabilities		<u><u>152,266,144</u></u>	<u><u>155,459,374</u></u>
Total equity and liabilities		<u><u>293,082,489</u></u>	<u><u>292,891,870</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

(Expressed in RMB)

	Unaudited	
	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(7,031,424)	8,284,324
Net cash generated from/(used in) investing activities	7,627,358	(31,987,329)
Net cash generated from financing activities	3,633,776	1,070,090
Net increase/(decrease) in cash and cash equivalents	4,229,710	(22,632,915)
Cash and cash equivalents at the beginning of the period	23,511,579	54,752,443
Effects of exchange rate changes on cash and cash equivalents	441,812	(238,488)
Cash and cash equivalents at end of the period	28,183,101	31,881,040

1 Basis of preparation

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

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

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 2021 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) by the Group as set out in the 2021 annual report of the Company dated March 22, 2022 (the “**2021 Financial Statements**”), and any public announcement made by the Company during the current period and up to date of approval of this unaudited interim condensed consolidated financial information.

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2021, as described in the 2021 Financial Statements, except for the adoption of certain amended standards which has had no significant impact on the results and the financial position of the Group.

2 Segment information

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

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

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. There were no material inter-segment sales during the three months and six months ended June 30, 2022 and 2021. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated income statement.

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

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

Note:

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

3 Expenses by nature

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

4 Investments

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

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value changes on ordinary shares investments	403,629	3,538,283	(3,287,125)	4,439,088
Fair value changes on preferred shares investments	89,787	473,173	101,597	1,422,700
Fair value changes on other investments	(144,989)	—	(136,896)	—
Fair value changes on short-term investments measured at fair value through profit or loss	165,150	153,963	285,746	366,838
	<u>513,577</u>	<u>4,165,419</u>	<u>(3,036,678)</u>	<u>6,228,626</u>

5 Trade receivables

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

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

6 Inventories

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

7 Borrowings

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

8 Trade payables

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

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

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

9 Contingencies

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

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

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

OTHER INFORMATION

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

During the six months ended June 30, 2022 and up to the date of this announcement, the Company repurchased a total of 87,248,000 Class B Shares (the “**Shares Repurchased**”) of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of HK\$1,258,372,114. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	<u>14,295,000</u>	18.64	17.70	<u>261,322,614</u>
March	<u>35,209,000</u>	14.60	13.46	<u>498,281,463</u>
April	<u>37,744,000</u>	13.82	12.26	<u>498,768,037</u>
Total	<u><u>87,248,000</u></u>			<u><u>1,258,372,114</u></u>

As at the date of this announcement, the number of Class B Shares in issue was reduced by 87,248,000 shares as a result of the cancellation of the Shares Repurchased accordingly. Upon cancellation of the Shares Repurchased, the weighted voting rights (“**WVR**”) beneficiaries of the Company simultaneously reduced their WVR in the Company proportionately by way of converting their Class A ordinary shares (“**Class A Shares**”) into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), such that the proportion of shares carrying WVR of the Company shall not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

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

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

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance standards. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders.

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

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Lei Jun currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

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

Audit Committee

The Audit Committee (comprising one non-executive Director and two independent non-executive Directors, namely, Mr. Liu Qin, Dr. Chen Dongsheng and Mr. Wong Shun Tak) has reviewed the unaudited interim results of the Group for the three and six months ended June 30, 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers.

Material Litigation

As of June 30, 2022, the Company was not involved in any material litigation or arbitration nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

Interim Dividend

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

Use of Net Proceeds

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

The net proceeds received by the Company from the 2020 Placing and Subscription were approximately US\$3.1 billion. The Company intends to use the estimated net proceeds for (a) strengthening our working capital for business expansion; (b) investments to increase market share in key markets; (c) strategic ecosystem investments and (d) other general corporate purposes. There has been no change in the intended use of net proceeds as previously disclosed in the announcement dated December 2, 2020.

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

The net proceeds received by the Company from the 2027 Bonds were approximately US\$889.6 million. The Company intends to use the estimated net proceeds for (a) strengthening our working capital for business expansion; (b) investments to increase market share in key markets; (c) strategic ecosystem investments and (d) other general corporate purposes. There has been no change in the intended use of net proceeds as previously disclosed in the announcement dated December 2, 2020.

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

The net proceeds received by the Company from the 2031 Bonds were approximately US\$789.0 million. The Group intends to use these proceeds for general corporate purposes. There has been no change in the intended use of net proceeds as previously disclosed in the announcement dated July 8, 2021.

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

The net proceeds received by the Company from the Green Bonds were approximately US\$392.8 million. The Group intends to use these proceeds 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. There has been no change in the intended use of net proceeds as previously disclosed in the announcement dated July 8, 2021.

Events after June 30, 2022

Save as disclosed in this announcement, there has been no other significant events that might affect the Group after June 30, 2022 and up to the date of this announcement.

Publication of the Interim Results Announcement and Interim Report

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

By order of the Board
Xiaomi Corporation
Lei Jun
Chairman

Hong Kong, August 19, 2022

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