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XIAOMI CORPORATION

小米集团

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

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

RESULTS ANNOUNCEMENT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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 nine months ended September 30, 2023. 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				
	September 30,	September 30,	Year-	June 30,	Quarter-
	2023	2022	over-year	2023	over-quarter
	(Renminbi (“RMB”) in millions, unless specified)				
Revenue	70,894.4	70,474.3	0.6%	67,354.9	5.3%
Gross profit	16,109.7	11,721.9	37.4%	14,161.0	13.8%
Operating profit/(loss)	5,011.2	(1,361.1)	N/A	4,040.5	24.0%
Profit/(loss) before income tax	5,887.2	(1,190.8)	N/A	4,955.7	18.8%
Profit/(loss) for the period	4,869.1	(1,474.0)	N/A	3,665.5	32.8%
Non-IFRS measure ¹ : Adjusted Net Profit	5,989.6	2,117.3	182.9%	5,140.3	16.5%

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

	Unaudited		
	Nine months ended		
	September 30,	September 30,	Year-over-
	2023	2022	year change
	(RMB in millions, unless specified)		
Revenue	197,726.5	213,996.6	-7.6%
Gross profit	41,862.3	36,199.6	15.6%
Operating profit/(loss)	14,951.9	(539.2)	N/A
Profit before income tax	16,313.6	130.2	N/A
Profit/(loss) for the period	12,750.7	(639.1)	N/A
Non-IFRS measure: Adjusted Net Profit	14,363.1	7,057.1	103.5%

BUSINESS REVIEW AND OUTLOOK

1. Overall performance

In the third quarter of 2023, we continued to execute our 2023 key operating strategy of “dual emphasis on scale and profitability”. We steadily developed each of our business segments while consistently optimized our operating efficiency. While the overall external environment showed few signs of improvement, we achieved year-over-year growth in quarterly revenue for the first time after six quarters and sustained solid profitability. In the third quarter of 2023, our total revenue amounted to RMB70.9 billion, and our adjusted net profit was RMB6.0 billion, which included RMB1.7 billion in expenses related to our smart Electric Vehicle (“EV”) business and other new initiatives². These results are a reflection of our enhanced capabilities.

According to Canalys, in the third quarter of 2023, our global smartphone shipments ranked third globally, with a market share of 14.1%, up 0.5 percentage points year-over-year. We were the only brand among the top three that achieved year-over-year growth in shipments this quarter, and we have ranked among the top three smartphone brands globally for thirteen consecutive quarters. Meanwhile, our global monthly active users (“MAU”) of MIUI reached another record high in the third quarter. In September 2023, the global MAU of MIUI reached 623.1 million, an increase of 10.5% year-over-year. As of September 30, 2023, the number of connected IoT devices on our AIoT platform (excluding smartphones, tablets and laptops) increased to 698.9 million, up 25.2% year-over-year. In October 2023, we upgraded our strategy from “Smartphone × AIoT” to “Human × Car × Home” and unveiled our new operating system “Xiaomi HyperOS”, integrating all consumers’ needs in one smart ecosystem from personal devices, smart home products, to smart mobility.

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

Under our new goal for 2020–2030, we are committed to sustainable investments in foundational core technologies, and we are dedicated to becoming a leader in the evolving realm of global cutting-edge technologies. Our core philosophy is to continuously invest in technologies that will benefit humanity in the long-term. In the third quarter of 2023, our research and development expenses were RMB5.0 billion, up 22.0% year-over-year. We expect our R&D investments to exceed RMB100 billion during the five-year period between 2022 and 2026. As of September 30, 2023, we had 17,563 research and development personnel, accounting for more than 53% of our employees. In addition, we continued to extend our intellectual property capabilities to foster innovation. As of September 30, 2023, we have obtained more than 35,000 patents worldwide.

In October 2023, we proudly unveiled our new operating system *Xiaomi HyperOS*, a pivotal foundation of our new strategy³. *Xiaomi HyperOS* is a human-centric operating system designed and tailored to connect personal devices, cars, and smart home products in a smart ecosystem. With *Xiaomi HyperOS*, our goal is to achieve (1) Comprehensive Refactoring to optimize device performance, (2) Cross-Device Intelligent Connectivity, (3) Proactive Intelligence, (4) End-to-End Security and (5) Open Platform. The core of *Xiaomi HyperOS* is formed by our self-developed *Xiaomi Vela* system with a deep customization of the Linux system. We restructured fundamental modules, such as performance scheduling, task management, memory management, and file management, resulting in a substantial boost in performance and efficiency. For Cross-Device Intelligent Connectivity, *Xiaomi HyperConnect*, our proprietary advanced Cross-Device Intelligent Connectivity framework, facilitates highly efficient connections between multiple devices and enacts ultimate collaboration. Our commitment to Proactive Intelligence has given rise to *Xiaomi HyperMind*, our cross-device smart cognitive center. *Xiaomi HyperOS* takes a step further by supporting advanced AI⁴ technologies and enabling devices to provide a host of AI-driven features. For End-to-End Security, our self-developed trusted execution environment (“*TEE*”), operated on dedicated hardware, serves as the foundation of our security subsystem. We employ end-to-end encryption through *TEE* for data transmission between devices, extending its protective umbrella to interconnected security modules. Furthermore, *Xiaomi HyperOS* adheres to the principle of an open platform. We have extended open invitations to developers of applications and smart hardware and grant them open access to *Xiaomi HyperConnect*, and we have also announced the open-sourcing of *Xiaomi Vela*, empowering developers globally for greater innovation and collaboration.

We continuously extend AI empowerment. We actively explore the integration of AI with user scenarios to improve user experience, while deepening our AI capabilities. We have deeply integrated AI with *Xiaomi HyperOS* to provide users with plenty of convenient and intelligent functions based on on-device large language models, such as AI image extender and AI image search. Our 6 billion-parameter self-developed large language model is the first on-device large language model that runs on Snapdragon 8 Gen 3 Mobile Platform. At the same time, we proactively leverage AI to enhance internal operations, such as sales forecasts, intelligent decision support, and other perspective, to further enhance our operational efficiency.

3 “Human × Car × Home”.

4 Artificial Intelligence.

We continue to build on efficient management system to serve as the cornerstone of our capabilities. In 2019, we introduced IPD (Integrated Product Development) system at the product development level, aiming to address how to launch top-selling products consistently. In 2021, we introduced IPMS (Integrated Product Marketing & Sales) system at the product sales and operational level, aiming to enhance control system over product sales. In 2022, we implemented the ISC (Integrated Supply Chain) supply chain management system to improve our inventory management capabilities. We also established the CI (Consumer Insights) user insight system to guide our overall decisions from user’s perspective, simultaneously driving and safeguarding our premiumization strategy. In 2023, we are advancing the ITR (Issue-to-Resolution) system and the DSTE (Develop Strategy to Execute) system, closing the feedback loops on the user front and the R&D front. These process management systems have elevated our capabilities across multiple levels, encompassing product development, sales, inventory management, user experience, and strategy, and enhanced the overall efficiency of the organization.

We continued to forge ahead with our smartphone premiumization strategy. In October 2023, we launched the *Xiaomi 14 Series*⁵ in mainland China. Upon its release, the *Xiaomi 14 Series* gained widespread user acclaim, earning positive ratings of over 99% on JD.com⁶. This remarkable success marked a new chapter of our smartphone premiumization strategy. With six consecutively series released premium smartphone models⁷ gaining highly positive customer reviews in the first month after their market introductions, we have gradually mastered the premiumization methodology and benefited from exceptional outcomes. In the first five minutes after launching sales, sales of the *Xiaomi 14 Series* reached six times the initial sales volume of the *Xiaomi 13 Series*^{8, 9}, showing a significant leap in growth. In the meantime, the *Xiaomi 14 Series* gave us a strong driving force for the Double 11 shopping festival, propelling our cumulative gross merchandise value (“GMV”) amounted to over RMB22.4 billion¹⁰, setting a new record high during shopping festivals.

5 Including *Xiaomi 14*, *Xiaomi 14 Pro* and *Xiaomi 14 Pro Titanium Special Edition*.

6 As of November 19, 2023, based on ratings from JD.com’s Xiaomi self-operated flagship store.

7 Including *Xiaomi 12S Ultra*, *Xiaomi MIX Fold 2*, *Xiaomi 13 Series*, *Xiaomi 13 Ultra*, *Xiaomi MIX Fold 3* and *Xiaomi 14 Series*.

8 Including *Xiaomi 13*, *Xiaomi 13 Pro* and *Xiaomi 13 Limited Edition Custom Colors*.

9 According to data by Xiaomi’s data center, including data from Tmall, JD.com, Mi Store, Mi Home, etc., as of October 31, 2023 20:05.

10 Our omnichannel includes Mi Store, Mi Home, Xiaomi Youpin, major authorized e-commerce platforms and authorized retailers; according to data by Xiaomi’s data center, Tmall’s business intelligence “Shengyi Canmou,” JD.com’s business intelligence “Shangzhi” and “Jingsu” product ranking, from October 23, 2023 20:00:00 to November 11, 2023 23:59:59, including pre-captured data of individual categories, from October 19, 2023 00:00:00 to October 23, 2023 20:00:00.

As we steadily advanced our new retail operating strategy of “storefront integration”, we improved the efficiency of our new retail business. In the third quarter of 2023, the monthly average single-store GMV¹¹ of our offline stores increased by over 28% year-over-year. Our offline channels are effective channels for us to promote our premium smartphones. According to third-party data, in the third quarter of 2023, offline channels contributed over 55% of our total premium smartphone units sold in mainland China.

We have efficiently executed our 2023 operating strategy of “dual emphasis on scale and profitability”. In the third quarter of 2023, we once again achieved new highs in our Group gross profit margin, as well as our smartphone and our IoT and lifestyle products segments. In the third quarter of 2023, the Group’s gross profit margin reached 22.7%. By segment, the gross profit margin of our smartphone business reached 16.6%, an increase of 7.7 percentage points year-over-year. The gross profit margin of our IoT and lifestyle products rose to 17.8% this quarter, up 4.3 percentage points year-over-year. Our adjusted net profit was RMB6.0 billion, up 182.9% year-over-year. Meanwhile, we have further optimized our inventory management through the continued improvements of our management systems. In the third quarter of 2023, our total inventory was RMB36.8 billion, down 30.5% year-over-year, hitting its lowest level in the past eleven quarters. Sufficient cash serves as a crucial foundation for the sustained development of both our core and new businesses. As of September 30, 2023, our cash resources¹² reached RMB127.6 billion.

2. Smartphones

In the third quarter of 2023, the global smartphone market exhibited few signs of improvement. According to Canalys, global smartphone shipments in the third quarter decreased by 1.1% year-over-year. According to Canalys, in the third quarter of 2023, we maintained our No. 3 global smartphone shipment ranking with a 14.1% market share, achieved a growth of 0.5 percentage points year-over-year and three consecutive quarters of quarter-over-quarter improvement at the same time. In the third quarter of 2023, our smartphone revenue reached RMB41.6 billion. Our global smartphone shipments amounted to 41.8 million units, up 4.0% year-over-year and 27.0% quarter-over-quarter.

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

12 Including but not limited to (i) cash and cash equivalents, (ii) restricted cash, (iii) short-term bank deposits, (iv) short-term investments measured at fair value through profit or loss, (v) short-term investments measured at amortized cost, (vi) long-term bank deposits and (vii) other investments included in long-term investments measured at fair value through profit or loss.

We continued to expand our global footprint. According to Canalys, in the third quarter of 2023, our smartphone shipments ranked among top three across 55 countries and regions globally and ranked among top five across 65 countries and regions globally. Meanwhile, in the third quarter of 2023, we achieved quarter-over-quarter growth in smartphone market share in all major markets. Our smartphone market share in Europe rose to 23.3% and our smartphone market share in Latin America rose to 18.3%. In the meantime, our smartphone market share in Africa reached 10.7%, an increase of 4.7 percentage points year-over-year. Our smartphone market share in the Middle East also rose to 17.7%.

We are firmly committed to executing our dual-brand strategy. Under the Xiaomi brand, in October 2023, we unveiled the *Xiaomi 14 Series* in mainland China. The world's first Snapdragon 8 Gen 3 Mobile Platform made its debut on the *Xiaomi 14 Series*, meticulously integrated with *Xiaomi HyperOS* for outstanding performance. *Xiaomi 14* has been engineered with the next-generation Leica Summilux optical lenses, a major achievement of Xiaomi and Leica's collaboration. *Xiaomi 14* also offers the new Light Fusion 900 image sensor, a professional high dynamic sensor crafted especially for the mobile optical era. *Xiaomi 14* represents a transformative leap in mobile imaging, showcasing upgrades such as a 75mm floating telephoto lens and a 50MP ultra-wide-angle resolution. Featuring a fully upgraded pro-grade screen, a 4,610mAh high energy-density silicon carbon battery, and a high-vibration X-axis linear motor, *Xiaomi 14* offers a 360-degree blind spot-free flagship experience. The innovation-driven *Xiaomi 14 Pro* further presents three major industry breakthroughs. It is equipped with an innovative All-Around Liquid Display with consistent curvature on all four sides and corners, providing the smooth feel of a curved edge while retaining the experience of a flat screen. The display panel features *Xiaomi Ceramic Glass*, a pioneering material far exceeding the strength of typical glass. The third highlight is a variable aperture that can automatically adjust within the $f/1.42$ – $f/4.0$ range. These features set the standard for next-generation technological excellence.

Under the Redmi brand, in September 2023, we released the *Redmi Note 13 Series*¹³ in mainland China. *Redmi Note 13* and *Redmi Note 13 Pro+* are powered by the meticulously optimized MediaTek Dimensity 7200 Ultra and Dimensity 6080 mobile chipsets, fine-tuned by Redmi and MediaTek jointly, delivering exceptional performance while enhancing user experience across the board. *Redmi Note 13 Pro Series*¹⁴ features the second-generation 1.5K high-gloss eye-protection screen, supported with triple TÜV Rheinland eye protection certification. Its 200-megapixel sensor sets an all-new high for faster and clearer mid-range imaging, and the diamond-hard skeletal structure delivers exceptional robustness and durability. In the first hour of *Redmi Note 13 Series*' initial sales, the sales volume exceeded 410,000 units¹⁵.

13 Including *Redmi Note 13*, *Redmi Note 13 Pro*, *Redmi Note 13 Pro+* and *Redmi Note 13 Pro+ AAPE Limited Edition*.

14 Including *Redmi Note 13 Pro*, *Redmi Note 13 Pro+* and *Redmi Note 13 Pro+ AAPE Limited Edition*.

15 According to data by Xiaomi's data center, JD.com's business intelligence "Shangzhi" and Tmall's business intelligence "Shengyi Canmou", from September 26, 2023 10:00:00 to September 26, 2023 11:00:00.

3. IoT and lifestyle products

In the third quarter of 2023, our IoT and lifestyle products revenue and gross profit margin both grew on a year-over-year basis. Revenue from our IoT and lifestyle products was RMB20.7 billion, an increase of 8.5% year-over-year, and its gross profit margin reached 17.8%, up 4.3 percentage points year-over-year, setting another record high. As of September 30, 2023, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 698.9 million, up 25.2% year-over-year; the number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) reached 13.7 million, representing a year-over-year increase of 26.0%. In September 2023, the MAU of our Mi Home App grew to 84.0 million, an increase of 16.0% year-over-year.

According to All View Cloud (“AVC”), in the third quarter of 2023, our TV shipments once again ranked No. 1 in mainland China. We continued to sharpen our edge in the premium smart TV market, setting the pace for product innovation by leveraging data-driven analytics to pinpoint user needs. We released our premium smart TV *Xiaomi TV S Pro 85”* in mainland China in October 2023. Featuring MiniLED technology with impressive 1,440 backlight zones, a remarkable peak brightness of 2,400 nits, and a 4K panel with an ultra-high 144Hz refresh rate, *Xiaomi TV S Pro 85”* stands out as having an exceptionally robust display. Empowered by the *Xiaomi Master Imaging Engine*, we have elevated the display quality to new heights, delivering professional-grade ultra-high color accuracy and flawless cross-screen color consistency. During the Double 11 shopping festival, the *Xiaomi TV S Pro Series*¹⁶ achieved a cumulative GMV exceeding RMB0.2 billion¹⁷.

In the third quarter of 2023, our smart large home appliances¹⁸ continued to deliver year-over-year revenue growth. Our focus on innovation and proprietary technology development drives the diversification of our home appliance product mix, continually offering our users smarter options with higher standards. According to AVC, in the third quarter of 2023, the retail volume of air conditioners and washing machines across all channels in mainland China dropped by 15.8% and 3.6% year-over-year, respectively. Despite the sector-wide pressure, in the third quarter of 2023, both our air conditioner and washing machine businesses outperformed the market. Our air conditioner shipments in the first three quarters of 2023 already exceeded our full year level in 2022. Meanwhile, our refrigerator shipments for this quarter increased by more than 95% year-over-year.

16 Including *Xiaomi TV S Pro 65”*, *Xiaomi TV S Pro 75”*, *Xiaomi TV S Pro 85”*.

17 Our omnichannel includes Mi Store, Mi Home, Xiaomi Youpin, major authorized e-commerce platforms and authorized retailers; according to data by Xiaomi’s data center, Tmall’s business intelligence “Shengyi Canmou,” JD.com’s business intelligence “Shangzhi” and “Jingsu” product ranking, from October 23, 2023 00:00:00 to November 10 2023 23:59:59.

18 Including air conditioners, refrigerators and washing machines.

We continued to elevate user experience of our AIoT products across diverse scenarios, strengthening our product interconnectivity capabilities. For smart office and entertainment scenarios, in the third quarter of 2023, according to Canalys, our global tablet shipments increased by 120% year-over-year, ranked among the top five in global tablet shipment ranking for the first time. We also maintained the No. 3 tablet shipment ranking in mainland China. According to Canalys, in the third quarter of 2023, the shipments of our TWS earbuds ranked No. 2 in mainland China. We also unveiled the *Xiaomi Watch S3* in late October 2023. Featuring a high-resolution 1.43” AMOLED display, an upgraded 12-channel heart rate monitoring module powered by multi-sensor integrated algorithms and advanced positioning with independent dual-frequency satellite navigation, the *Xiaomi Watch S3* amazed users with more precise health and fitness tracking and management. In the meantime, the *Xiaomi Watch S3* can intelligently recognize the Xiaomi’s first innovative interchangeable bezel and automatically switch to exclusive customized dials for users. This highlights our innovative ability to seamlessly integrate hardware and software. We also released the *Xiaomi Wrist ECG and Blood Pressure Recorder* in parallel, which supports the measurement of blood pressure and ECG. This integrated solution embodies the features of our flagship smartwatch and professional medical device. The first wave of our AIoT devices¹⁹ will be progressively updated to the official version of *Xiaomi HyperOS* between December 2023 and January 2024, making interconnectivity even more seamless for our users.

4. Internet services

In the third quarter of 2023, our internet services revenue was RMB7.8 billion, an increase of 9.7% year-over-year, hitting another quarterly record high. The gross profit margin of our internet services reached 74.4%, an increase of 2.3 percentage points year-over-year. In the third quarter of 2023, our global internet user base maintained robust growth momentum. The MAU of MIUI globally and in mainland China, once again, both hit record highs. In September 2023, the global MAU of MIUI reached 623.1 million, an increase of 10.5% year-over-year, while the MAU of MIUI in mainland China reached 151.9 million, up 7.4% year-over-year. In September 2023, the global MAU of our smart TV²⁰ exceeded 64 million.

In the third quarter of 2023, our advertising revenue reached RMB5.4 billion, an increase of 15.7% year-over-year, setting another quarterly record. As we stepped up the refined operations of our advertising business while embracing technology innovation, we meaningfully broadened and deepened the sophistication of our services and offerings, coupled with the growing pool of premium smartphone users, revenue from both domestic and overseas performance-based and brand advertising increased year-over-year.

In the third quarter of 2023, our gaming revenue reached RMB1.1 billion in the third quarter, an increase of 5.6% year-over-year. Our gaming business grew year-over-year for the ninth consecutive quarter, by leveraging our diverse operations to attract new users and our consistent operational innovation.

19 *Xiaomi Pad 6 Max 14, Xiaomi Pad 6 Pro, Xiaomi Pad 6, Xiaomi TV S Pro 65”, Xiaomi TV S Pro 75”, Xiaomi TV S Pro 85”, Xiaomi Watch S3, Xiaomi Sound, and Xiaomi Smart Camera 3 PTZ Version Pro.*

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

We continued to unlock partnership opportunities worldwide. At the same time, we optimized the monetization channels of our advertising business and doubled down on our efforts to enhance our content and service offerings in the overseas markets. In the third quarter of 2023, revenue from our overseas internet services increased 35.8% year-over-year to RMB2.3 billion, hitting a record high, accounting for 30.0% of our total internet services revenue, up 5.8 percentage points year-over-year.

5. Corporate social responsibility (CSR)

We have fully integrated environment, social, and governance (ESG) management into our business operations as part of our corporate development strategies. In the third quarter of 2023, we achieved notable improvements in our ESG ratings, as evidenced by upgrades awarded to our ESG scores from both MSCI and Sustainalytics. Our commitment to talent development and employee growth is unwavering. We have always considered mutual growth with our employees as a pivotal driver propelling us forward. We were honored to be listed as one of the “World’s Best Employers” by Forbes for the third consecutive year. To uphold our mission of letting everyone in the world enjoy a better life through innovative technology, we pledge to achieve carbon neutrality in our own operations of our existing businesses along with 100% renewable energy utilization by 2040. We plan to release our Carbon Neutralization Action Report by the end of 2023 to disclose further details of our climate strategies and carbon-neutral roadmaps.

We are deeply committed to public welfare and actively fulfill our corporate social responsibility. We have established three key phrases for Beijing Xiaomi Foundation: “Poverty and Disaster Relief”, “Talent Development”, and “Technology Innovation”. As for “Poverty and Disaster Relief”, Beijing Xiaomi Foundation has cumulatively donated over RMB156 million as of October 2023. For “Talent Development”, *Xiaomi Scholarships Program* has covered 60 colleges and universities by the end of October 2023, with a cumulative donation of RMB55 million. For “Technology Innovation”, *Xiaomi Innovation Joint Fund* has cumulatively donated RMB108 million and supported 74 scientific projects as of October 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2023 Compared to Third Quarter of 2022

The following table sets forth the comparative figures for the third quarter of 2023 and the third quarter of 2022:

	Unaudited	
	Three months ended	
	September 30,	September 30,
	2023	2022
	(RMB in millions)	
Revenue	70,894.4	70,474.3
Cost of sales	(54,784.7)	(58,752.4)
Gross profit	16,109.7	11,721.9
Research and development expenses	(4,966.2)	(4,069.8)
Selling and marketing expenses	(4,736.3)	(4,882.6)
Administrative expenses	(1,365.3)	(1,255.4)
Fair value changes on financial instruments measured at fair value through profit or loss	(299.9)	(2,390.9)
Share of net profits/(losses) of investments accounted for using the equity method	20.6	(265.0)
Other income	128.7	195.7
Other gains/(losses), net	119.9	(415.0)
Operating profit/(loss)	5,011.2	(1,361.1)
Finance income, net	876.0	170.3
Profit/(loss) before income tax	5,887.2	(1,190.8)
Income tax expenses	(1,018.1)	(283.2)
Profit/(loss) for the period	4,869.1	(1,474.0)
Non-IFRS measure: Adjusted Net Profit	5,989.6	2,117.3

Revenue

Revenue increased by 0.6% to RMB70.9 billion in the third quarter of 2023 from RMB70.5 billion in the third quarter of 2022. The following table sets forth our revenue by line of business in the third quarter of 2023 and the third quarter of 2022.

	Unaudited			
	Three months ended		September 30, 2022	
	September 30, 2023	September 30, 2022	September 30, 2022	September 30, 2022
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	41,648.9	58.7%	42,514.2	60.3%
IoT and lifestyle products	20,673.3	29.2%	19,058.6	27.0%
Internet services	7,755.5	10.9%	7,066.6	10.0%
Others	816.7	1.2%	1,834.9	2.7%
Total revenue	<u>70,894.4</u>	<u>100.0%</u>	<u>70,474.3</u>	<u>100.0%</u>

Smartphones

Revenue from our smartphones segment decreased by 2.0% from RMB42.5 billion in the third quarter of 2022 to RMB41.6 billion in the third quarter of 2023, primarily due to the decrease in our average selling price (“ASP”), partially offset by an increase in our smartphone shipments. Our smartphone shipments increased by 4.0% from 40.2 million in the third quarter of 2022 to 41.8 million in the third quarter of 2023, despite the global smartphone shipments decreased by 1.1% year-over-year according to Canalys. The ASP of our smartphones decreased by 5.8% from RMB1,058.2 per unit in the third quarter of 2022 to RMB997.0 per unit in the third quarter of 2023. The decrease in ASP was primarily due to the strong growth of our shipments in emerging markets such as Latin America, Africa and the Middle East, which carry lower ASP, partially offset by an increase in ASP in mainland China.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment increased by 8.5% from RMB19.1 billion in the third quarter of 2022 to RMB20.7 billion in the third quarter of 2023, primarily attributable to the increased revenue from tablets, robot vacuum cleaners and smart large home appliances, partially offset by the decreased revenue from smart TVs and laptops.

Our tablets maintained strong growth momentum year-over-year in both the overseas markets and mainland China, primarily due to the increased sales of Xiaomi Pad 6 series tablets and Redmi Pad SE series tablets which we introduced in 2023.

Revenue from robot vacuum cleaners increased in the third quarter of 2023, mainly due to recovery of the overseas markets.

Revenue from our smart large home appliances increased by 11.0% from RMB2.7 billion in the third quarter of 2022 to RMB3.0 billion in the third quarter of 2023.

Revenue from smart TVs and laptops decreased by 14.1% from RMB5.8 billion in the third quarter of 2022 to RMB5.0 billion in the third quarter of 2023, primarily due to the decrease in shipments of smart TVs driven by the weakened market demand.

Internet services

Revenue from our internet services segment increased by 9.7% from RMB7.1 billion in the third quarter of 2022 to RMB7.8 billion in the third quarter of 2023, primarily due to the increase in revenue from our advertising business. Our overseas revenue from internet services increased by 35.8% from RMB1.7 billion in the third quarter of 2022 to RMB2.3 billion in the third quarter of 2023, mainly driven by the increase in advertising business.

Others

Other revenue decreased by 55.5% from RMB1.8 billion in the third quarter of 2022 to RMB0.8 billion in the third quarter of 2023, primarily due to the decrease in revenue from the sales of buildings.

Cost of Sales

Our cost of sales decreased by 6.8% from RMB58.8 billion in the third quarter of 2022 to RMB54.8 billion in the third quarter of 2023. The following table sets forth our cost of sales by line of business in the third quarter of 2023 and the third quarter of 2022:

	Unaudited			
	Three months ended			
	September 30, 2023		September 30, 2022	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	34,718.9	49.0%	38,730.4	55.0%
IoT and lifestyle products	16,987.9	24.0%	16,488.4	23.4%
Internet services	1,984.3	2.8%	1,974.7	2.8%
Others	1,093.6	1.5%	1,558.9	2.2%
	<u>54,784.7</u>	<u>77.3%</u>	<u>58,752.4</u>	<u>83.4%</u>
Total cost of sales	<u>54,784.7</u>	<u>77.3%</u>	<u>58,752.4</u>	<u>83.4%</u>

Smartphones

Cost of sales related to our smartphones segment decreased by 10.4% from RMB38.7 billion in the third quarter of 2022 to RMB34.7 billion in the third quarter of 2023, primarily due to the decreased sales of our smartphones, the decreased inventory impairment provisions in the overseas markets, as well as the decreased price of key components.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment increased by 3.0% from RMB16.5 billion in the third quarter of 2022 to RMB17.0 billion in the third quarter of 2023, primarily due to the increased sales of our IoT and lifestyle products.

Internet services

Cost of sales related to our internet services segment remained stable at RMB2.0 billion in the third quarter of 2023 compared to the third quarter of 2022.

Others

Cost of sales related to our others segment decreased by 29.9% from RMB1.6 billion in the third quarter of 2022 to RMB1.1 billion in the third quarter of 2023, primarily due to the decrease in cost from the sales of buildings.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 37.4% from RMB11.7 billion in the third quarter of 2022 to RMB16.1 billion in the third quarter of 2023.

The gross profit margin from our smartphones segment increased from 8.9% in the third quarter of 2022 to 16.6% in the third quarter of 2023, mainly due to the improved product mix, the decreased inventory impairment provisions in the overseas markets, as well as the decreased price of key components.

The gross profit margin from our IoT and lifestyle products segment increased from 13.5% in the third quarter of 2022 to 17.8% in the third quarter of 2023, mainly due to the strong growth in tablets, as well as certain lifestyle products with higher gross profit margins in mainland China.

The gross profit margin from our internet services segment increased from 72.1% in the third quarter of 2022 to 74.4% in the third quarter of 2023, mainly due to higher revenue contribution from advertising business.

As a result of the foregoing, our gross profit margin increased from 16.6% in the third quarter of 2022 to 22.7% in the third quarter of 2023.

Research and Development Expenses

Our research and development expenses increased by 22.0% from RMB4.1 billion in the third quarter of 2022 to RMB5.0 billion in the third quarter of 2023, primarily due to the increase in R&D expenses related to our smart electric vehicle business and other new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 3.0% from RMB4.9 billion in the third quarter of 2022 to RMB4.7 billion in the third quarter of 2023, primarily due to the decrease in packaging and transportation expenses in the overseas markets, partially offset by the increase of promotion and advertising expenses in the overseas markets.

Promotion and advertising expenses increased by 24.4% from RMB1.4 billion in the third quarter of 2022 to RMB1.8 billion in the third quarter of 2023, primarily due to the increase in marketing expenses in the overseas markets.

Administrative Expenses

Our administrative expenses increased by 8.8% from RMB1.3 billion in the third quarter of 2022 to RMB1.4 billion in the third quarter of 2023, primarily due to the increase in compensation for administrative personnel and professional service fees.

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

Our fair value changes on financial instruments measured at fair value through profit or loss decreased by 87.5% from a loss of RMB2.4 billion in the third quarter of 2022 to a loss of RMB0.3 billion in the third quarter of 2023, primarily due to the lower fair value loss of listed equity investments in the third quarter of 2023.

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 net losses of RMB265.0 million in the third quarter of 2022 to net profits of RMB20.6 million in the third quarter of 2023.

Other Income

Our other income decreased by 34.2% from RMB195.7 million in the third quarter of 2022 to RMB128.7 million in the third quarter of 2023, primarily due to the decrease of dividend income received from our investee companies.

Other Gains/(Losses), Net

Our other net gains/(losses) changed from a net loss of RMB415.0 million in the third quarter of 2022 to a net gain of RMB119.9 million in the third quarter of 2023, primarily due to the increase of gains on disposal of investments accounted for using the equity method, and lower foreign exchange losses due to lower exchange rate fluctuations of US dollar, as well as less impairment of certain listed investments accounted for using the equity method in the third quarter of 2023.

Finance Income, Net

Our net finance income increased by 414.3% from RMB170.3 million in the third quarter of 2022 to RMB876.0 million in the third quarter of 2023, primarily due to the rise of short-term deposit and US dollar deposit interest rate, as well as the change of value of the financial liabilities to the fund investors.

Income Tax Expenses

Our income tax expenses increased by 259.5% from RMB283.2 million in the third quarter of 2022 to RMB1,018.1 million in the third quarter of 2023, primarily due to the increase of operating profit in the third quarter of 2023.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB4.9 billion in the third quarter of 2023, compared with a loss of RMB1.5 billion in the third quarter of 2022.

Adjusted Net Profit

Our adjusted net profit increased by 182.9% from RMB2.1 billion in the third quarter of 2022 to RMB6.0 billion in the third quarter of 2023.

Third Quarter of 2023 Compared to Second Quarter of 2023

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

	Unaudited	
	Three months ended	
	September 30,	June 30,
	2023	2023
	(RMB in millions)	
Revenue	70,894.4	67,354.9
Cost of sales	(54,784.7)	(53,193.9)
Gross profit	16,109.7	14,161.0
Research and development expenses	(4,966.2)	(4,554.8)
Selling and marketing expenses	(4,736.3)	(4,476.8)
Administrative expenses	(1,365.3)	(1,143.2)
Fair value changes on financial instruments measured at fair value through profit or loss	(299.9)	(275.8)
Share of net profits of investments accounted for using the equity method	20.6	74.0
Other income	128.7	184.8
Other gains, net	119.9	71.3
Operating profit	5,011.2	4,040.5
Finance income, net	876.0	915.2
Profit before income tax	5,887.2	4,955.7
Income tax expenses	(1,018.1)	(1,290.2)
Profit for the period	4,869.1	3,665.5
Non-IFRS measure: Adjusted Net Profit	5,989.6	5,140.3

Revenue

Revenue increased by 5.3% to RMB70.9 billion in the third quarter of 2023 from RMB67.4 billion in the second quarter of 2023. The following table sets forth our revenue by line of business in the third quarter of 2023 and the second quarter of 2023.

	Unaudited			
	Three months ended			
	September 30, 2023		June 30, 2023	
	% of total		% of total	
	Amount	revenue	Amount	revenue
	(RMB in millions, unless specified)			
Smartphones	41,648.9	58.7%	36,595.5	54.3%
IoT and lifestyle products	20,673.3	29.2%	22,253.9	33.0%
Internet services	7,755.5	10.9%	7,444.1	11.1%
Others	816.7	1.2%	1,061.4	1.6%
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	<u>70,894.4</u>	<u>100.0%</u>	<u>67,354.9</u>	<u>100.0%</u>

Smartphones

Revenue from our smartphones segment increased by 13.8% from RMB36.6 billion in the second quarter of 2023 to RMB41.6 billion in the third quarter of 2023, primarily due to the increase in our smartphone shipments, partially offset by a decrease in our smartphone ASP. Our smartphone shipment increased by 27.0% from 32.9 million units in the second quarter of 2023 to 41.8 million units in the third quarter of 2023. The ASP of our smartphones decreased by 10.4% from RMB1,112.2 per unit in the second quarter of 2023 to RMB997.0 per unit in the third quarter of 2023, primarily due to the strong growth of our shipments in emerging markets such as Latin America, Africa and the Middle East, which carry lower ASP.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment decreased by 7.1% from RMB22.3 billion in the second quarter of 2023 to RMB20.7 billion in the third quarter of 2023, primarily due to the decrease in revenue from our smart large home appliances, partially offset by the increase in revenue from tablets.

Our tablets maintained strong growth momentum quarter-over-quarter in the overseas markets, primarily due to the increased sales of Xiaomi Pad 6 series tablets which we introduced in May and Redmi Pad SE series tablets which we introduced in August in the overseas markets.

Revenue from smart TVs and laptops increased by 5.0% from RMB4.7 billion in the second quarter of 2023 to RMB5.0 billion in the third quarter of 2023 due to revenue increase from both smart TVs and laptops.

Revenue from our smart large home appliances decreased by 37.9% from RMB4.9 billion in the second quarter of 2023 to RMB3.0 billion in the third quarter of 2023, primarily due to the seasonal decrease of revenue from air conditioners.

Internet services

Revenue from our internet services segment increased by 4.2% from RMB7.4 billion in the second quarter of 2023 to RMB7.8 billion in the third quarter of 2023, primarily due to the increase in revenue from our advertising business. Our overseas revenue from internet services increased by 16.3% from RMB2.0 billion in the second quarter of 2023 to RMB2.3 billion in the third quarter of 2023, primarily due to the increase in revenue from advertising business.

Others

Other revenue decreased by 23.1% from RMB1.1 billion in the second quarter of 2023 to RMB0.8 billion in the third quarter of 2023, primarily due to the decrease in revenue from installation services provided for air conditioners.

Cost of Sales

Our cost of sales increased by 3.0% from RMB53.2 billion in the second quarter of 2023 to RMB54.8 billion in the third quarter of 2023. The following table sets forth our cost of sales by line of business in the third quarter of 2023 and the second quarter of 2023:

	Unaudited			
	Three months ended			
	September 30, 2023		June 30, 2023	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	34,718.9	49.0%	31,720.5	47.1%
IoT and lifestyle products	16,987.9	24.0%	18,343.8	27.2%
Internet services	1,984.3	2.8%	1,926.2	2.9%
Others	1,093.6	1.5%	1,203.4	1.8%
	<u>54,784.7</u>	<u>77.3%</u>	<u>53,193.9</u>	<u>79.0%</u>
Total cost of sales	<u>54,784.7</u>	<u>77.3%</u>	<u>53,193.9</u>	<u>79.0%</u>

Smartphones

Cost of sales related to our smartphones segment increased by 9.5% from RMB31.7 billion in the second quarter of 2023 to RMB34.7 billion in the third quarter of 2023, due to the increased sales of our smartphones, partially offset by the decreased inventory impairment provisions in the overseas markets.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment decreased by 7.4% from RMB18.3 billion in the second quarter of 2023 to RMB17.0 billion in the third quarter of 2023, primarily due to the decreased sales of our IoT and lifestyle products.

Internet services

Cost of sales related to our internet services segment increased by 3.0% from RMB1.9 billion in the second quarter of 2023 to RMB2.0 billion in the third quarter of 2023, primarily due to the increase in revenue from our internet services.

Others

Cost of sales related to our others segment decreased by 9.1% from RMB1.2 billion in the second quarter of 2023 to RMB1.1 billion in the third quarter of 2023, primarily due to the decrease in cost from installation services provided for air conditioners.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 13.8% from RMB14.2 billion in the second quarter of 2023 to RMB16.1 billion in the third quarter of 2023.

The gross profit margin from our smartphones segment increased from 13.3% in the second quarter of 2023 to 16.6% in the third quarter of 2023, mainly due to the decreased inventory impairment provisions in the overseas markets and the improved product mix in mainland China.

The gross profit margin from our IoT and lifestyle products was 17.8% in the third quarter of 2023, compared with 17.6% in the second quarter of 2023.

The gross profit margin from our internet services segment increased from 74.1% in the second quarter of 2023 to 74.4% in the third quarter of 2023, mainly due to higher revenue contribution from advertising business.

As a result of the foregoing, our gross profit margin increased from 21.0% in the second quarter of 2023 to 22.7% in the third quarter of 2023.

Research and Development Expenses

Our research and development expenses increased by 9.0% from RMB4.6 billion in the second quarter of 2023 to RMB5.0 billion in the third quarter of 2023, primarily due to the increase in R&D expenses related to smart electric vehicle business and other new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 5.8% from RMB4.5 billion in the second quarter of 2023 to RMB4.7 billion in the third quarter of 2023, primarily due to the increase in promotion and advertising expenses in the overseas markets.

Promotion and advertising expenses increased by 21.1% from RMB1.5 billion in the second quarter of 2023 to RMB1.8 billion in the third quarter of 2023, primarily due to the increase in marketing expenses in the overseas markets.

Administrative Expenses

Our administrative expenses increased by 19.4% from RMB1.1 billion in the second quarter of 2023 to RMB1.4 billion in the third quarter of 2023, primarily due to the increase in compensation for administrative personnel and professional service fees.

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

Our fair value changes on financial instruments measured at fair value through profit or loss remained stable at a loss of RMB0.3 billion in the third quarter of 2023 compared to the second quarter of 2023, primarily due to the lower fair value losses of listed equity investments, offset by the lower fair value gains of preferred shares investments in the third quarter of 2023.

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

Our share of net profits of investments accounted for using the equity method decreased by 72.1% from RMB74.0 million in the second quarter of 2023 to RMB20.6 million in the third quarter of 2023.

Other Income

Our other income decreased by 30.3% from RMB184.8 million in the second quarter of 2023 to RMB128.7 million in the third quarter of 2023, primarily due to the decrease of dividend income received from our investee companies.

Other Gains, Net

Our other net gains increased by 68.2% from RMB71.3 million in the second quarter of 2023 to RMB119.9 million in the third quarter of 2023. This is mainly due to the increase of gains on disposal of investments accounted for using the equity method.

Finance Income, Net

Our net finance income decreased from RMB915.2 million in the second quarter of 2023 to RMB876.0 million in the third quarter of 2023, primarily due to the change of value of financial liabilities to fund investors, partially offset by the increase of interest income in the third quarter of 2023.

Income Tax Expenses

Our income tax expenses decreased by 21.1% from RMB1.3 billion in the second quarter of 2023 to RMB1.0 billion in the third quarter of 2023.

Profit for the Period

As a result of the foregoing, we had a profit of RMB4.9 billion in the third quarter of 2023, compared with a profit of RMB3.7 billion in the second quarter of 2023.

Adjusted Net Profit

Our adjusted net profit increased by 16.5% from RMB5.1 billion in the second quarter of 2023 to RMB6.0 billion in the third quarter of 2023.

Non-IFRS Measure: Adjusted Net Profit

To supplement our consolidated results which are prepared and presented in accordance with IFRS Accounting 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 third quarter of 2023, the second quarter of 2023, the third quarter of 2022, and the first nine months of 2023 and 2022, respectively, to the nearest measures prepared in accordance with IFRS.

	Unaudited Three Months Ended September 30, 2023						Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Adjustments resulting from acquisitions ⁽²⁾	Amortization of intangible assets	Changes of value of financial liabilities to fund investors ⁽³⁾	
Profit for the period	4,869,073	898,831	503,364	36,002	(241,789)	(75,930)	5,989,551
Net margin	6.9%						8.4%

Para 4.1
(c)(ii);
(d)(i)-(v);
(g)(i)

	Unaudited Three Months Ended June 30, 2023						Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Adjustments resulting from acquisitions ⁽²⁾	Amortization of intangible assets	Changes of value of financial liabilities to fund investors ⁽³⁾	
Profit for the period	3,665,524	708,152	942,777	36,002	(322,873)	110,698	5,140,280
Net margin	5.4%						7.6%

	Unaudited Three Months Ended September 30, 2022						Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Adjustments resulting from acquisitions ⁽²⁾	Amortization of intangible assets	Changes of value of financial liabilities to fund investors ⁽³⁾	
(Loss)/Profit for the period	(1,473,922)	624,754	3,088,405	36,081	(47,110)	(110,957)	2,117,251
Net margin	-2.1%						3.0%

Unaudited
Nine Months Ended September 30, 2023

	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Adjustments		Income tax effects ⁽⁴⁾	Non-IFRS
				Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾		
Profit for the period	12,750,735	2,470,337	(1,579,369)	108,006	295,931	317,448	14,363,088
Net margin	6.4%						7.3%

Unaudited
Nine Months Ended September 30, 2022

	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Adjustments		Income tax effects ⁽⁴⁾	Non-IFRS
				Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾		
(Loss)/Profit for the period	(639,099)	1,878,115	6,572,110	108,243	(428,801)	(433,463)	7,057,105
Net margin	-0.3%						3.3%

Notes:

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

Liquidity and Financial Resources

On December 4, 2020, the Company completed a placing a total of 1,000,000,000 placing shares at HK\$23.70 for each placing share owned by Smart Mobile Holdings Limited to not less than six places who and whose ultimate beneficial owner(s) are independent third parties and allotted and issued 1,000,000,000 subscription shares at HK\$23.70 per subscription share under the general mandate to Smart Mobile Holdings (the “**2020 Placing and Subscription**”). For further details, please refer to the Company’s announcements dated December 2, 2020, December 3, 2020 and December 9, 2020.

Other than the funds raised through our Global Offering (as defined in the prospectus of the Company dated June 25, 2018) in July 2018, the 2020 Placing and Subscription and the issuance of debt securities as described in “Issuance of Debt Securities” below, we have historically funded our cash requirements principally from cash generated from our operations and bank borrowings. We had cash and cash equivalents of RMB31.7 billion and RMB31.5 billion as of September 30, 2023 and June 30, 2023, respectively.

Issuance of Debt Securities

On April 29, 2020, Xiaomi Best Time International Limited, a wholly owned subsidiary of the Company, issued US\$600 million 3.375% senior notes due 2030 unconditionally and irrevocably guaranteed by the Company (the “**2030 Notes**”). For further details, please refer to the announcements of the Company published on April 20, 2020 and April 23, 2020.

On December 17, 2020, Xiaomi Best Time International Limited issued zero coupon guaranteed convertible bonds due 2027 guaranteed by the Company in the aggregate principal amount of US\$855 million at an initial conversion price of HK\$36.74 per conversion share (subject to adjustments) (the “**2027 Bonds**”). The 2027 Bonds are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). For further details, please refer to the announcements of the Company dated December 2, 2020, December 3, 2020, December 17, 2020 and December 18, 2020.

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

On July 14, 2021, Xiaomi Best Time International Limited issued US\$800 million 2.875% senior bonds due 2031 (the “**2031 Bonds**”) and US\$400 million 4.100% senior green bonds due 2051, 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	
	September 30,	June 30,
	2023	2023
	(RMB in millions)	
Net cash generated from operating activities ⁽¹⁾	13,328.0	18,943.2
Net cash used in investing activities	(14,829.4)	(12,870.0)
Net cash generated from/(used in) financing activities ⁽¹⁾	1,738.4	(1,419.9)
	<u>237.0</u>	<u>4,653.3</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	31,459.0	26,181.0
Effects of exchange rate changes on cash and cash equivalents	(43.4)	624.7
	<u>31,652.6</u>	<u>31,459.0</u>
Cash and cash equivalents at end of period		

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 generated from operating activities was RMB11.4 billion in the third quarter of 2023 and the net cash generated from operating activities was RMB20.2 billion in the second quarter of 2023, respectively. Excluding the change of borrowings for the fintech business, the net cash generated from financing activities was RMB1.2 billion in the third quarter of 2023 and the net cash used in financing activities was RMB0.9 billion in the second quarter of 2023, respectively. The information in this footnote is based on the management accounts of the Group, which have not been audited or reviewed by the Group's auditor. The accounting policies applied in the preparation of the management accounts are consistent with those used for other figures in this announcement.
- (2) The cash resources which the Group considered in cash management include but are not limited to cash and cash equivalents, restricted cash, short-term bank deposits, short-term investments measured at fair value through profit or loss, short-term investments measured at amortized cost, long-term bank deposits and other investments included in long-term investments measured at fair value through profit or loss. As of September 30, 2023, the aggregate amount of cash resources of the Group was RMB127.6 billion.

Net Cash Generated from Operating Activities

Net cash generated from our 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 third quarter of 2023, net cash generated from our operating activities amounted to RMB13.3 billion, representing cash generated from operations of RMB14.0 billion minus income tax paid of RMB0.7 billion. Cash generated from operations was primarily attributable to our profit before income tax of RMB5.9 billion, adjusted by a decrease in prepayments and other receivables of RMB1.4 billion, an increase in advance from customers of RMB1.3 billion, an increase in trade payables of RMB1.2 billion, amortisation of intangible assets of RMB1.1 billion, a decrease in inventories of RMB0.7 billion.

Net Cash Used in Investing Activities

For the third quarter of 2023, our net cash used in investing activities was RMB14.8 billion, which was primarily attributed to the increase of short-term bank deposits of RMB8.3 billion, the increase of long-term bank deposits of RMB5.0 billion and capital expenditures of RMB1.8 billion.

Net Cash Generated from Financing Activities

For the third quarter of 2023, our net cash generated from financing activities was RMB1.7 billion, which was primarily attributed to net proceeds from borrowings of RMB1.9 billion.

Borrowings

As of June 30, 2023 and September 30, 2023, we had total borrowings of RMB22.9 billion and RMB24.8 billion, respectively.

Capital Expenditure

	Unaudited	
	Three months ended	
	September 30, 2023	June 30, 2023
	(RMB in millions)	
Capital expenditures	1,799.0	2,165.7
Placement of long-term investments ⁽¹⁾	1,041.5	1,646.7
Total	<u>2,840.5</u>	<u>3,812.4</u>

Note:

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

Off-Balance Sheet Commitments and Arrangements

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

Future Plans for Material Investments and Capital Assets

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

Investments Held

As of September 30, 2023, we had invested in more than 430 companies with an aggregate book value of RMB66.5 billion, an increase of 7.1% year-over-year. In the third quarter of 2023, we recorded a net gain on disposal of investments (after tax) of RMB0.4 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 September 30, 2023; (ii) book value of our stakes in unlisted investee companies accounted for using the equity method; and (iii) book value of long-term investments measured at fair value through profit or loss) reached RMB68.9 billion as of September 30, 2023.

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In the third quarter of 2023, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

As of September 30, 2023, we had 33,038 full-time employees, 30,939 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India. As of September 30, 2023, our research and development personnel, totaling 17,563 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 September 30, 2023, 11,616 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, in the third quarter of 2023 were RMB4.8 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 various currencies exposures, primarily with respect to the United States dollar. Therefore, foreign exchange risk primarily arises from 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 September 30, 2023, we had pledged a restricted deposit of RMB4.7 billion, compared with RMB4.6 billion as of June 30, 2023.

Contingent Liabilities

We did not have any material contingent liabilities as of September 30, 2023. Further details of the contingencies are set out in Note 10 to the financial information.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months and nine months ended September 30, 2023

(Expressed in Renminbi (“RMB”))

	Note	Unaudited Three months ended September 30,		Unaudited Nine months ended September 30,	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Revenue	2	70,894,412	70,474,269	197,726,454	213,996,648
Cost of sales	2, 3	(54,784,701)	(58,752,360)	(155,864,160)	(177,796,958)
Gross profit		16,109,711	11,721,909	41,862,294	36,199,690
Research and development expenses	3	(4,966,220)	(4,069,789)	(13,634,383)	(11,327,702)
Selling and marketing expenses	3	(4,736,265)	(4,882,576)	(13,316,887)	(15,470,968)
Administrative expenses	3	(1,365,291)	(1,255,393)	(3,643,654)	(3,815,370)
Fair value changes on financial instruments measured at fair value through profit or loss	5	(299,895)	(2,390,854)	2,877,580	(5,427,532)
Share of net profits/(losses) of investments accounted for using the equity method		20,633	(264,996)	(38,402)	(403,656)
Other income		128,734	195,671	478,344	546,775
Other gains/(losses), net		119,806	(414,983)	367,056	(840,483)
Operating profit/(loss)		5,011,213	(1,361,011)	14,951,948	(539,246)
Finance income		971,589	455,128	2,501,012	1,100,821
Finance costs		(95,602)	(284,812)	(1,139,366)	(431,361)
Profit/(loss) before income tax		5,887,200	(1,190,695)	16,313,594	130,214
Income tax expenses		(1,018,128)	(283,227)	(3,562,860)	(769,313)
Profit/(loss) for the period		4,869,072	(1,473,922)	12,750,734	(639,099)
Attributable to:					
— Owners of the Company		4,873,861	(1,476,050)	12,747,675	(677,250)
— Non-controlling interests		(4,789)	2,128	3,059	38,151
		4,869,072	(1,473,922)	12,750,734	(639,099)
Earnings/(loss) per share (expressed in RMB per share):	4				
Basic		0.20	(0.06)	0.51	(0.03)
Diluted		0.19	(0.06)	0.50	(0.03)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and nine months ended September 30, 2023

(Expressed in RMB)

	Unaudited Three months ended September 30, 2023		Unaudited Nine months ended September 30, 2023	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the period	4,869,072	(1,473,922)	12,750,734	(639,099)
Other comprehensive (loss)/income:				
<i>Items that may be reclassified</i>				
<i>subsequently to profit or loss</i>				
Share of other comprehensive income of investments accounted for using the equity method	38,804	88,848	10,901	72,185
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of investments accounted for using equity method	(507)	—	(971)	—
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(8,712)	(8,611)	(24,545)	(15,555)
Currency translation differences	(40,375)	91,908	526,662	75,647
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Currency translation differences	(276,819)	2,428,449	1,313,389	4,547,459
Other comprehensive (loss)/income for the period, net of tax	(287,609)	2,600,594	1,825,436	4,679,736
Total comprehensive income for the period	4,581,463	1,126,672	14,576,170	4,040,637
Attributable to:				
— Owners of the Company	4,586,995	1,113,324	14,567,324	3,982,507
— Non-controlling interests	(5,532)	13,348	8,846	58,130
	4,581,463	1,126,672	14,576,170	4,040,637

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As of September 30, 2023

(Expressed in RMB)

	Note	Unaudited As of September 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Assets			
Non-current assets			
Property and equipment		12,707,660	9,138,221
Intangible assets		6,364,660	4,629,676
Investments accounted for using the equity method		8,066,276	7,932,192
Long-term investments measured at fair value through profit or loss	5	58,428,088	55,979,974
Deferred income tax assets		2,385,405	2,278,175
Long-term bank deposits		18,701,409	16,788,346
Long-term investments measured at amortized cost	5	369,886	405,371
Other non-current assets		15,245,291	15,940,461
		<u>122,268,675</u>	<u>113,092,416</u>
Current assets			
Inventories	7	36,842,283	50,437,891
Trade receivables	6	13,677,498	11,795,074
Loan receivables		6,719,983	7,829,563
Prepayments and other receivables		18,008,742	18,578,491
Bills receivables measured at fair value through other comprehensive income		818,815	40,003
Short-term investments measured at fair value through other comprehensive income	5	616,212	449,109
Short-term investments measured at amortized cost	5	805,713	—
Short-term investments measured at fair value through profit or loss	5	14,249,956	9,845,910
Short-term bank deposits		51,358,738	29,874,707
Restricted cash		4,725,321	3,956,786
Cash and cash equivalents		31,652,566	27,607,261
		<u>179,475,827</u>	<u>160,414,795</u>
Total assets		<u><u>301,744,502</u></u>	<u><u>273,507,211</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As of September 30, 2023

(Expressed in RMB)

	Note	Unaudited As of September 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		407	406
Reserves		<u>159,790,273</u>	<u>143,658,052</u>
		<u>159,790,680</u>	<u>143,658,458</u>
Non-controlling interests		<u>272,809</u>	<u>264,602</u>
Total equity		<u><u>160,063,489</u></u>	<u><u>143,923,060</u></u>
Liabilities			
Non-current liabilities			
Borrowings	8	22,774,352	21,493,261
Deferred income tax liabilities		1,201,213	983,256
Warranty provision		974,946	945,270
Other non-current liabilities		<u>17,749,263</u>	<u>16,534,831</u>
		<u>42,699,774</u>	<u>39,956,618</u>
Current liabilities			
Trade payables	9	54,682,769	53,093,543
Other payables and accruals		22,329,531	18,440,716
Advance from customers		11,189,860	9,587,959
Borrowings	8	2,060,828	2,150,741
Income tax liabilities		2,511,629	1,384,133
Warranty provision		<u>6,206,622</u>	<u>4,970,441</u>
		<u>98,981,239</u>	<u>89,627,533</u>
Total liabilities		<u><u>141,681,013</u></u>	<u><u>129,584,151</u></u>
Total equity and liabilities		<u><u>301,744,502</u></u>	<u><u>273,507,211</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2023

(Expressed in RMB)

	Unaudited	
	Nine months ended	
	September 30,	
	2023	2022
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	33,489,982	(8,501,936)
Net cash (used in)/generated from investing activities	(29,321,565)	16,256,913
Net cash used in financing activities	(548,255)	(4,237,818)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	3,620,162	3,517,159
Cash and cash equivalents at the beginning of the period	27,607,261	23,511,579
Effects of exchange rate changes on cash and cash equivalents	425,143	1,042,361
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	31,652,566	28,071,099
	<hr/> <hr/>	<hr/> <hr/>

1 Basis of preparation

The condensed consolidated interim financial information comprises the interim condensed consolidated balance sheet as of September 30, 2023, the interim condensed consolidated income statements and the interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended, and selected explanatory notes (the “**Interim Financial Information**”). The Interim Financial Information is presented in RMB, unless otherwise stated.

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

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended December 31, 2022 which have been prepared in accordance with IFRS Accounting Standards (“**IFRS**”) as set out in the 2022 annual report of the Company dated March 24, 2023 (the “**2022 Financial Statements**”), and any public announcement made by the Company during the nine months ended September 30, 2023 (the “**Interim Report Period**”) and up to date of approval of this unaudited Interim Financial Information.

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the 2022 Financial Statements, except for the adoption of certain new and amended standards which has had no significant impact on the Group’s results for the Interim Report Period and the Group’s financial position as of September 30, 2023.

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 of the Company that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

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

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. There were no material inter-segment sales during the three months and nine months ended September 30, 2023 and 2022. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the interim condensed consolidated income statement.

The segment results for the three months and nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended September 30, 2023				
	Smartphones	IoT and	Internet	Others	Total
	RMB'000	lifestyle	services	RMB'000	RMB'000
		products			
		RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenues	41,648,925	20,673,297	7,755,534	816,656	70,894,412
Cost of sales	<u>(34,718,945)</u>	<u>(16,987,910)</u>	<u>(1,984,342)</u>	<u>(1,093,504)</u>	<u>(54,784,701)</u>
Gross profit/(loss)	<u>6,929,980</u>	<u>3,685,387</u>	<u>5,771,192</u>	<u>(276,848)</u>	<u>16,109,711</u>
	Three months ended September 30, 2022				
	Smartphones	IoT and	Internet	Others	Total
	RMB'000	lifestyle	services	RMB'000	RMB'000
		products			
		RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenues	42,514,239	19,058,648	7,066,591	1,834,791	70,474,269
Cost of sales	<u>(38,730,351)</u>	<u>(16,488,422)</u>	<u>(1,974,706)</u>	<u>(1,558,881)</u>	<u>(58,752,360)</u>
Gross profit	<u>3,783,888</u>	<u>2,570,226</u>	<u>5,091,885</u>	<u>275,910</u>	<u>11,721,909</u>
	Nine months ended September 30, 2023				
	Smartphones	IoT and	Internet	Others	Total
	RMB'000	lifestyle	services	RMB'000	RMB'000
		products			
		RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenues	113,229,132	59,760,945	22,227,761	2,508,616	197,726,454
Cost of sales	<u>(97,491,162)</u>	<u>(49,518,795)</u>	<u>(5,858,941)</u>	<u>(2,995,262)</u>	<u>(155,864,160)</u>
Gross profit/(loss)	<u>15,737,970</u>	<u>10,242,150</u>	<u>16,368,820</u>	<u>(486,646)</u>	<u>41,862,294</u>
	Nine months ended September 30, 2022				
	Smartphones	IoT and	Internet	Others	Total
	RMB'000	lifestyle	services	RMB'000	RMB'000
		products			
		RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenues	130,545,033	58,347,613	21,150,193	3,953,809	213,996,648
Cost of sales	<u>(118,576,246)</u>	<u>(49,907,385)</u>	<u>(5,934,027)</u>	<u>(3,379,300)</u>	<u>(177,796,958)</u>
Gross profit	<u>11,968,787</u>	<u>8,440,228</u>	<u>15,216,166</u>	<u>574,509</u>	<u>36,199,690</u>

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

	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Mainland China	36,213,944	51.1	34,904,227	49.5	108,291,888	54.8	106,995,851	50.0
Rest of the world (Note (a))	34,680,468	48.9	35,570,042	50.5	89,434,566	45.2	107,000,797	50.0
	<u>70,894,412</u>		<u>70,474,269</u>		<u>197,726,454</u>		<u>213,996,648</u>	

Note:

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

3 Expenses by nature

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold and royalty fees	48,717,905	52,004,158	139,120,727	159,871,531
Provision for impairment of inventories	793,579	2,285,821	3,489,533	5,606,721
Employee benefit expenses	4,831,999	4,317,273	13,750,567	12,285,912
Depreciation of property and equipment, right-of-use assets and investment properties	584,480	573,859	1,763,418	1,721,595
Amortization of intangible assets	1,057,314	357,152	1,845,519	1,035,261
Promotion and advertising expenses	1,779,007	1,430,036	4,514,712	4,899,334
Content fees to game developers and video providers	805,278	778,900	2,468,366	2,323,432
Credit loss allowance	86,039	66,892	169,611	172,861
Consultancy and professional service fees	364,960	341,344	1,031,699	1,019,398
Cloud service, bandwidth and server custody fees	584,762	541,985	1,614,612	1,617,073
Warranty expenses	1,078,382	1,197,456	3,836,696	3,722,879

4 Earnings/(loss) per share

(a) Basic

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

	Three months ended		Nine months ended	
	September 30, 2023 (Unaudited)	2022 (Unaudited)	September 30, 2023 (Unaudited)	2022 (Unaudited)
Net profit/(loss) attributable to the owners of the Company (RMB'000)	4,873,861	(1,476,050)	12,747,675	(677,250)
Weighted average number of ordinary shares in issue (thousand shares)	24,921,041	24,843,392	24,884,931	24,839,990
Basic earnings/(loss) per share (expressed in RMB per share)	0.20	(0.06)	0.51	(0.03)

(b) Diluted

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

For the three months and nine months ended September 30, 2023 and 2022, the share options and restricted shares units ("RSUs") granted by the Group's subsidiaries and associates had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted earnings/(loss) per share.

	Three months ended		Nine months ended	
	September 30, 2023 (Unaudited)	2022 (Unaudited)	September 30, 2023 (Unaudited)	2022 (Unaudited)
Net profit/(loss) attributable to the owners of the Company (RMB'000)	4,873,861	(1,476,050)	12,747,675	(677,250)
Weighted average number of ordinary shares in issue (thousand shares)	24,921,041	24,843,392	24,884,931	24,839,990
Adjustments for RSUs and share options granted to employees (thousand shares)	363,198	—	420,274	—
Adjustments for share consideration for acquisition of Zimi International Incorporation (thousand shares)	200	—	484	—
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share (thousand shares)	25,284,439	24,843,392	25,305,689	24,839,990
Diluted earnings/(loss) per share (expressed in RMB per share)	0.19	(0.06)	0.50	(0.03)

5 Investments

	As of September 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Current assets		
Short-term investments measured at		
— Amortized cost	805,713	—
— Fair value through other comprehensive income	616,212	449,109
— Fair value through profit or loss	14,249,956	9,845,910
	<u>15,671,881</u>	<u>10,295,019</u>
Non-current assets		
Long-term investments measured at amortized cost	369,886	405,371
Long-term investments measured at fair value through profit or loss		
— Ordinary shares investments	19,229,782	18,726,499
— Preferred shares investments	32,291,927	31,053,080
— Other investments	6,906,379	6,200,395
	<u>58,797,974</u>	<u>56,385,345</u>

Amounts recognized in profit or loss for financial instruments measured at fair value through profit or loss

	Three months ended September 30,		Nine months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fair value changes on ordinary shares investments	(456,797)	(2,298,498)	1,294,696	(5,585,623)
Fair value changes on preferred shares investments	69,299	(2,985)	1,317,710	98,612
Fair value changes on other financial instruments	(18,696)	(146,036)	50,827	(282,932)
Fair value changes on short-term investments measured at fair value through profit or loss	106,299	56,665	214,347	342,411
	<u>(299,895)</u>	<u>(2,390,854)</u>	<u>2,877,580</u>	<u>(5,427,532)</u>

6 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 September 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Trade receivables		
Up to 3 months	10,544,101	9,325,061
3 to 6 months	1,426,868	1,946,964
6 months to 1 year	667,434	469,147
1 to 2 years	1,107,237	150,685
Over 2 years	153,004	108,557
	<u>13,898,644</u>	<u>12,000,414</u>
Less: credit loss allowance	(221,146)	(205,340)
	<u><u>13,677,498</u></u>	<u><u>11,795,074</u></u>

7 Inventories

	As of September 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Raw materials	12,847,921	17,122,900
Finished goods	19,299,795	28,650,303
Work in progress	2,730,326	3,068,508
Spare parts	3,789,427	4,410,902
Others	899,590	655,638
	<u>39,567,059</u>	<u>53,908,251</u>
Less: provision for impairment (Note (a))	(2,724,776)	(3,470,360)
	<u><u>36,842,283</u></u>	<u><u>50,437,891</u></u>

Note:

- (a) During the three and nine months ended September 30, 2023, the Group incurred inventory impairment provision approximately RMB793,579,000 and RMB3,489,533,000, respectively (2022: RMB2,285,821,000 and RMB5,606,721,000, respectively) and transferred out of such provision upon the sales of inventories approximately RMB1,365,465,000 and RMB4,235,117,000, respectively (2022: RMB1,725,022,000 and RMB4,026,126,000, respectively).

8 Borrowings

	As of September 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Included in non-current liabilities		
Secured borrowings	—	102,325
Unsecured borrowings	17,721,076	16,656,195
Convertible bonds	5,053,276	4,734,741
	<u>22,774,352</u>	<u>21,493,261</u>
Included in current liabilities		
Secured borrowings	—	3,283
Unsecured borrowings	2,060,828	2,147,458
	<u>2,060,828</u>	<u>2,150,741</u>

9 Trade payables

Trade payables primarily include payables for inventories. As of September 30, 2023 and December 31, 2022, the carrying amounts of trade payables were primarily denominated in RMB, US\$ and EUR.

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

	As of September 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Up to 3 months	45,691,616	47,999,500
3 to 6 months	5,672,077	1,820,555
6 months to 1 year	1,628,718	2,172,721
1 to 2 years	1,193,636	855,854
Over 2 years	496,722	244,913
	<u>54,682,769</u>	<u>53,093,543</u>

10 Contingencies

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

In this connection, Xiaomi India received orders alleging that it has inappropriately deducted certain costs and expenses, including purchase costs of mobile phones and royalty fees paid to overseas third parties as well as companies within the Group. As a result, certain of its bank accounts has been attached and thereby INR44,546,225,000 (equivalent to RMB3,920,959,000) has been considered as restrictive as of September 30, 2023. On July 7, 2023, the ED filed a writ appeal with the High Court of Karnataka at Bengaluru requesting Xiaomi India to restrict further amounts as requested by the ED’s seizure order on April 29, 2022, which was not supported by the court. The Group has appointed legal counsel to conduct active defense in respect of the said cases. The cases are currently in the hearing stages and not yet concluded.

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

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

OTHER INFORMATION

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

During the nine months ended September 30, 2023 and up to the date of this announcement, the Company repurchased a total of 103,200,000 Class B Shares (the “**Class B Shares**”) of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$1,164,134,866 (the “**Shares Repurchased**”). Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration approximately (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
May	4,400,000	10.54	10.46	46,197,760
June	38,200,000	11.00	9.96	407,830,772
July	6,900,000	10.88	10.66	74,524,630
September	37,700,000	12.00	11.58	445,713,652
October	<u>16,000,000</u>	12.00	11.64	<u>189,868,052</u>
Total	<u><u>103,200,000</u></u>			<u><u>1,164,134,866</u></u>

As at the date of this announcement, the number of Class B Shares in issue was reduced by 103,200,000 shares as a result of the cancellation of the Shares Repurchased. 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 Class B Shares repurchased in May 2023, June 2023, and July 2023 were subsequently cancelled on August 21, 2023. A total of 9,061,798 Class A Shares were converted into Class B Shares on a one-to-one ratio on August 21, 2023, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 8,161,142 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 900,656 Class A Shares.

The Class B Shares repurchased in September 2023 and October 2023 were subsequently cancelled on November 15, 2023. A total of 9,814,592 Class A Shares were converted into Class B Shares on a one-to-one ratio on November 15, 2023, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 8,839,116 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 975,476 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 nine months ended September 30, 2023 and up to the date of this announcement.

Compliance with the Corporate Governance Code

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

Save for code provision C.2.1 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, the Company has complied with all the code provisions set out in the CG Code during the nine months ended September 30, 2023.

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

Audit Committee

The Audit Committee (comprising one non-executive Director and two independent non-executive Directors, namely, Mr. Liu Qin, Dr. Chen Dongsheng and Mr. Wong Shun Tak) has reviewed the unaudited interim results of the Group for the three and nine months ended September 30, 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers.

Material Litigation

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

Events after September 30, 2023

Save as disclosed in this announcement, there has been no other significant events that might affect the Group after September 30, 2023 and up to the date of this announcement.

By order of the Board
Xiaomi Corporation
Lei Jun
Chairman

Hong Kong, November 20, 2023

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.