

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 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				
	September 30,	September 30,	Year-	June 30,	Quarter-
	2022	2021	over-year	2022	over-quarter
			change		change
	(RMB in millions, unless specified)				
Revenue	70,474.3	78,062.9	-9.7%	70,170.9	0.4%
Gross profit	11,721.9	14,292.3	-18.0%	11,768.1	-0.4%
Operating (loss)/profit	(1,361.1)	2,729.8	N/A	1,733.2	N/A
(Loss)/profit before income tax	(1,190.8)	1,787.2	N/A	1,737.0	N/A
(Loss)/profit for the period	(1,474.0)	788.6	N/A	1,365.4	N/A
Non-IFRS measure:					
Adjusted Net Profit	2,117.3	5,175.6	-59.1%	2,081.3	1.7%

	Unaudited		
	Nine months ended		
	September 30,	September 30,	Year-over-
	2022	2021	year change
	(RMB in millions, unless specified)		
Revenue	213,996.6	242,734.0	-11.8%
Gross profit	36,199.6	43,601.5	-17.0%
Operating (loss)/profit	(539.2)	21,613.1	N/A
Profit before income tax	130.2	20,532.5	-99.4%
(Loss)/profit for the period	(639.1)	16,840.7	N/A
Non-IFRS measure: Adjusted Net Profit	7,057.1	17,566.4	-59.8%

BUSINESS REVIEW AND OUTLOOK

1. Overall performance

In the third quarter of 2022, against ongoing global macroeconomic headwinds, we continued to execute our corporate strategies and improved our operational efficiency, and each of our business segments remained resilient. In the third quarter, our total revenue reached RMB70.5 billion. As we continued to strengthen our core “Smartphone × AIoT” strategy, we also invested in advancing our smart Electric Vehicle (“EV”) business and other new initiatives. Our adjusted net profit reached RMB2.1 billion in the third quarter of 2022, which included RMB829 million of expenses related to smart EV and other new initiatives.

We remain committed to our core “Smartphone × AIoT” strategy. In the third quarter of 2022, our global smartphone shipments reached 40.2 million units, delivering quarter-over-quarter increase for the second consecutive quarter. According to Canalys, we ranked No. 3 in terms of global smartphone shipments with 13.6% market share. At the same time, our global smartphone user base continued to grow. In September 2022, monthly active users (“MAU”) of MIUI again achieved record highs both globally and in mainland China. Globally, our MAU of MIUI increased to 563.9 million, an increase of 78.1 million users year-over-year. In mainland China, MAU of MIUI grew for the eighth consecutive quarter and reached 141.4 million, an increase of 14.1 million users year-over-year. As of September 30, 2022, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 558.3 million, an increase of 39.5% year-over-year. The number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) reached 10.9 million, an increase of 35.4% year-over-year.

Technological advancement is the foundation of our business, and we relentlessly invest in research and development to reinforce our core competitiveness. In the third quarter of 2022, our research and development expenses reached RMB4.1 billion, an increase of 25.7% year-over-year. We continued to attract exceptional technology talent, and as of September 30, 2022, our research and development personnel accounted for approximately 48% of our total employees. In October 2022, Boston Consulting Group (BCG) named Xiaomi among the 50 Most Innovative Companies of 2022.

We remained focused on executing our smartphone premiumization strategy, and our premium products have gained widespread recognition. In the third quarter of 2022, our newly launched smartphone models in mainland China, *Xiaomi 12S Ultra* and *Xiaomi MIX Fold 2*, earned widespread positive user reviews, receiving 98.5% and 99.6% positive ratings, respectively, on JD.com.¹ In the third quarter of 2022 in mainland China, our smartphone shipments in the RMB3,000 and above price segment increased by approximately 14% year-over-year, and the average selling price (“ASP”) of our smartphones increased by approximately 9% year-over-year.

In the third quarter of 2022, we continued to make steady progress in our new retail strategy despite the impact of COVID-19, which continued to impact our offline operations in mainland China and resulted in temporary closures of many of our stores. During the Singles’ Day Shopping Festival in 2022, our cumulative paid gross merchandise value (“GMV”) from all sales channels exceeded RMB17 billion, and we ranked No. 1 among Android smartphones in terms of both sales volume and sales value on each of Tmall.com, JD.com, Pinduoduo and Douyin. Meanwhile, we continued to improve the operational efficiency of our offline channel. During the Singles’ Day Shopping Festival, GMV of our offline retail stores increased by approximately 12% year-over-year, and cumulative GMV from our integrated online-to-offline business² reached RMB190 million.

We continued to strengthen our global operations. In the third quarter of 2022, our revenue from overseas markets reached RMB35.6 billion and accounted for 50.5% of our total revenue. According to Canalys, in the third quarter of 2022, our smartphone shipments ranked among the top three in 52 countries and regions and among the top five in 64 countries and regions. Our smartphone market share in Europe, Latin America, and the Middle East all increased year-over-year in the third quarter of 2022. Furthermore, our revenue from overseas internet services this quarter reached RMB1.7 billion, a quarterly high, and its share of total internet services revenue increased to 24.2%, also a quarterly high.

2. Smartphones

In the third quarter of 2022, global macroeconomic turbulence continued to weigh on global smartphone market demand. Despite this, our smartphone revenue reached RMB42.5 billion, an increase of 0.6% quarter-over-quarter. Our global smartphone shipments reached 40.2 million units, up 2.8% quarter-over-quarter, representing the second consecutive quarter of sequential growth despite challenging market conditions. According to Canalys, our global smartphone shipments ranked No. 3 in the third quarter of 2022 with 13.6% market share.

We continued to advance our dual-brand strategy. Under the Xiaomi brand, we launched *Xiaomi Civi 2* in mainland China in September 2022, our first smartphone equipped with dual ultra-high definition 32MP main front cameras, which enhances self-portraits and videos with natural realism and depth-of-field. At the same time, we further improved our premium product portfolio. Our *Xiaomi 12S Ultra* received rave reviews among photography enthusiasts, and our foldable smartphone *Xiaomi MIX Fold 2* continued to attract business professionals. Meanwhile, we have been exploring new mobile imaging technology. In November 2022, we unveiled the *Xiaomi 12S Ultra Concept Smartphone*, which can transform a *Xiaomi 12S Ultra* smartphone into a professional photography device by installing a Leica M series professional lens on the smartphone.

¹ As of October 19, 2022, based on ratings on JD.com’s Xiaomi self-operated flagship store.

² Including on-demand delivery partnership with JD Daojia, Meituan and Ele.me and on-demand delivery and in-store pickup service through Xiaomi’s WeChat Mini Program stores.

Under the Redmi brand, we remain committed to bringing premium products to the mass market at reasonable prices. In October 2022, we launched the *Redmi Note 12* series³. Notably, *Redmi Note 12 Pro+* features a 200MP ultra-high definition Optical Image Stabilization (OIS) lens and a broad array of traditional film photography filters, providing users with a high-resolution and texturized imaging experience. Furthermore, *Redmi Note 12 DISCOVERY EDITION* has achieved breakthroughs in fast-charging technology with a proprietary 210W safe HyperCharge solution that can charge the smartphone from 0% to 100% in only 9 minutes. This represents the fastest charging speed in the smartphone industry, demonstrating our technology leadership. Orders for the *Redmi Note 12* series exceeded 350,000 units in the first hour of launch.

We continued to strengthen our presence in overseas markets, and our smartphone market share in regions including Europe, Latin America, and Middle East all increased year-over-year. According to Canalys, our smartphone shipments in Europe ranked No. 2 in the third quarter of 2022 with 23.3% market share, an increase of 1.8 percentage points year-over-year. Our smartphone market share ranked No. 1 in Spain, and our ranking in France and Italy rose quarter-over-quarter to No. 2 while we remained No. 3 in Germany. In the Middle East, we ranked No. 2 with 17.6% market share, an increase of 1.3 percentage points year-over-year. Meanwhile, we maintained our position in emerging markets. We ranked No. 3 in both Latin America and Africa, where our smartphone market share reached 15.0% and 6.0%, respectively.

We continued to penetrate the overseas carrier channel. According to Canalys, in the third quarter of 2022, our carrier channel market share in Europe reached 19.9%, an increase of 1.7 percentage points year-over-year, and our carrier channel market share in Latin America reached 16.0%, an increase of 1.5 percentage points year-over-year. According to Canalys, our smartphone market share through carrier channels ranked top three in 38 overseas markets.

3. IoT and lifestyle products

In the third quarter of 2022, revenue from our IoT and lifestyle products amounted to RMB19.1 billion, a decrease of 3.8% quarter-over-quarter. As we continuously optimize our product mix, revenue from categories such as smart large home appliances and tablets continued to record significant growth year-over-year.

In the third quarter of 2022, global shipments of our smart TV grew 9.3% year-over-year to 3.3 million units, outperforming an overall decline in the global TV market. As we continued to expand our markets, our smart TV shipments rose by over 40% year-over-year in overseas markets excluding India. Meanwhile, we continued to enrich our large-screen TV product portfolio. In October 2022, we launched *Redmi Smart TV X86* with 86-inch screen, 4K ultra-HD resolution and one billion color True Tone display, offering an excellent audio and video experience.

³ Includes *Redmi Note 12 5G*, *Redmi Note 12 YIBO EDITION*, *Redmi Note 12 DISCOVERY EDITION*, *Redmi Note 12 Pro* and *Redmi Note 12 Pro+*.

We continued to improve our smart home appliance product portfolio, providing users with a more convenient, comfortable and healthy smart living experience. In the third quarter, our smart large home appliance category (including air conditioners, refrigerators and washing machines) maintained strong growth momentum with revenue growing over 70% year-over-year, achieving another record high. Shipments of our smart air conditioners exceeded one million units in the third quarter, an increase of over 70% year-over-year. In the third quarter, our refrigerator shipments exceeded 340,000 units, an increase of over 150% year-over-year, and our washing machine shipments exceeded 240,000 units. In October 2022, we launched *Mijia DD Combination Washer Dryer 12kg*, offering users large-capacity, hygienic washing and drying functionality.

For office and entertainment settings, in October 2022, we unveiled *Xiaomi Book Air 13* with a screen that can be flipped 360° to meet users' needs in multiple scenarios. Also, in October 2022, we launched our first *Redmi Pad* with a 90Hz high-refresh rate and low-blue light eye protection display, which elevated the visual experience of entry-level tablets and further boosted the growth momentum of our tablet business.

We strive to enhance the connectivity between our wearable products and smartphones. In August 2022, we launched our premium TWS earbuds *Xiaomi Buds 4 Pro* and premium smart watch *Xiaomi Watch S1 Pro*. Among the users of these two new products, over 50% are users of our premium smartphones.⁴

We continue to explore the frontiers of technological innovation in our IoT product portfolio. In this quarter, we launched two new IoT products, *Mijia Outdoor Power Supply 1000Pro* and *Mijia Solar Panel 100W*. *Mijia Solar Panel 100W* supplements energy needs through light capture in a foldable, portable design. When combined with the *Mijia Outdoor Power Supply 1000Pro*, which is equipped with 1,022Wh large-capacity battery cells and 1,800W high power output, it can satisfy the power demands of outdoor activities, home emergencies and other scenarios.

4. Internet services

As we continued to grow our user base and optimize our monetization capabilities, performance of our internet services business was robust, despite continued challenging market conditions, especially in mainland China. In the third quarter of 2022, our internet services revenue reached RMB7.1 billion, an increase of 1.4% quarter-over-quarter.

In the third quarter, the MAU of MIUI globally and in mainland China both again reached record highs. In September 2022, global MAU of MIUI reached 563.9 million while MAU of MIUI in mainland China reached 141.4 million. In the third quarter of 2022, we added 17.0 million MAU of MIUI globally, including 1.2 million MAU in mainland China. Notably, MAU of MIUI in mainland China has increased for the eighth consecutive quarter.

⁴ Based on internal statistics without duplication removal, from initial sales date on August 11, 2022 to October 31, 2022. Premium smartphones are defined as smartphones priced at or above RMB3,000 in mainland China.

In the third quarter, our overseas internet services maintained steady growth. This quarter, revenue from overseas internet services increased 17.2% year-over-year to reach RMB1.7 billion, a quarterly high. Its share of total internet services revenue increased to 24.2%, also a quarterly high. We continued to launch innovative and diverse content services overseas such as the lock screen wallpaper, which has over 100 million daily active users (“DAU”), providing us with incremental revenue.

In the third quarter of 2022, our advertising revenue reached RMB4.7 billion, a quarter-over-quarter increase of 2.9%. In mainland China, while pre-installation advertising revenue was impacted by our lower year-over-year smartphone shipments, performance-based and brand advertising revenue increased quarter-over-quarter, driven by a diversified advertiser base and improved monetization efficiency.

In the third quarter of 2022, mobile gaming market revenue in mainland China declined 25% year-over-year, according to CNG. In this quarter, our gaming revenue again outperformed the market to reach RMB1 billion, an increase of 1.8% year-over-year, primarily due to our growing active gaming user base and stronger user engagement as well as increasing paying user penetration.

In the third quarter, our TV internet business also maintained healthy growth. In September 2022, global MAU of our smart TV⁵ exceeded 54 million and achieved a record high. In mainland China, our TV internet services revenue reached a record high, and its share of total internet services revenue in the region continued to increase, exceeding 15% in this quarter. In the third quarter of 2022, the number of our TV paid subscribers amounted to 5.5 million. Benefiting from the recovery of content offerings in mainland China and our optimized content operations, we achieved year-over-year and quarter-over-quarter increases in the average revenue per paying user (“ARPPU”) of our TV value-added services.

5. Strategy updates

Smartphone × AIoT

As we advance our “Smartphone × AIoT” strategy, as of September 30, 2022, the number of connected devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 558.3 million, an increase of 39.5% year-over-year; the number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) reached 10.9 million, representing a year-over-year increase of 35.4%. In September 2022, the MAU of our AI Assistant (“小愛同學”) reached 114.6 million, up 9.0% year-over-year, and the MAU of our Mi Home App reached 72.4 million, an increase of 20.9% year-over-year.

⁵ Including *Xiaomi Box* and *Xiaomi TV Stick*.

New retail

As of September 30, 2022, the number of our offline retail stores in mainland China reached approximately 10,600. While the resurgence of COVID-19 impacted our offline operations in mainland China in the third quarter of 2022 and resulted in temporary closures of many of our stores, we proactively responded to the challenge by exploring new offline business opportunities and working closely with partners to improve delivery efficiency and user experience. In September 2022, the GMV of our integrated online-to-offline business, which includes partnerships with JD Daojia, Meituan and more, accounted for approximately 7% of offline GMV of our agency stores in mainland China. During the 2022 Singles' Day Shopping Festival, the GMV of our offline retail stores increased by 12% year-over-year, and cumulative GMV of our integrated online-to-offline business reached RMB190 million.

Corporate social responsibility (CSR)

We have been actively promoting sustainable corporate development. In August 2022, Forbes China released its inaugural China ESG 50 report to recognize companies that adhere to best practices in environmental, social and governance (ESG) and listed Xiaomi Corporation on its China ESG 50 list for 2022. In October 2022, Xiaomi Corporation was selected into Forbes' World's Best Employers list for the second consecutive year, demonstrating strong endorsement of Xiaomi's practices in areas including talent development and social responsibility.

We highly value corporate social responsibility and actively help those in need. In August 2022, Beijing Xiaomi Foundation donated RMB100,000 to Chongqing Beibei District Charity Foundation to support rescue operations associated with local mountain fires and the procurement of emergency supplies. In September 2022, Beijing Xiaomi Foundation donated RMB1 million to the Sichuan Charity Federation to help with reconstruction in earthquake affected regions in Ganzi, Sichuan. In September 2022, Xiaomi Foundation Limited in Hong Kong donated USD100,000 to the UN Refugee Agency to support its assistance of flood affected regions in Pakistan.

In addition, we participated in education equality initiatives in Malaysia, Thailand, Vietnam and Singapore, providing digital education equipment to local students by donating items such as LCD writing tablets. In October 2022, we partnered with National Geographic Magazine China to jointly launch the "Exploring Moments" public education program, aimed at inspiring global youth to understand and appreciate the Earth and its environment and unlocking their infinite creative potential through innovative technology.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2022 Compared to Third Quarter of 2021

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

	Unaudited	
	September 30, 2022	September 30, 2021
	(RMB in millions)	
Revenue	70,474.3	78,062.9
Cost of sales	(58,752.4)	(63,770.6)
Gross profit	11,721.9	14,292.3
Research and development expenses	(4,069.8)	(3,237.7)
Selling and marketing expenses	(4,882.6)	(4,882.3)
Administrative expenses	(1,255.4)	(1,274.6)
Fair value changes on investments measured at fair value through profit or loss	(2,390.9)	(1,975.6)
Share of net (losses)/profits of investments accounted for using the equity method	(265.0)	45.1
Other income	195.7	234.9
Other losses, net	(415.0)	(472.3)
Operating (loss)/profit	(1,361.1)	2,729.8
Finance income/(costs), net	170.3	(942.6)
(Loss)/profit before income tax	(1,190.8)	1,787.2
Income tax expenses	(283.2)	(998.6)
(Loss)/profit for the period	(1,474.0)	788.6
Non-IFRS measure: Adjusted Net Profit	2,117.3	5,175.6

Revenue

Revenue decreased by 9.7% to RMB70.5 billion in the third quarter of 2022 from RMB78.1 billion in the third quarter of 2021. The following table sets forth our revenue by line of business in the third quarter of 2022 and the third quarter of 2021.

	Unaudited			
	September 30, 2022		September 30, 2021	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	42,514.2	60.3%	47,824.9	61.3%
IoT and lifestyle products	19,058.6	27.0%	20,935.6	26.8%
Internet services	7,066.6	10.0%	7,337.9	9.4%
Others	1,834.9	2.7%	1,964.5	2.5%
Total revenue	<u>70,474.3</u>	<u>100.0%</u>	<u>78,062.9</u>	<u>100.0%</u>

Smartphones

Revenue from our smartphones segment decreased by 11.1% from RMB47.8 billion in the third quarter of 2021 to RMB42.5 billion in the third quarter of 2022, primarily due to the decrease in both our smartphone shipment and ASP. Our smartphone shipment decreased by 8.4% from 43.9 million in the third quarter of 2021 to 40.2 million in the third quarter of 2022, primarily due to global macroeconomic headwinds. The ASP of our smartphones decreased by 3.0% from RMB1,090.5 per unit in the third quarter of 2021 to RMB1,058.2 per unit in the third quarter of 2022. The decrease in ASP was primarily due to enhanced promotional efforts in the overseas markets this quarter, partially offset by the launch of our premium smartphones in mainland China in the third quarter of 2022.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment decreased by 9.0% from RMB20.9 billion in the third quarter of 2021 to RMB19.1 billion in the third quarter of 2022, primarily attributable to the decreased sales in the overseas markets due to the weakened demand of certain IoT products under continued global macroeconomic headwinds, partially offset by the increased revenue from our smart large home appliance category in mainland China. Revenue from our smart large home appliance category, which comprises air conditioners, refrigerators and washing machines, maintained strong growth momentum with revenue growing over 70% year-over-year. Revenue from smart TVs and laptops decreased by 18.5% from RMB7.1 billion in the third quarter of 2021 to RMB5.8 billion in the third quarter of 2022, primarily due to the decrease in the ASP of smart TVs caused by the decreased price of key components, such as display panels, partially offset by increase in shipment units.

Internet services

Revenue from our internet services segment decreased by 3.7% from RMB7.3 billion in the third quarter of 2021 to RMB7.1 billion in the third quarter of 2022, primarily due to the decrease in revenue from our fintech and advertising businesses, partially offset by the increase in revenue from TV value-added services. While pre-installation advertising revenue in mainland China continued to be impacted by decrease in our smartphone shipments year-over-year, our overseas advertising revenue maintained steady growth. Our MIUI MAU increased by 16.1% from 485.9 million in September 2021 to 563.9 million in September 2022.

Others

Other revenue decreased by 6.6% from RMB2.0 billion in the third quarter of 2021 to RMB1.8 billion in the third quarter of 2022.

Cost of Sales

Our cost of sales decreased by 7.9% from RMB63.8 billion in the third quarter of 2021 to RMB58.8 billion in the third quarter of 2022. The following table sets forth our cost of sales by line of business in the third quarter of 2022 and the third quarter of 2021:

	Unaudited			
	Three months ended			
	September 30, 2022		September 30, 2021	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	38,730.4	55.0%	41,708.8	53.4%
IoT and lifestyle products	16,488.4	23.4%	18,509.7	23.7%
Internet services	1,974.7	2.8%	1,940.6	2.5%
Others	1,558.9	2.2%	1,611.5	2.1%
Total cost of sales	<u>58,752.4</u>	<u>83.4%</u>	<u>63,770.6</u>	<u>81.7%</u>

Smartphones

Cost of sales related to our smartphones segment decreased by 7.1% from RMB41.7 billion in the third quarter of 2021 to RMB38.7 billion in the third quarter of 2022, primarily due to the decreased sales of our smartphones, as well as the increased inventory impairment provisions.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment decreased by 10.9% from RMB18.5 billion in the third quarter of 2021 to RMB16.5 billion in the third 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 1.8% from RMB1.9 billion in the third quarter of 2021 to RMB2.0 billion in the third quarter of 2022, primarily due to the increased cost of our advertising business.

Others

Cost of sales related to our others segment decreased by 3.3% from RMB1,611.5 million in the third quarter of 2021 to RMB1,558.9 million in the third quarter of 2022.

Gross Profit and Margin

As a result of the foregoing, our gross profit decreased by 18.0% from RMB14.3 billion in the third quarter of 2021 to RMB11.7 billion in the third quarter of 2022, and our gross profit margin decreased from 18.3% in the third quarter of 2021 to 16.6% in the third quarter of 2022.

The gross profit margin from our smartphones segment decreased from 12.8% in the third quarter of 2021 to 8.9% in the third quarter of 2022, mainly due to enhanced promotional efforts in the overseas markets during this quarter, as well as the increased inventory impairment provisions.

The gross profit margin from our IoT and lifestyle products segment increased from 11.6% in the third quarter of 2021 to 13.5% in the third quarter of 2022, mainly due to the improvement in gross profit margin of home appliances, as well as that of smart TVs due to the decreased price of key components.

The gross profit margin from our internet services segment decreased from 73.6% in the third quarter of 2021 to 72.1% in the third quarter of 2022, mainly due to the decline of gross profit margin from our advertising and fintech businesses.

Research and Development Expenses

Our research and development expenses increased by 25.7% from RMB3.2 billion in the third quarter of 2021 to RMB4.1 billion in the third quarter of 2022, primarily due to increase in R&D expenses related to smart EV and other new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses remained stable at RMB4.9 billion in the third quarter of 2022 compared to the third quarter of 2021. Promotion and advertising expenses decreased by 9.9% from RMB1.6 billion in the third quarter of 2021 to RMB1.4 billion in the third quarter of 2022, primarily due to the decrease in marketing expenses.

Administrative Expenses

Our administrative expenses decreased by 1.5% from RMB1,274.6 million in the third quarter of 2021 to RMB1,255.4 million in the third quarter of 2022, primarily due to the decrease in professional service fee.

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 increased by 21.0% from a loss of RMB2.0 billion in the third quarter of 2021 to a loss of RMB2.4 billion in the third quarter of 2022, primarily due to the fair value loss of preferred shares investments in the third quarter of 2022.

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

Our share of net (losses)/profits of investments accounted for using the equity method changed from net profits of RMB45.1 million in the third quarter of 2021 to net losses of RMB265.0 million in the third quarter of 2022, primarily due to the share of losses from our certain investees in the third quarter of 2022.

Other Income

Our other income decreased by 16.7% from RMB234.9 million in the third quarter of 2021 to RMB195.7 million in the third quarter of 2022.

Other Losses, Net

Our other net losses decreased by 12.1% from RMB472.3 million in the third quarter of 2021 to RMB415.0 million in the third quarter of 2022, primarily due to acquisition of Zimi International Incorporation (“**Zimi**”) in the third quarter of 2021, partially offset by the provision for impairment on investments accounted for using the equity method and foreign exchange losses in the third quarter of 2022.

Finance Income/(Costs), Net

Our net finance income/(costs) changed from a net cost of RMB942.6 million in the third quarter of 2021 to a net income of RMB170.3 million in the third quarter of 2022, primarily due to the decrease in change of value of financial liabilities to fund investors.

Income Tax Expenses

Our income tax expenses decreased by 71.6% from RMB998.6 million in the third quarter of 2021 to RMB283.2 million in the third quarter of 2022, primarily due to the decrease of operating profit in the third quarter of 2022.

(Loss)/Profit for the Period

As a result of the foregoing, we had a loss of RMB1.5 billion in the third quarter of 2022, compared with a profit of RMB0.8 billion in the third quarter of 2021.

Adjusted Net Profit

Our adjusted net profit decreased by 59.1% from RMB5.2 billion in the third quarter of 2021 to RMB2.1 billion in the third quarter of 2022.

Third Quarter of 2022 Compared to Second Quarter of 2022

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

	Unaudited	
	Three months ended	
	September 30,	June 30,
	2022	2022
	(RMB in millions)	
Revenue	70,474.3	70,170.9
Cost of sales	(58,752.4)	(58,402.8)
Gross profit	11,721.9	11,768.1
Research and development expenses	(4,069.8)	(3,763.4)
Selling and marketing expenses	(4,882.6)	(5,332.2)
Administrative expenses	(1,255.4)	(1,315.4)
Fair value changes on investments measured at fair value through profit or loss	(2,390.9)	513.6
Share of net (losses)/profits of investments accounted for using the equity method	(265.0)	62.7
Other income	195.7	186.2
Other losses, net	(415.0)	(386.4)
Operating (loss)/profit	(1,361.1)	1,733.2
Finance income, net	170.3	3.8
(Loss)/profit before income tax	(1,190.8)	1,737.0
Income tax expenses	(283.2)	(371.6)
(Loss)/profit for the period	(1,474.0)	1,365.4
Non-IFRS measure: Adjusted Net Profit	2,117.3	2,081.3

Revenue

Revenue increased by 0.4% to RMB70.5 billion in the third quarter of 2022 from RMB70.2 billion in the second quarter of 2022. The following table sets forth our revenue by line of business in the third quarter of 2022 and the second quarter of 2022.

	Unaudited			
	Three months ended			
	September 30, 2022		June 30, 2022	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	42,514.2	60.3%	42,268.1	60.2%
IoT and lifestyle products	19,058.6	27.0%	19,811.6	28.2%
Internet services	7,066.6	10.0%	6,971.1	9.9%
Others	1,834.9	2.7%	1,120.1	1.7%
Total revenue	<u>70,474.3</u>	<u>100.0%</u>	<u>70,170.9</u>	<u>100.0%</u>

Smartphones

Revenue from our smartphones segment increased by 0.6% from RMB42.3 billion in the second quarter of 2022 to RMB42.5 billion in the third quarter of 2022, primarily due to the increase in our smartphone shipment, partially offset by a decrease in our smartphone ASP. Our smartphone shipment increased by 2.8% from 39.1 million units in the second quarter of 2022 to 40.2 million units in the third quarter of 2022. The ASP of our smartphones decreased by 2.2% from RMB1,081.7 per unit in the second quarter of 2022 to RMB1,058.2 per unit in the third quarter of 2022, primarily due to enhanced promotional efforts in the overseas markets during the third quarter of 2022.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment decreased by 3.8% from RMB19.8 billion in the second quarter of 2022 to RMB19.1 billion in the third quarter of 2022, primarily due to the decrease in revenue from certain IoT products, such as air conditioners and lifestyle products, partially offset by an increase in the growth in revenue of smart TVs and laptops. Revenue from smart TVs and laptops increased by 9.5% from RMB5.3 billion in the second quarter of 2022 to RMB5.8 billion in the third quarter of 2022, primarily due to the increase in shipments of both smart TVs and laptops.

Internet services

Revenue from our internet services segment increased by 1.4% from RMB7.0 billion in the second quarter of 2022 to RMB7.1 billion in the third quarter of 2022, primarily due to the increase in revenue of our advertising and gaming business.

Others

Other revenue increased by 63.8% from RMB1.1 billion in the second quarter of 2022 to RMB1.8 billion in the third quarter of 2022, primarily due to the sales of buildings.

Cost of Sales

Our cost of sales increased by 0.6% from RMB58.4 billion in the second quarter of 2022 to RMB58.8 billion in the third quarter of 2022. The following table sets forth our cost of sales by line of business in the third quarter of 2022 and the second quarter of 2022:

	Unaudited			
	September 30, 2022		June 30, 2022	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	38,730.4	55.0%	38,605.3	55.0%
IoT and lifestyle products	16,488.4	23.4%	16,983.6	24.2%
Internet services	1,974.7	2.8%	1,881.0	2.7%
Others	1,558.9	2.2%	932.9	1.3%
Total cost of sales	<u>58,752.4</u>	<u>83.4%</u>	<u>58,402.8</u>	<u>83.2%</u>

Smartphones

Cost of sales related to our smartphones segment increased slightly by 0.3% from RMB38.6 billion in the second quarter of 2022 to RMB38.7 billion in the third quarter of 2022, due to the increased sales of our smartphones.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment decreased by 2.9% from RMB17.0 billion in the second quarter of 2022 to RMB16.5 billion in the third quarter of 2022, 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 5.0% from RMB1.9 billion in the second quarter of 2022 to RMB2.0 billion in the third quarter of 2022, primarily due to the increased cost of our gaming and advertising business.

Others

Cost of sales related to our others segment increased by 67.1% from RMB0.9 billion in the second quarter of 2022 to RMB1.6 billion in the third quarter of 2022, primarily due to the cost related to the sales of buildings.

Gross Profit and Margin

As a result of the foregoing, our gross profit decreased by 0.4% from RMB11.8 billion in the second quarter of 2022 to RMB11.7 billion in the third quarter of 2022, and our gross profit margin decreased from 16.8% in the second quarter of 2022 to 16.6% in the third quarter of 2022.

The gross profit margin from our smartphones segment increased from 8.7% in the second quarter of 2022 to 8.9% in the third quarter of 2022, mainly due to improved gross profit margin in mainland China in the third quarter of 2022.

The gross profit margin from our IoT and lifestyle products segment decreased from 14.3% in the second quarter of 2022 to 13.5% in the third quarter of 2022, mainly due to enhanced promotional efforts of smart TVs overseas, as well as the increased inventory impairment provisions.

The gross profit margin from our internet services segment decreased from 73.0% in the second quarter of 2022 to 72.1% in the third quarter of 2022, mainly due to the decline of gross profit margin from our fintech business and higher contribution from gaming business.

Research and Development Expenses

Our research and development expenses increased by 8.1% from RMB3.8 billion in the second quarter of 2022 to RMB4.1 billion in the third 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 8.4% from RMB5.3 billion in the second quarter of 2022 to RMB4.9 billion in the third quarter of 2022, primarily due to the decrease in promotion and advertising expenses. Promotion and advertising expenses decreased by 20.3% from RMB1.8 billion in the second quarter of 2022 to RMB1.4 billion in the third quarter of 2022, primarily due to fewer promotional events in the third quarter of 2022.

Administrative Expenses

Our administrative expenses decreased by 4.6% from RMB1,315.4 million in the second quarter of 2022 to RMB1,255.4 million in the third quarter of 2022, primarily due to the decrease in professional service fee.

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

Our fair value changes on investments measured at fair value through profit or loss changed from a gain of RMB0.5 billion in the second quarter of 2022 to a loss of RMB2.4 billion in the third quarter of 2022, primarily due to the fair value loss of listed equity investments in the third quarter of 2022.

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

Our share of net (losses)/profits of investments accounted for using the equity method changed from net profits of RMB62.7 million in the second quarter of 2022 to net losses of RMB265.0 million in the third quarter of 2022, primarily due to share of losses from our certain investees in the third quarter of 2022.

Other Income

Our other income increased by 5.1% from RMB186.2 million in the second quarter of 2022 to RMB195.7 million in the third quarter of 2022.

Other Losses, Net

Our other net losses increased by 7.4% from RMB386.4 million in the second quarter of 2022 to RMB415.0 million in the third quarter of 2022. This is mainly due to the provision for impairment on investments accounted for using the equity method.

Finance Income, Net

Our net finance income increased from RMB3.8 million in the second quarter of 2022 to RMB170.3 million in the third quarter of 2022, primarily due to the change of value of financial liabilities to fund investors.

Income Tax Expenses

Our income tax expenses decreased by 23.8% from RMB371.6 million in the second quarter of 2022 to RMB283.2 million in the third quarter of 2022, primarily due to the decrease of operating profit in the third quarter of 2022.

(Loss)/Profit for the Period

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

Adjusted Net Profit

Our adjusted net profit increased by 1.7% from RMB2.1 billion in the second quarter of 2022 to RMB2.1 billion in the third 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 third quarter of 2022, the second quarter of 2022, the third quarter of 2021, and the first nine months of 2022 and 2021, respectively, to the nearest measures prepared in accordance with IFRS.

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

	Unaudited Three Months Ended September 30, 2021						Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾ (RMB in thousand, unless specified)	Adjustments Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾	Income tax effects ⁽⁴⁾	
Profit for the period	788,517	298,489	3,095,450	33,112	1,030,405	(70,398)	5,175,575
Net margin	1.0%						6.6%

	Unaudited						
	Nine Months Ended September 30, 2022						
				Adjustments			
				Amortization	Changes of		
				of intangible	value of		
				assets	financial		
			Net fair value	resulting from	liabilities to	Income tax	Non-IFRS
	As reported	Share-based	changes on	acquisitions ⁽²⁾	fund investors ⁽³⁾	effects ⁽⁴⁾	
		compensation	investments ⁽¹⁾				
			(RMB in thousand, unless specified)				
(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%

	Unaudited						
	Nine Months Ended September 30, 2021						
				Adjustments			
				Amortization	Changes of		
				of intangible	value of		
				assets	financial		
			Net fair value	resulting from	liabilities to	Income tax	Non-IFRS
	As reported	Share-based	changes on	acquisitions ⁽²⁾	fund investors ⁽³⁾	effects ⁽⁴⁾	
		compensation	investments ⁽¹⁾				
			(RMB in thousand, unless specified)				
Profit for the period	16,840,732	1,586,974	(2,407,033)	33,270	1,443,400	69,016	17,566,359
Net margin	6.9%						7.2%

Notes:

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

Liquidity and Financial Resources

On December 4, 2020, the Company completed a placing of a total of 1,000,000,000 placing shares at HK\$23.70 for each placing share owned by Smart Mobile Holdings Limited to not less than six 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.

During the nine months ended September 30, 2022, other than the funds raised through the 2020 Placing and Subscription and through the issuance of debt securities as described in “Issuance of Debt Securities” below, we funded our cash requirements principally from cash generated from our operations, bank borrowings. We had cash and cash equivalents of RMB28.1 billion and RMB28.2 billion as of September 30, 2022 and June 30, 2022, respectively.

Note:

The cash resources which the Group considered in cash management include but are not limited to cash and cash equivalents, restricted cash, short-term bank deposits, short-term investments measured at fair value through profit or loss, short-term investments measured at amortized cost, long-term bank deposits and other investments included in long-term investments measured at fair value through profit or loss. As of September 30, 2022, the aggregate amount of cash resources of the Group was RMB94.3 billion.

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 September 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	
	September 30,	June 30,
	2022	2022
	(RMB in millions)	
Net cash (used in)/generated from operating activities ⁽¹⁾	(1,470.5)	1,649.2
Net cash generated from/(used in) investing activities	8,629.6	(9,942.1)
Net cash (used in)/generated from financing activities ⁽¹⁾	(7,871.6)	1,282.2
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(712.5)	(7,010.7)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of period	28,183.1	34,714.2
Effects of exchange rate changes on cash and cash equivalents	600.5	479.6
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>28,071.1</u>	<u>28,183.1</u>

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 RMB4.2 billion in the third quarter of 2022 and the net cash used in operating activities was RMB0.1 billion in the second quarter of 2022, respectively. Excluding the change of borrowings for the fintech business, the net cash used in financing activities was RMB4.5 billion in the third quarter of 2022 and the net cash generated from financing activities was RMB0.9 billion in the second 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 Used In Operating Activities

Net cash used in our operating activities represents the cash used in our operations plus the income tax paid. Cash used in our operations primarily comprises our loss before income tax adjusted by non-cash items and changes in working capital.

In the third quarter of 2022, net cash used in our operating activities amounted to RMB1.5 billion, representing cash used in operations of RMB0.9 billion plus income tax paid of RMB0.6 billion. Cash used in operations was primarily attributable to our loss before income tax of RMB1.2 billion, adjusted by a decrease in trade payables of RMB10.6 billion, partially offset by impairment provision for inventories of RMB2.3 billion, fair value losses on investments measured at fair value through profit or loss of RMB2.4 billion, a decrease in inventories of RMB2.9 billion and a decrease in prepayments and other receivables of RMB1.4 billion.

Net Cash Generated From Investing Activities

For the third quarter of 2022, our net cash generated from investing activities was RMB8.6 billion, which was primarily attributed to the net change of short-term bank deposits of RMB4.6 billion and the net change of short-term investments measured at fair value through profit or loss of RMB5.9 billion, partially offset by the capital expenditures of RMB1.7 billion.

Net Cash Used In Financing Activities

For the third quarter of 2022, our net cash used in financing activities was RMB7.9 billion, which was primarily attributed to the net changes of borrowings of RMB6.5 billion and share repurchase of RMB1.0 billion.

Borrowings

As of June 30, 2022 and September 30, 2022, we had total borrowings of RMB32.6 billion and RMB25.8 billion, respectively.

Capital Expenditure

	Unaudited	
	Three months ended	
	September 30, 2022	June 30, 2022
	(RMB in millions)	
Capital expenditures	1,702.9	1,395.9
Placement of long-term investments ⁽¹⁾	928.5	2,930.1
Total	<u>2,631.4</u>	<u>4,326.0</u>

Note:

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

Off-Balance Sheet Commitments and Arrangements

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

Investments Held

As of September 30, 2022, we had invested in more than 400 companies and other long-term investments with an aggregate book value of RMB62.1 billion, an increase of 5.0% year-over-year. In the third quarter of 2022, we recorded a net gain on disposal of investments (after tax) of RMB0.2 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, 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 RMB62.6 billion as of September 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 September 30, 2022) during the nine months ended September 30, 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Employee and Remuneration Policy

As of September 30, 2022, we had 35,314 full-time employees, 32,609 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India and Indonesia. As of September 30, 2022, our research and development personnel, totaling 16,911 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, 2022, 14,775 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, in the third quarter of 2022 were RMB4.3 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 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, 2022, we pledged a restricted deposit of RMB4.0 billion, compared with RMB3.9 billion as of June 30, 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 September 30, 2022 and June 30, 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 nine months ended September 30, 2022

(Expressed in Renminbi (“RMB”))

	Note	Unaudited		Unaudited	
		Three months ended September 30, 2022 RMB'000	2021 RMB'000	Nine months ended September 30, 2022 RMB'000	2021 RMB'000
Revenue	2	70,474,269	78,062,855	213,996,648	242,733,978
Cost of sales	2, 3	(58,752,360)	(63,770,634)	(177,796,958)	(199,132,484)
Gross profit		11,721,909	14,292,221	36,199,690	43,601,494
Research and development expenses	3	(4,069,789)	(3,237,695)	(11,327,702)	(9,313,862)
Selling and marketing expenses	3	(4,882,576)	(4,882,314)	(15,470,968)	(14,726,448)
Administrative expenses	3	(1,255,393)	(1,274,603)	(3,815,370)	(3,412,591)
Fair value changes on investments measured at fair value through profit or loss	4	(2,390,854)	(1,975,634)	(5,427,532)	4,252,992
Share of net (losses)/profits of investments accounted for using the equity method		(264,996)	45,116	(403,656)	27,912
Other income		195,671	234,886	546,775	621,551
Other (losses)/gains, net		(414,983)	(472,296)	(840,483)	562,052
Operating (loss)/profit		(1,361,011)	2,729,681	(539,246)	21,613,100
Finance income		455,128	317,991	1,100,821	915,850
Finance costs		(284,812)	(1,260,559)	(431,361)	(1,996,415)
(Loss)/profit before income tax		(1,190,695)	1,787,113	130,214	20,532,535
Income tax expenses		(283,227)	(998,596)	(769,313)	(3,691,803)
(Loss)/profit for the period		(1,473,922)	788,517	(639,099)	16,840,732
Attributable to:					
— Owners of the Company		(1,476,050)	792,256	(677,250)	16,853,622
— Non-controlling interests		2,128	(3,739)	38,151	(12,890)
		(1,473,922)	788,517	(639,099)	16,840,732
(Loss)/earnings per share (expressed in RMB per share):					
Basic		(0.06)	0.03	(0.03)	0.67
Diluted		(0.06)	0.03	(0.03)	0.66

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and nine months ended September 30, 2022

(Expressed in RMB)

	Unaudited Three months ended September 30, 2022		Unaudited Nine months ended September 30, 2022	
	RMB'000	2021 RMB'000	RMB'000	2021 RMB'000
(Loss)/profit for the period	(1,473,922)	788,517	(639,099)	16,840,732
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	88,848	(18,034)	72,185	(72,585)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(8,611)	(421)	(15,555)	(2,567)
Currency translation differences	91,908	24,161	75,647	(140,898)
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Currency translation differences	2,428,449	173,193	4,547,459	(310,431)
Other comprehensive income/(loss) for the period, net of tax	2,600,594	178,899	4,679,736	(526,481)
Total comprehensive income for the period	1,126,672	967,416	4,040,637	16,314,251
Attributable to:				
— Owners of the Company	1,113,324	970,340	3,982,507	16,329,297
— Non-controlling interests	13,348	(2,924)	58,130	(15,046)
	1,126,672	967,416	4,040,637	16,314,251

CONDENSED CONSOLIDATED BALANCE SHEET

As of September 30, 2022

(Expressed in RMB)

		Unaudited As of September 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
Assets			
Non-current assets			
Property and equipment		8,466,094	6,964,621
Intangible assets		4,939,093	5,579,159
Investments accounted for using the equity method		9,629,519	10,230,751
Long-term investments measured at fair value through profit or loss	4	52,461,430	50,113,702
Deferred income tax assets		2,384,142	1,661,947
Long-term bank deposits		18,386,235	16,195,419
Long-term investments measured at amortized cost	4	424,424	351,362
Other non-current assets		16,139,458	15,943,508
		<u>112,830,395</u>	<u>107,040,469</u>
Current assets			
Inventories	6	52,997,434	52,397,946
Trade receivables	5	14,531,181	17,985,503
Loan receivables		6,707,425	5,109,034
Prepayments and other receivables		20,637,036	19,851,884
Bills receivables measured at fair value through other comprehensive income		728	14,033
Short-term investments measured at fair value through other comprehensive income	4	560,706	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	11,809,441	29,311,848
Short-term bank deposits		26,022,205	31,041,129
Restricted cash		3,952,510	4,319,661
Cash and cash equivalents		28,071,099	23,511,579
		<u>165,289,765</u>	<u>185,851,401</u>
Total assets		<u><u>278,120,160</u></u>	<u><u>292,891,870</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As of September 30, 2022

(Expressed in RMB)

	Note	Unaudited As of September 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		407	407
Reserves		<u>141,517,258</u>	<u>137,212,499</u>
		<u>141,517,665</u>	<u>137,212,906</u>
Non-controlling interests		<u>276,458</u>	<u>219,590</u>
Total equity		<u><u>141,794,123</u></u>	<u><u>137,432,496</u></u>
Liabilities			
Non-current liabilities			
Borrowings	7	23,244,484	20,719,790
Deferred income tax liabilities		942,241	1,202,717
Warranty provision		820,727	895,747
Other non-current liabilities		<u>17,217,656</u>	<u>16,913,649</u>
		<u>42,225,108</u>	<u>39,731,903</u>
Current liabilities			
Trade payables	8	58,946,062	74,643,005
Other payables and accruals		18,177,849	20,224,499
Advance from customers		8,644,747	9,289,177
Borrowings	7	2,517,215	5,527,050
Income tax liabilities		1,565,677	2,335,124
Warranty provision		<u>4,249,379</u>	<u>3,708,616</u>
		<u>94,100,929</u>	<u>115,727,471</u>
Total liabilities		<u><u>136,326,037</u></u>	<u><u>155,459,374</u></u>
Total equity and liabilities		<u><u>278,120,160</u></u>	<u><u>292,891,870</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2022

(Expressed in RMB)

	Unaudited	
	Nine months ended	
	September 30,	
	2022	2021
	RMB'000	RMB'000
Net cash used in operating activities	(8,501,936)	(1,946,374)
Net cash generated from/(used in) investing activities	16,256,913	(24,936,419)
Net cash (used in)/generated from financing activities	<u>(4,237,818)</u>	<u>5,048,736</u>
Net increase/(decrease) in cash and cash equivalents	3,517,159	(21,834,057)
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	<u>1,042,361</u>	<u>(268,884)</u>
Cash and cash equivalents at end of the period	<u>28,071,099</u>	<u>32,649,502</u>

1 Basis of preparation

The condensed consolidated interim financial information comprises the condensed consolidated balance sheet as of September 30, 2022, the condensed consolidated income statements and the condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the nine-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 nine months ended September 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.

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

	Three months ended September 30, 2022				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
(Unaudited)					
Segment revenues	42,514,239	19,058,648	7,066,591	1,834,791	70,474,269
Cost of sales	(38,730,351)	(16,488,422)	(1,974,706)	(1,558,881)	(58,752,360)
Gross profit	3,783,888	2,570,226	5,091,885	275,910	11,721,909
	Three months ended September 30, 2021				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
(Unaudited)					
Segment revenues	47,824,932	20,935,557	7,337,857	1,964,509	78,062,855
Cost of sales	(41,708,840)	(18,509,697)	(1,940,606)	(1,611,491)	(63,770,634)
Gross profit	6,116,092	2,425,860	5,397,251	353,018	14,292,221
	Nine months ended September 30, 2022				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
(Unaudited)					
Segment revenues	130,545,033	58,347,613	21,150,193	3,953,809	213,996,648
Cost of sales	(118,576,246)	(49,907,385)	(5,934,027)	(3,379,300)	(177,796,958)
Gross profit	11,968,787	8,440,228	15,216,166	574,509	36,199,690
	Nine months ended September 30, 2021				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
(Unaudited)					
Segment revenues	158,404,878	59,913,517	20,942,192	3,473,391	242,733,978
Cost of sales	(138,661,770)	(52,092,697)	(5,576,443)	(2,801,574)	(199,132,484)
Gross profit	19,743,108	7,820,820	15,365,749	671,817	43,601,494

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

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Mainland China	34,904,227	49.5	37,161,472	47.6	106,995,851	50.0	120,785,227	49.8
Rest of the world (Note(a))	35,570,042	50.5	40,901,383	52.4	107,000,797	50.0	121,948,751	50.2
	<u>70,474,269</u>		<u>78,062,855</u>		<u>213,996,648</u>		<u>242,733,978</u>	

Note:

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

3 Expenses by nature

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)		(Unaudited)	
Cost of inventories sold and royalty fees	52,004,158	58,949,602	159,871,531	186,498,016
Provision for impairment of inventories	2,285,821	555,130	5,606,721	1,494,009
Employee benefit expenses	4,317,273	3,429,304	12,285,912	10,384,994
Depreciation of property and equipment, right-of-use assets and investment properties	573,859	469,752	1,721,595	1,261,105
Amortization of intangible assets	357,152	330,434	1,035,261	924,451
Promotion and advertising expenses	1,430,036	1,586,610	4,899,334	4,805,220
Content fees to game developers and video providers	778,900	730,922	2,323,432	2,103,408
Credit loss allowance	66,892	(28,404)	172,861	42,737
Consultancy and professional service fees	341,344	382,551	1,019,398	970,238
Cloud service, bandwidth and server custody fees	541,985	484,883	1,617,073	1,529,219
Warranty expenses	1,197,456	1,045,624	3,722,879	3,443,561

4 Investments

	As of September 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	560,706	710,865
— Fair value through profit or loss	11,809,441	29,311,848
	<u>12,370,147</u>	<u>31,620,632</u>
Non-current assets		
Long-term investments measured at amortized cost	424,424	351,362
Long-term investments measured at fair value through profit or loss		
— Ordinary shares investments	17,262,972	22,755,228
— Preferred shares investments	29,143,801	25,108,840
— Other investments	6,054,657	2,249,634
	<u>52,885,854</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 September 30,		Nine months ended September 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Fair value changes on ordinary share investments	(2,298,498)	(3,426,106)	(5,585,623)	1,012,982
Fair value changes on preferred shares investments	(2,985)	1,290,394	98,612	2,707,853
Fair value changes on other investments	(146,036)	(125)	(282,932)	5,116
Fair value changes on short-term investments measured at fair value through profit or loss	56,665	160,203	342,411	527,041
	<u>(2,390,854)</u>	<u>(1,975,634)</u>	<u>(5,427,532)</u>	<u>4,252,992</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 September 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Trade receivables		
Up to 3 months	13,132,821	15,740,356
3 to 6 months	962,087	1,477,059
6 months to 1 year	366,058	652,701
1 to 2 years	168,262	184,058
Over 2 years	100,903	95,306
	<u>14,730,131</u>	<u>18,149,480</u>
Less: credit loss allowance	<u>(198,950)</u>	<u>(163,977)</u>
	<u><u>14,531,181</u></u>	<u><u>17,985,503</u></u>

6 Inventories

	As of September 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Raw materials	19,590,671	19,314,001
Finished goods	27,294,043	23,934,395
Work in progress	3,241,776	4,627,210
Spare parts	4,601,963	3,896,430
Others	1,180,723	1,957,057
	<u>55,909,176</u>	<u>53,729,093</u>
Less: provision for impairment (Note(a))	<u>(2,911,742)</u>	<u>(1,331,147)</u>
	<u><u>52,997,434</u></u>	<u><u>52,397,946</u></u>

Note:

- (a) During the three and nine months ended September 30, 2022, the Group incurred inventory impairment provision approximately RMB2,285,821,000 and RMB5,606,721,000, respectively (2021: RMB555,130,000 and RMB1,494,009,000, respectively) and transferred out of such provision upon the sales of inventories approximately RMB1,725,022,000 and RMB4,026,126,000, respectively (2021: RMB759,612,000 and RMB1,670,459,000, respectively).

7 Borrowings

	As of September 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Included in non-current liabilities		
Secured borrowings	1,217,367	1,576,761
Unsecured borrowings	17,255,934	15,004,487
Convertible bonds	4,771,183	4,138,542
	<u>23,244,484</u>	<u>20,719,790</u>
Included in current liabilities		
Secured borrowings	506,554	507,217
Unsecured borrowings	2,010,661	5,019,833
	<u>2,517,215</u>	<u>5,527,050</u>

8 Trade payables

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

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

	As of September 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Up to 3 months	52,661,114	70,187,231
3 to 6 months	3,421,553	2,526,217
6 months to 1 year	1,426,186	1,343,318
1 to 2 years	1,261,407	490,484
Over 2 years	175,802	95,755
	<u>58,946,062</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 with relevant income tax regulations, custom duties regulations as well as foreign exchange regulations.

In connection with one of the investigations mentioned above, Xiaomi India received orders 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 when computing its taxable income; and as a result, confirming certain of its bank deposits continue to be restricted.

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, 2022 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, 2022 and up to the date of this announcement, the Company repurchased a total of 219,248,000 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 approximately HK\$2,583,478,741. 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\$)	
January	14,295,000	18.64	17.70	261,322,614
March	35,209,000	14.60	13.46	498,281,463
April	37,744,000	13.82	12.26	498,768,037
August	26,500,000	11.50	10.90	297,458,009
September	77,900,000	11.38	8.74	783,888,205
October	27,600,000	9.46	8.32	243,760,413
Total	<u>219,248,000</u>			<u>2,583,478,741</u>

As at the date of this announcement, the number of Class B Shares in issue was reduced by 219,248,000 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 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.

The Shares repurchased in August 2022, September 2022 and October 2022 were subsequently cancelled on October 28, 2022. A total of 24,341,769 Class A Shares were converted into Class B Shares on a one-to-one ratio on October 28, 2022, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 21,922,431 Class A Shares and Mr. Lin Bin, through Bin Lin 2021 A Trust, converted 2,419,338 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, 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 nine months ended September 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 nine months ended September 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 September 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.

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 September 30, 2022

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

By order of the Board
Xiaomi Corporation
Lei Jun
Chairman

Hong Kong, 23 November, 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.