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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Xiaomi Corporation 小米集团 (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2023. The consolidated financial statements for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers, the independent auditor of the Company (the “**Auditor**”) in accordance with International Standards on Auditing. The 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 (as defined above) and where the context otherwise requires, the Group (as defined above).

### **KEY HIGHLIGHTS**

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>December 31,</b>	<b>December 31,</b>	<b>Year-over-</b>
	<b>2023</b>	<b>2022</b>	<b>year change</b>
	<b>(Renminbi (“RMB”) in millions, unless specified)</b>		
Revenue	<b>73,243.7</b>	66,047.4	10.9%
Gross profit	<b>15,614.0</b>	11,377.5	37.2%
Operating profit	<b>5,056.7</b>	3,355.7	50.7%
Profit before income tax	<b>5,697.5</b>	3,803.7	49.8%
Profit for the period	<b>4,723.5</b>	3,141.7	50.3%
Non-IFRS Measure <sup>1</sup> : Adjusted Net Profit	<b>4,909.7</b>	1,460.9	236.1%

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

	<b>Year ended December 31,</b>		
	<b>2023</b>	2022	Year-over- year change
	(RMB in millions, unless specified)		
Revenue	<b>270,970.1</b>	280,044.0	-3.2%
Gross Profit	<b>57,476.2</b>	47,577.2	20.8%
Operating Profit	<b>20,008.7</b>	2,816.5	610.4%
Profit before income tax	<b>22,011.0</b>	3,934.0	459.5%
Profit for the year	<b>17,474.2</b>	2,502.6	598.2%
Non-IFRS Measure: Adjusted Net Profit	<b>19,272.8</b>	8,518.0	126.3%

## **BUSINESS REVIEW AND OUTLOOK**

### **1. Overall Performance**

Throughout 2023, we diligently executed our key operating strategy of “dual emphasis on scale and profitability”. As we maintained our industry-leading position globally, we emphasized on enhancing our capabilities, optimizing our operating efficiency and driving improvements in profitability. In the fourth quarter of 2023, our total revenue amounted to RMB73.2 billion, an increase of 10.9% year-over-year, and our adjusted net profit increased by 236.1% year-over-year to RMB4.9 billion, which included RMB2.4 billion in expenses related to our smart EV business and other new initiatives<sup>2</sup>. In 2023, our adjusted net profit increased 126.3% year-over-year to RMB19.3 billion, and our total revenue was RMB271.0 billion, a slight decrease of 3.2% year-over-year. Our adjusted net profit included RMB6.7 billion in expenses related to our smart Electric Vehicle (“EV”) business and other new initiatives<sup>3</sup>.

In October 2023, we upgraded our corporate strategy to “Human × Car × Home” and unveiled our new operating system, “Xiaomi HyperOS”. According to Canalys, our global smartphone shipments ranked third in 2023, the third consecutive year that we were ranked among the top three smartphone brands globally, with a market share of 12.8%. In December 2023, our global monthly active users (“MAU”) <sup>4</sup> reached 641.2 million, a historic high and an increase of 10.2% year-over-year. As of December 31, 2023, the number of connected IoT devices on our AIoT platform (excluding smartphones, tablets and laptops) increased to 739.7 million, up 25.5% year-over-year. As part of our “Human × Car × Home” strategy, we officially unveiled our first EV product, the *Xiaomi SU7 Series*, in December 2023.

In August 2023, we introduced our new goal for 2020–2030, which was to invest in foundational core technologies and to become a global leader in the evolving realm of cutting-edge technologies. In 2023, our research and development expenses were RMB19.1 billion, up 19.2% year-over-year. As of December 31, 2023, we had 17,800 research and development personnel, accounting for 53% of our employees. In addition, we continued

<sup>2</sup> Excluding share-based compensation expenses (SBC) related to smart EV and other new initiatives of RMB0.2 billion for the quarter.

<sup>3</sup> Excluding share-based compensation expenses (SBC) related to smart EV and other new initiatives of RMB0.8 billion for the year.

<sup>4</sup> Including smartphones and tablets.

to extend our intellectual property capabilities to foster innovation. As of December 31, 2023, we had obtained more than 37,000 patents worldwide. In 2023, we unveiled our results in various areas, including our new operating system *Xiaomi HyperOS*, our proprietary hinge used in *Xiaomi MIX Fold 3*, *Xiaomi Shield Glass* used in *Xiaomi 14 Pro* and *Xiaomi 14 Ultra*, as well as Xiaomi EV's five core technologies. In February 2024, we also officially launched the newly built Xiaomi Smart Factory, with an annual smartphone production capacity of approximately ten million units.

In 2023, we continued to make significant progress in our smartphone premiumization strategy. The *Xiaomi 14 Series*, our flagship smartphone launched in October 2023, garnered widespread acclaim for its leading-edge technology, exquisite design, exceptional imaging, and excellent user experience. In terms of shipments, according to third-party data, our market share of smartphone sales in the RMB4,000–RMB6,000 price segment in mainland China reached 16.9% in 2023, up by 9.2 percentage points year-over-year. In the fourth quarter of 2023, we ranked No. 1 in terms of smartphone sales in the RMB4,000–RMB6,000 price segment in mainland China with a market share of 28.2%. According to third-party data, in mainland China, the proportion of premium smartphone<sup>5</sup> shipment represented more than 20% of our total smartphone shipments in 2023, and further increased to nearly 28% in the fourth quarter of 2023. In terms of pricing, in 2023, the average selling price (“ASP”) of our smartphones in mainland China increased by over 19% year-over-year, hitting a record high.

As we steadily advanced our new retail operating strategy of “storefront integration” in mainland China in 2023, we significantly improved the efficiency of our offline retail stores, gaining higher market share. According to third-party data, our market share of smartphone shipments through offline channels in mainland China was 8.4% in 2023, up by 1.8 percentage points year-over-year. In the fourth quarter of 2023, our market share of smartphone shipments through offline channels in mainland China further increased to 9.4%, up by 3.2 percentage points year-over-year.

We continue to expand our global footprint. In 2023, our revenue from overseas markets reached RMB121.8 billion, accounting for 44.9% of our total revenue. According to Canalys, in 2023, we witnessed significant smartphone market share growth in the Middle East, Latin America, and Africa in 2023, up 1.3%, 1.2% and 2.4% respectively in these regions. Our smartphone shipments ranked No. 2 in the Middle East, and No. 3 in Latin America, Africa and Southeast Asia. According to Canalys, our smartphone shipments ranked among the top three across 51 countries and regions globally and ranked among the top five across 65 countries and regions globally in 2023.

In 2023, our key AIoT products achieved remarkable success both in mainland China as well as globally. Our smart large home appliances gained both positive customer reviews and sales growth, and revenue from the segment increased by nearly 40% year-over-year in 2023. According to Canalys, in 2023, the ranking of our tablet shipments rose to No. 3 in mainland China, and our shipments of wearable bands<sup>6</sup> ranked No. 2 both in mainland China and globally.

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<sup>5</sup> Premium smartphones in mainland China are models with retail prices at or above RMB3,000.

<sup>6</sup> Wearable bands include basic bands, basic watches, and smart watches.

In December 2023, we held our Xiaomi EV Technology Launch event, unveiling Xiaomi EV’s five core self-developed technologies — E-Motor, Battery, Die-Casting, Smart Cabin, and Autonomous Driving. We also officially debuted the *Xiaomi SU7 Series*. Positioned as a “full-size high-performance eco-technology sedan,” *Xiaomi SU7 Series* boasts a captivating aesthetic design and ultra-high performance. *Xiaomi SU7 Max*, equipped with dual motors for all-wheel drive, is turbocharged with a maximum horsepower of 673PS and a peak torque of 838N·m. With its zero-to-hundred acceleration of 2.78 seconds and a top speed of 265km/h, the *Xiaomi SU7 Max* offers a CLTC<sup>7</sup> range of up to 800km. Crafted with industry-leading safety design standards and engineered with passive, active, and battery safety mechanisms, among others, the *Xiaomi SU7 Series* safeguards users with the utmost protection. The pricing of *Xiaomi SU7 Series* will be formally announced on March 28, 2024.

As we executed our operating strategy of “dual emphasis on scale and profitability” in 2023, we achieved record-high gross profit margin at the Group level, as well as in each of our business segments. In 2023, our gross profit margin reached 21.2%, an increase of 4.2 percentage points year-over-year. By segment, in 2023, the gross profit margin of our smartphone business reached 14.6%, an increase of 5.6 percentage points year-over-year. The gross profit margin of our IoT and lifestyle products reached 16.3%, an increase of 1.9 percentage points year-over-year. The gross profit margin of our internet services reached 74.2%, an increase of 2.4 percentage points year-over-year. Our annual adjusted net profit was RMB19.3 billion, an increase of 126.3% year-over-year. Sufficient cash reserves serve as a crucial foundation for the sustained development of both our core and new businesses. As of December 31, 2023, our cash resources<sup>8</sup> reached RMB136.3 billion, hitting a record high. We have also been actively repurchasing our shares in the open market, and we repurchased HKD1.5 billion, or 126.6 million shares, in 2023.

## 2. Smartphones

According to Canalys, in 2023, global smartphone shipments decreased by 4.3% year-over-year. In 2023, we maintained our No. 3 global smartphone shipment ranking with a 12.8% market share. In 2023, our smartphone revenue reached RMB157.5 billion, with our global smartphone shipments reaching 145.6 million units.

According to Canalys, in the fourth quarter of 2023, global smartphone shipments increased by 7.5% year-over-year, putting an end to seven consecutive quarters of year-over-year decline. Our smartphone shipments once again ranked No. 3 globally, the 14 consecutive quarters that we were ranked among the top three globally, with a 12.8% market share. In the fourth quarter of 2023, our smartphone revenue reached RMB44.2 billion, up 20.6% year-over-year, marking the first quarter of year-over-year growth after seven consecutive quarters of year-over-year decline. In the fourth quarter of 2023, our global smartphone shipments reached 40.5 million units, up 23.9% year-over-year, significantly outpacing the global market growth.

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<sup>7</sup> China Light-duty Vehicle Test Cycle.

<sup>8</sup> 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 are firmly committed to executing our dual-brand strategy. Under the Xiaomi brand, in February 2024, we unveiled our flagship smartphone *Xiaomi 14 Ultra* in mainland China. *Xiaomi 14 Ultra* redefines mobile imaging with a holistic experience upgrade, capturing depth with unprecedented lifelike dimensionality, delighting users with visually captivating and aesthetically gratifying image quality. *Xiaomi 14 Ultra* optics come equipped with a quad-camera with Leica Summilux optical lenses and a full range of focal lengths, featuring larger apertures for enhanced luminance. Its main camera integrates Sony’s 1-inch LYT-900 image sensor and a second-generation stepless variable aperture, accompanied by dual telephoto lenses with large aperture empowerment. In terms of computational photography, *Xiaomi 14 Ultra* is powered by *Xiaomi AISP*, our first-ever AI large model computational photography platform, with an astounding computing power of 60 TOPS, providing image processing aptitudes for thorough integration of software and hardware. *Xiaomi 14 Ultra* is engineered around the Xiaomi Guardian Structure, bolstering overall strength and durability, and comes with two self-developed signal enhancement chips *Xiaomi Surge T1* while supporting two-way satellite communications. We are also advancing our smartphone premiumization strategy in the overseas markets. Just before the recently concluded MWC Barcelona 2024, we unveiled the *Xiaomi 14* and *Xiaomi 14 Ultra* Series with built-in Xiaomi HyperOS for global users. This marked the first-ever synchronized release of our premium flagship smartphones globally.

Since the launch of the Redmi brand, the global cumulative sales volume of our Redmi smartphones surpassed 1 billion units. In November 2023, we released the *Redmi K70 Series*<sup>9</sup> in mainland China. Fueled by the Snapdragon 8 Gen 3 Mobile Platform, the *Redmi K70 Pro* boasts our cutting-edge “ice-sealed cooling system”. With Xiaomi HyperOS as its foundational architecture, fortified by an AI subsystem, it significantly enhances both overall performance and user experience. Its Light Hunter 800 sensor enables a quick shoot function for superior imaging quality. *Redmi K70 Pro* is also embedded with a domestically manufactured 2K screen that incorporates an eye protection function, ensuring optimal visual comfort. The sales volume of *Redmi K70 Series* exceeded 600,000 units in the first five minutes<sup>10</sup>.

### 3. IoT and Lifestyle Products

In 2023, despite various macro challenges, our IoT and lifestyle products delivered year-over-year growth in both revenue and gross profit margin. In 2023, revenue from our IoT and lifestyle products was RMB80.1 billion, an increase of 0.4% year-over-year, and gross profit margin reached 16.3%, hitting a record high, up 1.9 percentage points year-over-year. In the fourth quarter of 2023, revenue from our IoT and lifestyle products was RMB20.3 billion.

As of December 31, 2023, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 739.7 million, up 25.5% year-over-year; the number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) reached 14.5 million, an increase of 25.3% year-over-year. In December 2023, the MAU of our Mi Home App grew to 85.8 million, an increase of 13.2% year-over-year.

According to All View Cloud (“AVC”), in 2023, our TV shipments ranked among the top five globally.

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<sup>9</sup> Including *Redmi K70*, *Redmi K70 Pro*, *Redmi K70E* and *Redmi K70 Pro Champion Edition*.

<sup>10</sup> Based on sales data recorded from 10:00 to 10:05 Beijing time on December 1, 2023.

In 2023, our smart large home appliances sustained high growth momentum in sales. In the full year of 2023, our smart large home appliance revenue increased by nearly 40% year-over-year. Our air conditioner shipments exceeded 4.4 million units in 2023, up 49% year-over-year. Our refrigerator shipments for the year exceeded 2.0 million units, doubling year-over-year. Furthermore, in 2023, our washing machine shipments exceeded 1.3 million units, up 24% year-over-year.

In 2023, our tablet products achieved remarkable growth, with global tablet shipments exceeding 5 million units, an increase of more than 50% year-over-year. In particular, our annual tablet shipments in the overseas markets doubled year-over-year. According to Canalys, in 2023, the ranking of our tablet shipments rose to No. 3 in mainland China. In February 2024, we launched the *Xiaomi Pad 6S Pro 12.4*, the first tablet product with built-in Xiaomi HyperOS. Powered by the Snapdragon 8 Gen 2 flagship processor, featuring a stunning 12.4-inch 3K high-definition eye-protection display, *Xiaomi Pad 6S Pro 12.4* supports multi-screen color consistency within our ecosystem. It also pioneers Wi-Fi 7 high-speed connection technology on tablets and comes equipped with our revolutionary 120W HyperCharge, offering up to a 100% charge with its 10,000mAh battery in 35 minutes.

In 2023, we continued to maintain our leading edge in wearables. According to Canalys, in 2023, our wearable band shipments ranked No. 2 both in mainland China and in global markets, and our TWS earbud shipments ranked No. 2 in mainland China.

#### 4. Internet Services

In 2023, our internet services reached record highs in both revenue and gross profit margin. Our internet services revenue was RMB30.1 billion, an increase of 6.3% year-over-year. The gross profit margin of our internet services reached 74.2%, an increase of 2.4 percentage points year-over-year. In the fourth quarter of 2023, our internet services revenue was RMB7.9 billion, an increase of 9.9% year-over-year, hitting another quarterly record high. The gross profit margin of our internet services reached 75.7%, an increase of 4.2 percentage points year-over-year.

In 2023, our internet user base continued to expand. Our MAU globally and in mainland China both hit record highs. In December 2023, our global MAU reached 641.2 million, an increase of 10.2% year-over-year, while our MAU in mainland China reached 155.6 million, up 8.3% year-over-year. In December 2023, the global MAU of our smart TV<sup>11</sup> reached 66.0 million, an increase of 13.5% year-over-year.

In 2023, as we continued to optimize efficiency across our platform, our advertising revenue reached RMB20.5 billion, an increase of 11.2% year-over-year, setting a record high. In the fourth quarter of 2023, our advertising revenue reached RMB5.6 billion, an increase of 18.4% year-over-year, setting another quarterly record.

In 2023, alongside the advancement of our smartphone premiumization strategy, the number of active users and paying users of our gaming business continued to increase. Accordingly, we achieved solid growth in our gaming business. In 2023, our gaming revenue reached RMB4.4 billion, an increase of 7.0% year-over-year, setting a historic high. In the fourth quarter of 2023, our gaming revenue was RMB1.0 billion.

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<sup>11</sup> Including *Xiaomi Box* and *Xiaomi TV Stick*.

In 2023, we continued to advance our globalization strategy. As we consistently broadened business alliances with valued partners, we reinforced our content distribution capabilities and elevated our monetization capabilities. In 2023, revenue from our overseas internet services increased 24.1% year-over-year to RMB8.4 billion, hitting a record high and accounting for 28.0% of our total internet services revenue, up 4.0 percentage points year-over-year. In the fourth quarter of 2023, revenue from our overseas internet services was RMB2.3 billion, an increase of 23.8% year-over-year.

## 5. Corporate Social Responsibility

We actively fulfill our corporate social responsibility and are deeply committed to driving low-carbon development, offering customers green, smart, and sustainable products and services. In August 2023, we pledged to achieve carbon neutrality in our own operations of our existing businesses along with 100% renewable energy utilization by 2040. In December 2023, we released our White Paper on Climate Action during the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28), detailing our zero-carbon philosophy and our approach to the zero-carbon transition.

In terms of corporate social responsibility, we continuously contributed to a better society in three key domains: poverty and disaster relief, talent development, and technology innovation. As for poverty and disaster relief, Beijing Xiaomi Foundation has cumulatively donated more than RMB162 million as of December 2023. In December 2023, Beijing Xiaomi Foundation donated RMB5 million to the earthquake-stricken areas in Gansu and Qinghai Province for relief efforts. For talent development, Xiaomi Scholarships program has covered 60 colleges and universities by the end of 2023, with a cumulative donation of RMB55 million. And Xiaomi Young Talents program has covered 30 colleges and universities, sponsoring more than 500 young teachers and researchers as of December 2023. For technology innovation, Xiaomi Innovation Joint Fund has cumulatively donated RMB108 million and supported 74 scientific projects as of December 2023. In March 2024, Beijing Xiaomi Foundation donated RMB100 million to the National Natural Science Foundation of China, supporting fundamental research projects for young students.

We have fully integrated environmental, social, and governance (ESG) management into our business operations and management. In January 2024, we announced the appointment of Ms. Cai Jinqing as the Company's first female director. This represented a significant stride in our ongoing efforts to enhance our corporate management, fostering greater gender diversity within our board of directors, and further strengthening the sophistication of our corporate governance practices.

In 2023, our ESG initiatives were met with widespread acclaim globally. We were included in S&P Global's Sustainability Yearbook 2023 (China Edition) as an "Industry Mover", listed as one of China's Most Admired Companies 2023 by Fortune Magazine, named one of the "World's Best Employers" by Forbes for the third consecutive year, and honored with the Best ESG award in the Technology Hardware sector in Institutional Investor's 2023 Asia Pacific (Ex-Japan) Executive Team Awards, among others. In January 2024, in recognition of our outstanding sustainability practices and performance, we were awarded the "Gold Medal" in EcoVadis' sustainability rating, ranking in the top 3% globally within the industry<sup>12</sup> and our score increased to 73 from 53 in 2022.

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<sup>12</sup> Manufacture of communication equipment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

The following table sets forth the comparative figures for the years ended December 31, 2023 and 2022:

	Year ended December 31,	
	2023	2022
	(RMB in millions)	
<b>Revenue</b>	<b>270,970.1</b>	280,044.0
Cost of sales	(213,493.9)	(232,466.8)
<b>Gross profit</b>	<b>57,476.2</b>	47,577.2
Research and development expenses	(19,097.7)	(16,028.1)
Selling and marketing expenses	(19,226.5)	(21,323.3)
Administrative expenses	(5,126.8)	(5,113.9)
Fair value changes on financial instruments measured at fair value through profit or loss	<b>3,501.1</b>	(1,662.0)
Share of net profits/(losses) of investments accounted for using the equity method	<b>45.6</b>	(400.1)
Other income	<b>740.1</b>	1,135.5
Other gains/(losses), net	<b>1,696.7</b>	(1,368.8)
<b>Operating profit</b>	<b>20,008.7</b>	2,816.5
Finance income, net	<b>2,002.3</b>	1,117.5
<b>Profit before income tax</b>	<b>22,011.0</b>	3,934.0
Income tax expenses	(4,536.8)	(1,431.4)
<b>Profit for the year</b>	<b>17,474.2</b>	2,502.6
<b>Non-IFRS Measure: Adjusted net profit</b>	<b>19,272.8</b>	8,518.0

## Revenue

Revenue decreased by 3.2% to RMB271.0 billion for the year ended December 31, 2023, compared to RMB280.0 billion for the year ended December 31, 2022. The following table sets forth our revenue by line of business for the year ended December 31, 2023 and the year ended December 31, 2022:

	Year ended December 31,			
	2023	2022	2023	2022
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	157,461.3	58.1%	167,217.2	59.7%
IoT and lifestyle products	80,107.7	29.6%	79,794.9	28.5%
Internet services	30,107.5	11.1%	28,321.4	10.1%
Others	3,293.6	1.2%	4,710.5	1.7%
Total revenue	<u>270,970.1</u>	<u>100.0%</u>	<u>280,044.0</u>	<u>100.0%</u>

### *Smartphones*

Revenue from our smartphones segment decreased by 5.8% from RMB167.2 billion for the year ended December 31, 2022 to RMB157.5 billion for the year ended December 31, 2023, primarily due to decreases in both our smartphone shipments and ASP. Our smartphone shipments decreased by 3.3% from 150.5 million for the year ended December 31, 2022 to 145.6 million for the year ended December 31, 2023. According to Canalys, in 2023, global smartphone shipments decreased by 4.3% year-over-year. The ASP of our smartphones decreased by 2.7% from RMB1,111.3 per unit for the year ended December 31, 2022 to RMB1,081.7 per unit for the year ended December 31, 2023, primarily due to the enhanced efforts to clear our inventories in the overseas markets in the first half of 2023, and the strong growth of our shipments in emerging markets which carry lower ASP in the second half of 2023, partially offset by an increase in ASP in mainland China with the contribution from our premium smartphone shipments. In 2023, the ASP of our smartphones in mainland China increased by over 19% year-over-year, hitting a record high.

### *IoT and lifestyle products*

Revenue from our IoT and lifestyle products segment increased by 0.4% from RMB79.8 billion for the year ended December 31, 2022 to RMB80.1 billion for the year ended December 31, 2023, primarily attributable to the increase in revenue of our smart large home appliances and tablets, partially offset by the decrease in revenue of smart TVs and laptops.

Revenue from our smart large home appliances increased by nearly 40% year-over-year, primarily attributable to the increased shipments of our air conditioners, refrigerators and washing machines in mainland China.

Our tablets maintained strong growth momentum year-over-year, primarily due to the increased revenue of *Xiaomi Pad 6* series tablets and *Redmi Pad SE* series tablets which we introduced globally in 2023.

Revenue from smart TVs and laptops decreased by 17.8% from RMB23.7 billion for the year ended December 31, 2022 to RMB19.5 billion for the year ended December 31, 2023, mainly due to the decrease in global shipments of smart TVs and laptops.

#### *Internet services*

Revenue from our internet services segment increased by 6.3% from RMB28.3 billion for the year ended December 31, 2022 to RMB30.1 billion for the year ended December 31, 2023, mainly due to the increase in revenue from our advertising business and gaming business, partially offset by the decreased revenue from other value-added services. The overseas internet services revenue increased by 24.1% from RMB6.8 billion for the year ended December 31, 2022 to RMB8.4 billion for the year ended December 31, 2023, accounting for 28.0% of our total internet services revenue, driven by the continued expansion of our overseas internet user base. Our global MAU increased by 10.2% from 582.1 million in December 2022 to 641.2 million in December 2023.

#### *Others*

Other revenue decreased by 30.1% from RMB4.7 billion for the year ended December 31, 2022 to RMB3.3 billion for the year ended December 31, 2023, primarily due to the decrease in revenue from the sales of buildings.

### **Cost of Sales**

Our cost of sales decreased by 8.2% from RMB232.5 billion for the year ended December 31, 2022 to RMB213.5 billion for the year ended December 31, 2023. The following table sets forth our cost of sales by line of business for the year ended December 31, 2023 and the year ended December 31, 2022:

	Year ended December 31,			
	2023		2022	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	134,480.7	49.6%	152,248.4	54.4%
IoT and lifestyle products	67,029.1	24.7%	68,296.4	24.4%
Internet services	7,773.5	2.9%	7,974.4	2.8%
Others	4,210.6	1.6%	3,947.6	1.4%
Total cost of sales	<u>213,493.9</u>	<u>78.8%</u>	<u>232,466.8</u>	<u>83.0%</u>

#### *Smartphones*

Cost of sales related to our smartphones segment decreased by 11.7% from RMB152.2 billion for the year ended December 31, 2022 to RMB134.5 billion for the year ended December 31, 2023, mainly due to the decreased revenue of our smartphones, the decrease in cost of key components, as well as the decrease in inventory impairment provisions in the overseas markets.

### *IoT and lifestyle products*

Cost of sales related to our IoT and lifestyle products segment decreased by 1.9% from RMB68.3 billion for the year ended December 31, 2022 to RMB67.0 billion for the year ended December 31, 2023, primarily due to the decrease in revenue of smart TVs and laptops, partially offset by the increased revenue of our smart large home appliances and tablets.

### *Internet services*

Cost of sales related to our internet services segment decreased by 2.5% from RMB8.0 billion for the year ended December 31, 2022 to RMB7.8 billion for the year ended December 31, 2023, primarily due to the decrease in costs from our advertising business and other value-added services.

### *Others*

Cost of sales in our others segment increased by 6.7% from RMB3.9 billion for the year ended December 31, 2022 to RMB4.2 billion for the year ended December 31, 2023, primarily due to the increase in costs from sales of materials, partially offset by the decrease in revenue from sales of buildings.

## **Gross Profit and Margin**

As a result of the foregoing, our gross profit increased by 20.8% from RMB47.6 billion for the year ended December 31, 2022 to RMB57.5 billion for the year ended December 31, 2023. Our gross margin increased from 17.0% for the year ended December 31, 2022 to 21.2% for the year ended December 31, 2023.

The gross profit margin from our smartphones segment increased from 9.0% for the year ended December 31, 2022 to 14.6% for the year ended December 31, 2023, mainly due to the improved product mix, the decrease in cost of key components, as well as the decrease in inventory impairment provisions in the overseas markets.

The gross profit margin from our IoT and lifestyle products segment increased from 14.4% for the year ended December 31, 2022 to 16.3% for the year ended December 31, 2023, mainly due to higher revenue contribution and the increased gross profit margin of certain products with higher gross profit margin, such as tablets, certain lifestyle products and smart large home appliances.

The gross profit margin from our internet services segment increased from 71.8% for the year ended December 31, 2022 to 74.2% for the year ended December 31, 2023, mainly due to higher revenue contribution and the increased gross profit margin of our advertising business.

## **Research and Development Expenses**

Our research and development expenses increased by 19.2% from RMB16.0 billion for the year ended December 31, 2022 to RMB19.1 billion for the year ended December 31, 2023, primarily due to the increase in research and development expenses related to our smart EV business and other new initiatives.

## **Selling and Marketing Expenses**

Our selling and marketing expenses decreased by 9.8% from RMB21.3 billion for the year ended December 31, 2022 to RMB19.2 billion for the year ended December 31, 2023, primarily due to the decrease of logistics expenses.

Promotion and advertising expenses decreased by 3.3% from RMB7.2 billion for the year ended December 31, 2022 to RMB7.0 billion for the year ended December 31, 2023, primarily due to the decrease in marketing expenses.

## **Administrative Expenses**

Our administrative expenses remained stable at RMB5.1 billion for the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily due to the increase in administrative expense related to our smart EV business and other new initiatives and the credit loss allowance of receivables, partially offset by the decrease in 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 changed from a loss of RMB1.7 billion for the year ended December 31, 2022 to a gain of RMB3.5 billion for the year ended December 31, 2023, primarily due to the fair value gains of listed equity investments for the year ended December 31, 2023 compared to fair value losses of listed equity investments for the year ended December 31, 2022.

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

Our share of net profits/(losses) of investments accounted for using the equity method changed from net losses of RMB400.1 million for the year ended December 31, 2022 to net profits of RMB45.6 million for the year ended December 31, 2023.

## **Other Income**

Our other income decreased from RMB1.1 billion for the year ended December 31, 2022 to RMB0.7 billion for the year ended December 31, 2023, primarily due to the decrease of government grants.

## **Other Gains/(Losses), Net**

Our other net gains/(losses) changed from a net loss of RMB1.4 billion for the year ended December 31, 2022 to a net gain of RMB1.7 billion for the year ended December 31, 2023, primarily due to the increase of disposal gains of investments accounted for using the equity method and foreign exchange gains, as well as less impairment of investments accounted for using the equity method for the year ended December 31, 2023.

## **Finance Income, Net**

Our net finance income increased from RMB1.1 billion for the year ended December 31, 2022 to RMB2.0 billion for the year ended December 31, 2023, primarily due to the rise of short-term deposit and US dollar deposit interest rate, partially offset by the change of value of financial liabilities to fund investors.

## Income Tax Expenses

Our income tax expenses increased by 217.0% from RMB1.4 billion for the year ended December 31, 2022 to RMB4.5 billion for the year ended December 31, 2023, primarily due to the significant increase of operating profit for the year ended December 31, 2023.

## Profit for the Year

As a result of the foregoing, our profit for the year increased by 598.3% from RMB2.5 billion for the year ended December 31, 2022 to RMB17.5 billion for the year ended December 31, 2023.

## Adjusted Net Profit

Our adjusted net profit increased by 126.3% from RMB8.5 billion for the year ended December 31, 2022 to RMB19.3 billion for the year ended December 31, 2023.

## Fourth Quarter of 2023 Compared to Fourth Quarter of 2022

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	(RMB in millions)	
<b>Revenue</b>	<b>73,243.7</b>	66,047.4
Cost of sales	<b>(57,629.7)</b>	(54,669.9)
<b>Gross profit</b>	<b>15,614.0</b>	11,377.5
Research and development expenses	<b>(5,463.3)</b>	(4,700.4)
Selling and marketing expenses	<b>(5,909.7)</b>	(5,852.4)
Administrative expenses	<b>(1,483.1)</b>	(1,298.5)
Fair value changes on financial instruments measured at fair value through profit or loss	<b>623.5</b>	3,765.5
Share of net profits of investments accounted for using the equity method	<b>84.0</b>	3.6
Other income	<b>261.7</b>	588.7
Other gains/(losses), net	<b>1,329.6</b>	(528.3)
<b>Operating profit</b>	<b>5,056.7</b>	3,355.7
Finance income, net	<b>640.8</b>	448.0
<b>Profit before income tax</b>	<b>5,697.5</b>	3,803.7
Income tax expenses	<b>(974.0)</b>	(662.0)
<b>Profit for the period</b>	<b>4,723.5</b>	3,141.7
<b>Non-IFRS Measure: Adjusted net profit</b>	<b>4,909.7</b>	1,460.9

## Revenue

Revenue increased by 10.9% to RMB73.2 billion in the fourth quarter of 2023 from RMB66.0 billion in the fourth quarter of 2022. The following table sets forth our revenue by line of business in the fourth quarter of 2023 and the fourth quarter of 2022:

	Unaudited			
	Three months ended		December 31, 2022	
	December 31, 2023	December 31, 2022		
	Amount	Amount	% of total revenue	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	44,232.2	36,672.1	60.4%	55.5%
IoT and lifestyle products	20,346.8	21,447.3	27.8%	32.5%
Internet services	7,879.7	7,171.3	10.8%	10.9%
Others	785.0	756.7	1.0%	1.1%
Total revenue	<u>73,243.7</u>	<u>66,047.4</u>	<u>100.0%</u>	<u>100.0%</u>

### *Smartphones*

Revenue from our smartphones segment increased by 20.6% from RMB36.7 billion in the fourth quarter of 2022 to RMB44.2 billion for the fourth quarter of 2023, primarily due to the increase in our smartphone shipments, partially offset by the decrease in our smartphone ASP. Our smartphone shipments increased by 23.9% from 32.7 million in the fourth quarter of 2022 to 40.5 million in the fourth quarter of 2023, significantly outperforming the 7.5% year-over-year increase in global smartphone shipments in the fourth quarter of 2023, according to Canalys. The ASP of our smartphones decreased by 2.6% from RMB1,121.0 per unit in the fourth quarter of 2022 to RMB1,091.7 per unit in the fourth quarter of 2023. The decrease in ASP was primarily due to the continued strong growth of our shipments in emerging markets such as Latin America and Africa, which carry lower ASP, partially offset by a significant increase in ASP in mainland China due to the successful launch of premium smartphones in mainland China in the fourth quarter of 2023.

### *IoT and lifestyle products*

Revenue from our IoT and lifestyle products segment decreased by 5.1% from RMB21.4 billion in the fourth quarter of 2022 to RMB20.3 billion in the fourth quarter of 2023, primarily due to the decreased revenue of smart TVs and laptops, partially offset by the increased revenue of tablets and smart large home appliances.

Revenue from smart TVs and laptops decreased by 21.4% from RMB6.5 billion in the fourth quarter of 2022 to RMB5.1 billion in the fourth quarter of 2023, mainly due to the decreased shipments of smart TVs, partially offset by the increase in ASP.

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

Revenue from our smart large home appliances increased by 14.6% year-over-year, primarily attributable to the increase in shipments of our air conditioners, refrigerators and washing machines in mainland China.

#### *Internet services*

Revenue from our internet services segment increased by 9.9% from RMB7.2 billion in the fourth quarter of 2022 to RMB7.9 billion in the fourth quarter of 2023, primarily due to the increase in revenue from our advertising business, partially offset by the decrease in revenue from other value-added services.

#### *Others*

Other revenue remained stable at RMB0.8 billion in the fourth quarter of 2023 compared to the fourth quarter of 2022.

### **Cost of Sales**

Our cost of sales increased by 5.4% from RMB54.7 billion in the fourth quarter of 2022 to RMB57.6 billion in the fourth quarter of 2023. The following table sets forth our cost of sales by line of business in the fourth quarter of 2023 and the fourth quarter of 2022:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>% of total</b>		<b>% of total</b>	
	<b>Amount</b>	<b>revenue</b>	<b>Amount</b>	<b>revenue</b>
	(RMB in millions, unless specified)			
Smartphones	<b>36,989.6</b>	<b>50.5%</b>	33,672.2	51.0%
IoT and lifestyle products	<b>17,510.3</b>	<b>23.9%</b>	18,389.0	27.8%
Internet services	<b>1,914.6</b>	<b>2.6%</b>	2,040.3	3.1%
Others	<b>1,215.2</b>	<b>1.7%</b>	568.4	0.9%
	<hr/> <b>57,629.7</b> <hr/>	<hr/> <b>78.7%</b> <hr/>	<hr/> 54,669.9 <hr/>	<hr/> 82.8% <hr/>
Total cost of sales				

#### *Smartphones*

Cost of sales related to our smartphones segment increased by 9.9% from RMB33.7 billion in the fourth quarter of 2022 to RMB37.0 billion in the fourth quarter of 2023, primarily due to the increased revenue of our smartphones, partially offset by the decrease in cost of key components, as well as the decrease in inventory impairment provisions in the overseas markets.

### *IoT and lifestyle products*

Cost of sales related to our IoT and lifestyle products segment decreased by 4.8% from RMB18.4 billion in the fourth quarter of 2022 to RMB17.5 billion in the fourth quarter of 2023, primarily due to the decrease in revenue of our IoT and lifestyle products.

### *Internet services*

Cost of sales related to our internet services segment decreased by 6.2% from RMB2.0 billion in the fourth quarter of 2022 to RMB1.9 billion in the fourth quarter of 2023, primarily due to the decrease in costs from our advertising business and other value-added services.

### *Others*

Cost of sales related to our others segment increased by 113.8% from RMB0.6 billion in the fourth quarter of 2022 to RMB1.2 billion in the fourth quarter of 2023, primarily due to the increase in costs from sales of materials.

## **Gross Profit and Margin**

As a result of the foregoing, our gross profit increased by 37.2% from RMB11.4 billion in the fourth quarter of 2022 to RMB15.6 billion in the fourth quarter of 2023. Our gross profit margin increased from 17.2% in the fourth quarter of 2022 to 21.3% in the fourth quarter of 2023.

The gross profit margin from our smartphones segment increased from 8.2% in the fourth quarter of 2022 to 16.4% in the fourth quarter of 2023, mainly due to the improved product mix, the decrease in inventory impairment provisions in the overseas markets, the decrease in warranty provision in the fourth quarter of 2023, which resulted from an additional one-time cost of approximately RMB0.7 billion in the fourth quarter of 2022, as well as the decrease in cost of key components.

The gross profit margin from our IoT and lifestyle products segment decreased from 14.3% in the fourth quarter of 2022 to 13.9% in the fourth quarter of 2023, mainly due to the decrease in gross profit margin from smart TVs and laptops and certain lifestyle products in the overseas markets.

The gross profit margin from our internet services segment increased from 71.5% in the fourth quarter of 2022 to 75.7% in the fourth quarter of 2023, mainly due to higher revenue contribution and the increased gross profit margin of our advertising business.

## **Research and Development Expenses**

Our research and development expenses increased by 16.2% from RMB4.7 billion in the fourth quarter of 2022 to RMB5.5 billion in the fourth quarter of 2023, primarily due to the increase in research and development expenses related to our smart EV business and other new initiatives.

## **Selling and Marketing Expenses**

Our selling and marketing expenses remained stable at RMB5.9 billion in the fourth quarter of 2023 compared to the fourth quarter of 2022, primarily due to the increase of promotion and advertising expenses, partially offset by the decrease of logistics expenses.

## **Administrative Expenses**

Our administrative expenses increased by 14.2% from RMB1.3 billion in the fourth quarter of 2022 to RMB1.5 billion in the fourth quarter of 2023, primarily due to the increase in administrative expenses related to our smart EV business and other new initiatives and the increase in credit loss allowance of receivables.

## **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 83.4% from a gain of RMB3.8 billion in the fourth quarter of 2022 to a gain of RMB0.6 billion in the fourth quarter of 2023, primarily due to the lower fair value gains of both listed equity investments and unlisted preferred shares investments in the fourth 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 increased from net profits of RMB3.6 million in the fourth quarter of 2022 to net profits of RMB84.0 million in the fourth quarter of 2023.

## **Other Income**

Our other income decreased from RMB0.6 billion in the fourth quarter of 2022 to RMB0.3 billion in the fourth quarter of 2023, primarily due to the decrease of government grants.

## **Other Gains/(Losses), Net**

Our other net gains/(losses) changed from a net loss of RMB0.5 billion in the fourth quarter of 2022 to a net gain of RMB1.3 billion in the fourth quarter of 2023. This is mainly due to the increase in deemed disposal gains of investments accounted for using the equity method.

## **Finance Income, Net**

Our net finance income increased by 43.0% from RMB0.4 billion in the fourth quarter of 2022 to RMB0.6 billion in the fourth quarter of 2023, primarily due to the rise of short-term deposit and US dollar deposit interest rate, partially offset by the change of value of financial liabilities to fund investors.

## **Income Tax Expenses**

Our income tax expenses increased by 47.1% from RMB0.7 billion in the fourth quarter of 2022 to RMB1.0 billion in the fourth quarter of 2023, primarily due to the increase of operating profit in the fourth quarter of 2023.

## Profit for the Period

As a result of the foregoing, our profit for the period increased by 50.3% from RMB3.1 billion in the fourth quarter of 2022 to RMB4.7 billion in the fourth quarter of 2023.

## Adjusted Net Profit

Our adjusted net profit increased by 236.1% from RMB1.5 billion for the fourth quarter of 2022 to RMB4.9 billion for the fourth quarter of 2023.

## Fourth Quarter of 2023 Compared to Third Quarter of 2023

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>December 31,</b>	<b>September 30,</b>
	<b>2023</b>	<b>2023</b>
	(RMB in millions)	
<b>Revenue</b>	<b>73,243.7</b>	70,894.4
Cost of sales	<b>(57,629.7)</b>	(54,784.7)
<b>Gross profit</b>	<b>15,614.0</b>	16,109.7
Research and development expenses	<b>(5,463.3)</b>	(4,966.2)
Selling and marketing expenses	<b>(5,909.7)</b>	(4,736.3)
Administrative expenses	<b>(1,483.1)</b>	(1,365.3)
Fair value changes on financial instruments measured at fair value through profit or loss	<b>623.5</b>	(299.9)
Share of net profits of investments accounted for using the equity method	<b>84.0</b>	20.6
Other income	<b>261.7</b>	128.7
Other gains, net	<b>1,329.6</b>	119.9
<b>Operating profit</b>	<b>5,056.7</b>	5,011.2
Finance income, net	<b>640.8</b>	876.0
<b>Profit before income tax</b>	<b>5,697.5</b>	5,887.2
Income tax expenses	<b>(974.0)</b>	(1,018.1)
<b>Profit for the period</b>	<b>4,723.5</b>	4,869.1
<b>Non-IFRS Measure: Adjusted net profit</b>	<b>4,909.7</b>	5,989.6

## Revenue

Revenue increased by 3.3% to RMB73.2 billion in the fourth quarter of 2023 from RMB70.9 billion in the third quarter of 2023. The following table sets forth our revenue by line of business in the fourth quarter of 2023 and the third quarter of 2023:

	Unaudited			
	December 31, 2023		September 30, 2023	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	44,232.2	60.4%	41,648.9	58.7%
IoT and lifestyle products	20,346.8	27.8%	20,673.3	29.2%
Internet services	7,879.7	10.8%	7,755.5	10.9%
Others	785.0	1.0%	816.7	1.2%
Total revenue	<u>73,243.7</u>	<u>100.00%</u>	<u>70,894.4</u>	<u>100.0%</u>

### *Smartphones*

Revenue from our smartphones segment increased by 6.2% from RMB41.6 billion in the third quarter of 2023 to RMB44.2 billion in the fourth quarter of 2023, primarily due to the increase in our smartphone ASP, partially offset by the decrease in smartphone shipments. Our smartphone shipments decreased by 3.0% from 41.8 million in the third quarter of 2023 to 40.5 million in the fourth quarter of 2023, mainly due to the decrease in smartphone shipments in the fourth quarter of 2023 in India resulted from the enhanced promotional efforts for the Diwali Festival in India in the third quarter of 2023, partially offset by the increase in smartphone shipments in mainland China. The ASP of our smartphones increased by 9.5% from RMB997.0 per unit in the third quarter of 2023 to RMB1,091.7 per unit in the fourth quarter of 2023, mainly due to a significant increase in ASP in mainland China resulted from the successful launch of premium smartphones in mainland China in the fourth quarter of 2023.

### *IoT and lifestyle products*

Revenue from our IoT and lifestyle products segment decreased by 1.6% from RMB20.7 billion in the third quarter of 2023 to RMB20.3 billion in the fourth quarter of 2023, primarily due to the decrease in revenue of our smart large home appliances due to seasonality and the decrease in revenue of our certain lifestyle products in the overseas markets, partially offset by the increase in revenue of our certain lifestyle products in mainland China.

Revenue from smart TVs and laptops increased by 2.7% from RMB5.0 billion in the third quarter of 2023 to RMB5.1 billion in the fourth quarter of 2023, mainly due to the increase in revenue of our smart TVs, partially offset by the decrease in revenue of laptops.

Revenue from our smart large home appliances decreased by 28.0% quarter-over-quarter, primarily due to the seasonal decrease in revenue of air conditioners.

### *Internet services*

Revenue from our internet services segment increased by 1.6% from RMB7.8 billion in the third quarter of 2023 to RMB7.9 billion in the fourth quarter of 2023, mainly due to the increase in revenue from our advertising business, partially offset by the decrease in revenue from our gaming business.

### *Others*

Other revenue remained stable at RMB0.8 billion in the fourth quarter of 2023 compared to the third quarter of 2023.

### **Cost of Sales**

Our cost of sales increased by 5.2% from RMB54.8 billion in the third quarter of 2023 to RMB57.6 billion in the fourth quarter of 2023.

	<b>Unaudited</b>			
	<b>December 31, 2023</b>		<b>September 30, 2023</b>	
	<b>Amount</b>	<b>% of total revenue</b>	<b>Amount</b>	<b>% of total revenue</b>
	<b>(RMB in millions, unless specified)</b>			
Smartphones	<b>36,989.6</b>	<b>50.5%</b>	34,718.9	49.0%
IoT and lifestyle products	<b>17,510.3</b>	<b>23.9%</b>	16,987.9	24.0%
Internet services	<b>1,914.6</b>	<b>2.6%</b>	1,984.3	2.8%
Others	<b>1,215.2</b>	<b>1.7%</b>	1,093.6	1.5%
Total cost of sales	<b><u>57,629.7</u></b>	<b><u>78.7%</u></b>	<b><u>54,784.7</u></b>	<b><u>77.3%</u></b>

### *Smartphones*

Cost of sales related to our smartphones segment increased by 6.5% from RMB34.7 billion in the third quarter of 2023 to RMB37.0 billion in the fourth quarter of 2023, primarily due to the increased revenue of our smartphones.

### *IoT and lifestyle products*

Cost of sales in our IoT and lifestyle products segment increased by 3.1% from RMB17.0 billion in the third quarter of 2023 to RMB17.5 billion in the fourth quarter of 2023, primarily due to the increased costs of certain lifestyle products in the overseas markets.

### *Internet services*

Cost of sales related to our internet services segment decreased by 3.5% from RMB2.0 billion in the third quarter of 2023 to RMB1.9 billion in the fourth quarter of 2023, primarily due to the decrease in cost from our other value-added services, partially offset by the increase in cost from our advertising business.

## *Others*

Cost of sales related to our others segment increased by 11.1% from RMB1.1 billion in the third quarter of 2023 to RMB1.2 billion in the fourth quarter of 2023, mainly due to the increased costs from sales of materials.

## **Gross Profit and Margin**

As a result of the foregoing, our gross profit decreased by 3.1% from RMB16.1 billion in the third quarter of 2023 to RMB15.6 billion in the fourth quarter of 2023. Our gross profit margin decreased from 22.7% in the third quarter of 2023 to 21.3% in the fourth quarter of 2023.

The gross profit margin from our smartphones segment decreased from 16.6% in the third quarter of 2023 to 16.4% in the fourth quarter of 2023, primarily due to the enhanced promotional efforts in major shopping festivals in the fourth quarter of 2023, partially offset by the increased gross profit margin due to the improved product mix in the overseas markets.

The gross profit margin from our IoT and lifestyle products segment decreased from 17.8% in the third quarter of 2023 to 13.9% in the fourth quarter of 2023, mainly attributable to the decrease in revenue contribution from our smart large home appliances and the increase in costs of certain lifestyle products in the overseas markets, partially offset by the increase in revenue contribution from certain lifestyle products in mainland China.

The gross profit margin from our internet services segment increased from 74.4% in the third quarter of 2023 to 75.7% in the fourth quarter of 2023, mainly due to higher revenue contribution from the advertising business.

## **Research and Development Expenses**

Our research and development expenses increased by 10.0% from RMB5.0 billion in the third quarter of 2023 to RMB5.5 billion in the fourth quarter of 2023, primarily due to the increase in research and development expenses related to our smart EV business and other new initiatives.

## **Selling and Marketing Expenses**

Our selling and marketing expenses increased by 24.8% from RMB4.7 billion in the third quarter of 2023 to RMB5.9 billion in the fourth quarter of 2023, primarily due to the increase in promotion and advertising expenses.

Promotion and advertising expenses increased by 39.5% from RMB1.8 billion in the third quarter of 2023 to RMB2.5 billion in the fourth quarter of 2023, primarily due to the increase in promotional events for our products and brand marketing in the fourth quarter of 2023.

## **Administrative Expenses**

Our administrative expenses increased by 8.6% from RMB1.4 billion in the third quarter of 2023 to RMB1.5 billion in the fourth quarter of 2023, primarily due to the increase in expenses for administrative personnel and the increase in credit loss allowance of receivables.

## **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 changed from a loss of RMB0.3 billion in the third quarter of 2023 to a gain of RMB0.6 billion in the fourth quarter of 2023, primarily due to the higher fair value gains of unlisted preferred shares investments in the fourth quarter of 2023, and fair value gains of listed equity investments in the fourth quarter of 2023 compared to fair value losses of listed equity 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 increased by 307.2% from net profits of RMB20.6 million in the third quarter of 2023 to net profits of RMB84.0 million in the fourth quarter of 2023.

## **Other Income**

Our other income increased from RMB0.1 billion in the third quarter of 2023 to RMB0.3 billion in the fourth quarter of 2023, primarily due to the increase of government grants.

## **Other Gains, Net**

Our other net gains increased from RMB0.1 billion in the third quarter of 2023 to RMB1.3 billion in the fourth quarter of 2023, primarily due to the increase of deemed disposal gains of investments accounted for using the equity method.

## **Finance Income, Net**

Our net finance income decreased by 26.8% from an income of RMB0.9 billion in the third quarter of 2023 to RMB0.6 billion in the fourth quarter of 2023, primarily due to the change of value of financial liabilities to fund investors, partially offset by the increase of interest income.

## **Income Tax Expenses**

Our income tax expenses decreased by 4.3% from RMB1,018.1 million in the third quarter of 2023 to RMB974.0 million in the fourth quarter of 2023, primarily due to the decrease of profit before income tax in the fourth quarter of 2023.

## **Profit for the Period**

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

## Adjusted Net Profit

Our adjusted net profit was RMB4.9 billion and RMB6.0 billion for the fourth quarter of 2023 and third quarter of 2023, respectively.

### Non-IFRS Measure: Adjusted Net Profit

To supplement our consolidated results which are prepared and presented in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”), 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 Accounting Standards. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS Accounting Standards 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 Accounting Standards. 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 fourth quarter of 2023, the third quarter of 2023, the fourth quarter of 2022 and the years ended December 31, 2023 and 2022 to the nearest measures prepared in accordance with IFRS Accounting Standards.

	Unaudited Three Months Ended December 31, 2023						Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments <sup>(1)</sup>	Amortization of intangible assets resulting from acquisitions <sup>(2)</sup>	Changes of value of financial liabilities to fund investors <sup>(3)</sup>	Income tax effects <sup>(4)</sup>	
Profit for the period	4,723,462	874,020	(1,167,028)	36,002	115,015	328,195	4,909,666
Net margin	6.4%						6.7%

		Unaudited Three Months Ended September 30, 2023						
		Adjustments						
			Net fair value	Amortization	Changes of			
		Share-based	changes on	of intangible	value of	Income		
As reported	compensation	investments <sup>(1)</sup>	resulting from	assets	financial	tax effects <sup>(4)</sup>	Non-IFRS	
		(RMB in thousand, unless specified)						
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%	

		Unaudited Three Months Ended December 31, 2022						
		Adjustments						
			Net fair value	Amortization	Changes of			
		Share-based	changes on	of intangible	value of	Income		
As reported	compensation	investments <sup>(1)</sup>	resulting from	assets	financial	tax effects <sup>(4)</sup>	Non-IFRS	
		(RMB in thousand, unless specified)						
Profit for the period	3,141,667	589,109	(2,166,410)	36,028	(155,061)	15,569	1,460,902	
Net margin	4.8%						2.2%	

		Year Ended December 31, 2023						
		Adjustments						
			Net fair value	Amortization	Changes of			
		Share-based	changes on	of intangible	value of	Income		
As reported	compensation	investments <sup>(1)</sup>	resulting from	assets	financial	tax effects <sup>(4)</sup>	Non-IFRS	
		(RMB in thousand, unless specified)						
Profit for the year	17,474,197	3,344,357	(2,746,397)	144,008	410,946	645,643	19,272,754	
Net margin	6.4%						7.1%	

Year Ended December 31, 2022

	As reported	Share-based compensation	Net fair value changes on investments <sup>(1)</sup>	Adjustments		Income tax effects <sup>(4)</sup>	Non-IFRS
				Amortization of intangible assets resulting from acquisitions <sup>(2)</sup>	Changes of value of financial liabilities to fund investors <sup>(3)</sup>		
(RMB in thousand, unless specified)							
Profit for the year	2,502,568	2,467,224	4,405,700	144,271	(583,862)	(417,894)	8,518,007
Net margin	0.9%						3.0%

*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, Financial Resources and Gearing

On December 4, 2020, the Company completed of a placing of a total of 1,000,000,000 placing shares at HK\$23.70 for each placing share owned by Smart Mobile Holdings Limited to not less than six 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 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 RMB33.6 billion and RMB31.7 billion as of December 31, 2023 and September 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. 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 December 31, 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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>December 31, 2023</b>	<b>September 30, 2023</b>
	(RMB in millions)	
Net cash generated from operating activities <sup>(1)</sup>	<b>7,810.5</b>	13,328.0
Net cash used in investing activities	<b>(5,847.5)</b>	(14,829.4)
Net cash generated from financing activities <sup>(1)</sup>	<b>43.3</b>	1,738.4
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>2,006.3</b>	237.0
	<hr/>	<hr/>
Cash and cash equivalents at beginning of period	<b>31,652.6</b>	31,459.0
Effects of exchange rate changes on cash and cash equivalents	<b>(27.6)</b>	(43.4)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>33,631.3</b>	31,652.6
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (1) Excluding (1) the change of trade payments related to the finance factoring business; (2) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech 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 fourth quarter of 2023 and in the third quarter of 2023, respectively. Excluding the change of borrowings for the finance factoring business, the net cash used in financing activities was RMB1.2 billion in the fourth quarter of 2023 and the net cash generated from financing activities was RMB1.2 billion in the third 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 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 treasury investments included in long-term investments measured at fair value through profit or loss. As of December 31, 2023, the aggregate amount of cash resources of the Group was RMB136.3 billion.

## Net Cash Generated From Operating Activities

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

In the fourth quarter of 2023, net cash generated from our operating activities amounted to RMB7.8 billion, representing cash generated from operations of RMB8.9 billion minus income tax paid of RMB1.1 billion. Cash generated from operations was primarily attributable to our profit before income tax of RMB5.7 billion, adjusted by an increase in trade payables of RMB7.5 billion, an increase in advance from customers of RMB2.4 billion, an increase in other payables and accruals of RMB2.4 billion and an increase in non-current liabilities of RMB2.0 billion, partially offset by an increase in inventories of RMB8.1 billion, as well as an increase of loan and interest receivables of RMB3.0 billion.

## Net Cash Used In Investing Activities

For the fourth quarter of 2023, our net cash used in investing activities was RMB5.8 billion, which was primarily attributed to the increase of short-term investments measured at fair value through profit or loss of RMB5.9 billion.

## Net Cash Generated From Financing Activities

For the fourth quarter of 2023, our net cash generated from financing activities was RMB0.04 billion, which was primarily attributed to the proceeds from borrowings of RMB3.4 billion, partially offset by the payments of deferred consideration for acquisition of intangible assets of RMB1.4 billion, the distribution to fund investors of RMB0.9 billion, the payments for shares repurchase of RMB0.5 billion, the payments for finance expenses of RMB0.3 billion, as well as the payments for lease liabilities of RMB0.3 billion.

## Borrowings

As of September 30, 2023 and December 31, 2023, we had total borrowings of RMB24.8 billion and RMB27.9 billion, respectively.

## Capital Expenditure

	<b>Three months ended</b>	
	<b>December 31, 2023</b>	September 30, 2023
	(RMB in millions)	
Capital expenditures	<b>2,140.9</b>	1,799.0
Placement of long-term investments <sup>(1)</sup>	<b>586.4</b>	1,041.5
Total	<b><u>2,727.3</u></b>	<b><u>2,840.5</u></b>

*Note:*

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

## **Off-Balance Sheet Commitments and Arrangements**

As of December 31, 2023, except for financial guarantee contracts, we had not entered into any significant off-balance sheet arrangements.

## **Future Plans for Material Investments and Capital Assets**

As of December 31, 2023, we did not have plans for material investments and capital assets.

## **Investments Held**

As of December 31, 2023, we had invested in more than 430 companies with an aggregate book value of RMB67.1 billion, an increase of 5.0% year-over-year. In 2023 and the fourth quarter of 2023, we recorded a net gain on disposal of investments (after tax) of RMB1.7 billion and RMB0.3 billion respectively. 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 December 31, 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) would have reached RMB68.0 billion as of December 31, 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 of December 31, 2023) during the year ended December 31, 2023.

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

During the year ended December 31, 2023, we did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## **Employee and Remuneration Policy**

As of December 31, 2023, we had 33,627 full-time employees, 31,537 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India. As of December 31, 2023, our research and development personnel, totaling 17,800 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 December 31, 2023, 11,861 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, for the year ended December 31, 2023 were RMB18.9 billion, representing an increase of 14.1% from RMB16.6 billion for the year ended December 31, 2022.

## **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 (the "PRC") 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 arose from recognized assets and liabilities in our subsidiaries when receiving or to receive foreign currencies from, or paying or 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 exchange rate impact.

## **Pledge of Assets**

As of December 31, 2023, our total restricted bank deposits amounted to RMB4.8 billion, compared with RMB4.7 billion as of September 30, 2023.

## **Contingent Liabilities**

We did not have any material contingent liabilities as of December 31, 2023 and September 30, 2023. Further details of the contingencies are set out in Note 12 to the financial information.

# FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2023

(Expressed in Renminbi (“RMB”))

	Note	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
<b>Revenue</b>	2	<b>270,970,141</b>	280,044,016
Cost of sales	2, 3	<b>(213,493,902)</b>	(232,466,826)
<b>Gross profit</b>		<b>57,476,239</b>	47,577,190
Selling and marketing expenses	3	<b>(19,226,542)</b>	(21,323,323)
Research and development expenses	3	<b>(19,097,699)</b>	(16,028,132)
Administrative expenses	3	<b>(5,126,798)</b>	(5,113,877)
Fair value changes on financial instruments measured at fair value through profit or loss		<b>3,501,053</b>	(1,662,010)
Share of net profits/(losses) of investments accounted for using the equity method		<b>45,615</b>	(400,100)
Other income		<b>740,091</b>	1,135,560
Other gains/(losses), net		<b>1,696,711</b>	(1,368,810)
<b>Operating profit</b>		<b>20,008,670</b>	2,816,498
Finance income		<b>3,558,347</b>	1,663,941
Finance costs		<b>(1,555,970)</b>	(546,483)
<b>Profit before income tax</b>		<b>22,011,047</b>	3,933,956
Income tax expenses	4	<b>(4,536,851)</b>	(1,431,388)
<b>Profit for the year</b>		<b>17,474,196</b>	2,502,568
<b>Attributable to:</b>			
— Owners of the Company		<b>17,475,173</b>	2,474,030
— Non-controlling interests		<b>(977)</b>	28,538
		<b>17,474,196</b>	2,502,568
<b>Earnings per share (expressed in RMB per share):</b>	5		
Basic		<b>0.70</b>	0.10
Diluted		<b>0.69</b>	0.10

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

(Expressed in RMB)

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Profit for the year</b>	<b>17,474,196</b>	<b>2,502,568</b>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of investments accounted for using the equity method	9,326	57,211
Transfer of share of other comprehensive income/(loss) to profit or loss upon disposal and deemed disposal of investments accounted for using equity method	(2,167)	93,311
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(26,711)	(22,754)
Currency translation differences	321,098	(103,529)
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Currency translation differences	734,319	3,721,116
<b>Other comprehensive income for the year, net of tax</b>	<b>1,035,865</b>	<b>3,745,355</b>
<b>Total comprehensive income for the year</b>	<b>18,510,061</b>	<b>6,247,923</b>
<b>Attributable to:</b>		
— Owners of the Company	18,507,548	6,201,669
— Non-controlling interests	2,513	46,254
	<b>18,510,061</b>	<b>6,247,923</b>

## CONSOLIDATED BALANCE SHEET

As of December 31, 2023

(Expressed in RMB)

	Note	As of December 31,	
		2023	2022
		RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		13,720,825	9,138,221
Intangible assets		8,628,739	4,629,676
Investments accounted for using the equity method		6,922,241	7,932,192
Long-term investments measured at fair value			
through profit or loss	6	60,199,798	55,979,974
Deferred income tax assets		2,160,750	2,278,175
Long-term bank deposits		18,293,650	16,788,346
Long-term investments measured at amortized cost	6	364,476	405,371
Other non-current assets		14,904,260	15,940,461
		<u>125,194,739</u>	<u>113,092,416</u>
<b>Current assets</b>			
Inventories	8	44,422,837	50,437,891
Trade and notes receivables	7	12,150,928	11,795,074
Loan receivables		9,772,589	7,829,563
Prepayments and other receivables		20,078,875	18,578,491
Bills receivables measured at fair value			
through other comprehensive income		125,661	40,003
Short-term investments measured at fair value			
through other comprehensive income	6	582,131	449,109
Short-term investments measured at amortized cost	6	502,816	—
Short-term investments measured at fair value			
through profit or loss	6	20,193,662	9,845,910
Short-term bank deposits		52,797,857	29,874,707
Restricted cash		4,794,031	3,956,786
Cash and cash equivalents		33,631,313	27,607,261
		<u>199,052,700</u>	<u>160,414,795</u>
<b>Total assets</b>		<u><u>324,247,439</u></u>	<u><u>273,507,211</u></u>

	Note	As of December 31,	
		2023	2022
		RMB'000	RMB'000
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		407	406
Reserves		<u>163,995,082</u>	<u>143,658,052</u>
		<u>163,995,489</u>	<u>143,658,458</u>
<b>Non-controlling interests</b>		<u>266,279</u>	<u>264,602</u>
<b>Total equity</b>		<u><u>164,261,768</u></u>	<u><u>143,923,060</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	9	21,673,969	21,493,261
Deferred income tax liabilities		1,494,287	983,256
Warranty provision		1,215,546	945,270
Other non-current liabilities		<u>20,014,273</u>	<u>16,534,831</u>
		<u>44,398,075</u>	<u>39,956,618</u>
<b>Current liabilities</b>			
Trade payables	10	62,098,500	53,093,543
Other payables and accruals		25,614,650	18,440,716
Advance from customers		13,614,756	9,587,959
Borrowings	9	6,183,376	2,150,741
Income tax liabilities		1,838,222	1,384,133
Warranty provision		<u>6,238,092</u>	<u>4,970,441</u>
		<u>115,587,596</u>	<u>89,627,533</u>
<b>Total liabilities</b>		<u><u>159,985,671</u></u>	<u><u>129,584,151</u></u>
<b>Total equity and liabilities</b>		<u><u>324,247,439</u></u>	<u><u>273,507,211</u></u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

(Expressed in RMB)

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	41,300,495	(4,389,730)
Net cash (used in)/generated from investing activities	(35,169,054)	15,548,773
Net cash used in financing activities	<u>(504,972)</u>	<u>(7,854,799)</u>
<b>Net increase in cash and cash equivalents</b>	<b>5,626,469</b>	3,304,244
Cash and cash equivalents at the beginning of the year	27,607,261	23,511,579
Effects of exchange rate changes on cash and cash equivalents	<u>397,583</u>	<u>791,438</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>33,631,313</u></b>	<b><u>27,607,261</u></b>

## 1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”) and disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of financial assets which are carried at fair value.

### (i) *New and amended standards adopted by the Group*

The following new and amended standards are mandatory for the first time for the Group’s financial year beginning on January 1, 2023 and are applicable for the Group:

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

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

#### *Deferred tax related to assets and liabilities arising from a single transaction — Amendments to IAS 12*

The Group applied the Amendment to IAS 12 — Deferred tax related to assets and liabilities arising from a single transaction from its effective date on January 1, 2023. In accordance with the retrospectively application transitional provisions, the Group recognized deferred income tax for all temporary differences related to leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being January 1, 2022, an adjustment of RMB555,070,000 was recognized to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resultant deferred tax assets and deferred tax liabilities met the set-off provisions and presented on a net basis on the consolidated balance sheet.

Since the Group had considered the lease as a single transaction in which the assets and liabilities are integrally linked and recognized deferred income tax on a net basis before the adoption of this amendments, there were no impact on opening retained earnings upon the adoption of the this amendments.

#### *Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules*

Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules” have been issued on May 23, 2023 and are effective for annual reporting periods beginning on or after January 1, 2023. The Group has adopted the amendments and applied the temporary exception to recognising and disclosing information about deferred income tax assets and liabilities arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development.

The Group would continually evaluate the impact of the Pillar Two income tax exposure on the consolidated financial statements.

### (ii) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended December 31, 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 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.

Currently, substantially all of the Group's revenue were generated from sales of smartphone and the ecosystem products or services, these revenue are regularly reviewed and evaluated by the CODM, thus the Group determined that it has operating segments as follows:

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

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are not included in the measure of the segments' performance that reviewed by CODM as a basis for the purpose of resource allocation and assessment of segment performance. Fair value changes on financial instruments measured at fair value through profit or loss, share of net profits/(losses) of investments accounted for using the equity method, other income, other gains/(losses), net, finance income, finance costs and income tax expenses are not allocated to individual operating segments as they were centrally monitored by the Group.

The segment results for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
Segment revenues	157,461,309	80,107,740	30,107,494	3,293,598	270,970,141
Cost of sales	(134,480,722)	(67,029,144)	(7,773,544)	(4,210,492)	(213,493,902)
Gross profit/(loss)	22,980,587	13,078,596	22,333,950	(916,894)	57,476,239
	Year ended December 31, 2022				
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	Total RMB'000
Segment revenues	167,217,177	79,794,877	28,321,444	4,710,518	280,044,016
Cost of sales	(152,248,415)	(68,296,397)	(7,974,356)	(3,947,658)	(232,466,826)
Gross profit	14,968,762	11,498,480	20,347,088	762,860	47,577,190

The reconciliation of gross profit to profit before income tax is the same as that shown in the consolidated income statement, thus no reconciliation provided here.

For the years ended December 31, 2023 and 2022, the geographical information on the total revenues is as follows:

	Year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
Mainland China	149,189,720	55.1	142,258,417	50.8
Rest of the world (Note (a))	121,780,421	44.9	137,785,599	49.2
	<u>270,970,141</u>		<u>280,044,016</u>	

Note:

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

### 3 Expenses by nature

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of inventories sold and royalty fees	192,822,082	208,148,924
Provision for impairment of inventories	3,861,753	7,794,470
Employee benefit expenses	18,935,182	16,607,997
Depreciation of property and equipment, right-of-use assets and investment properties	2,401,979	2,310,951
Amortization of intangible assets	2,434,308	1,396,442
Promotion and advertising expenses	6,996,492	7,233,932
Content fees to game developers and video providers	3,245,179	3,137,676
Credit loss allowance	321,528	217,971
Consultancy and professional service fees	1,491,329	1,495,318
Cloud service, bandwidth and server custody fees	2,208,314	2,259,250
Warranty expenses	4,801,995	5,419,526
Auditor's remuneration	65,283	83,618
— Audit services	52,744	54,618
— Non-audit services	12,539	29,000

### 4 Income tax expenses

The income tax expenses of the Group during the years ended December 31, 2023 and 2022 are analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Current income tax	3,908,395	2,267,077
Deferred income tax	628,456	(835,689)
<b>Income tax expenses</b>	<u>4,536,851</u>	<u>1,431,388</u>

## 5 Earnings per share

### (a) Basic

Basic earnings per share for the years ended December 31, 2023 and 2022 are calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2023	2022
Net profit attributable to the owners of the Company (RMB'000)	17,475,173	2,474,030
Weighted average number of ordinary shares in issue (thousand shares)	<u>24,884,874</u>	<u>24,828,316</u>
Basic earnings per share (expressed in RMB per share)	<u>0.70</u>	<u>0.10</u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the inclusion of potential ordinary shares from the convertible bonds would be anti-dilutive, it is not included in the calculation of diluted earnings per share for the year ended December 31, 2023.

	Year ended December 31,	
	2023	2022
Net profit attributable to the owners of the Company (RMB'000)	<u>17,475,173</u>	<u>2,474,030</u>
Weighted average number of ordinary shares in issue (thousand shares)	24,884,874	24,828,316
Adjustments for RSUs and share options granted to employees (thousand shares)	<u>440,117</u>	<u>468,412</u>
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	<u>25,324,991</u>	<u>25,296,728</u>
Diluted earnings per share (expressed in RMB per share)	<u>0.69</u>	<u>0.10</u>

## 6 Investments

	<b>As of December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Current assets</b>		
Short-term investments measured at		
— Amortized cost	<b>502,816</b>	—
— Fair value through other comprehensive income	<b>582,131</b>	449,109
— Fair value through profit or loss	<b>20,193,662</b>	9,845,910
	<b><u>21,278,609</u></b>	<u>10,295,019</u>
<b>Non-current assets</b>		
Long-term investments measured at amortized cost	<b>364,476</b>	405,371
Long-term investments measured at fair value through profit or loss		
— Ordinary shares investments	<b>15,291,625</b>	14,491,407
— Preferred shares investments	<b>34,444,516</b>	32,358,256
— Treasury investments	<b>6,846,562</b>	6,216,228
— Other investments	<b>3,617,095</b>	2,914,083
	<b><u>60,564,274</u></b>	<u>56,385,345</u>

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

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Long-term investments measured at fair value through profit or loss		
— Ordinary shares investments	<b>1,401,934</b>	(3,748,111)
— Preferred shares investments	<b>1,690,946</b>	2,271,904
— Treasury and other investments	<b>120,695</b>	(575,085)
Short-term investments measured at fair value through profit or loss	<b>292,701</b>	389,282
	<b><u>3,506,276</u></b>	<u>(1,662,010)</u>

## 7 Trade and notes receivables

Details of trade and notes receivables are as follows:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Trade receivables</b>	<b>10,253,922</b>	9,334,300
<b>Notes receivables</b>	<b>2,213,964</b>	2,666,114
	<u>(316,958)</u>	<u>(205,340)</u>
	<u><b>12,150,928</b></u>	<u>11,795,074</u>

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

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	<b>9,108,133</b>	9,325,061
3 to 6 months	<b>1,666,418</b>	1,946,964
6 months to 1 year	<b>522,612</b>	469,147
1 to 2 years	<b>1,016,563</b>	150,685
Over 2 years	<b>154,160</b>	108,557
	<u><b>12,467,886</b></u>	<u>12,000,414</u>

## 8 Inventories

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Raw materials	11,455,435	17,122,900
Finished goods	27,132,256	28,650,303
Work in progress	3,564,974	3,068,508
Spare parts	3,494,076	4,410,902
Others	952,492	655,638
	<u>46,599,233</u>	<u>53,908,251</u>
Less: provision for impairment (Note (a))	<u>(2,176,396)</u>	<u>(3,470,360)</u>
	<u>44,422,837</u>	<u>50,437,891</u>

Note:

- (a) During the three and twelve months ended December 31, 2023, the Group incurred inventory impairment provision approximately RMB372,220,000 and RMB3,861,753,000, respectively (2022: RMB2,187,749,000 and RMB7,794,470,000, respectively) and transferred out of such provision upon the sales of inventories approximately RMB920,600,000 and RMB5,155,716,000, respectively (2022: RMB1,629,131,000 and RMB5,655,257,000, respectively).

## 9 Borrowings

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Included in non-current liabilities</b>		
Secured borrowings	—	102,325
Unsecured borrowings	16,631,078	16,656,195
Convertible bonds	5,042,891	4,734,741
	<u>21,673,969</u>	<u>21,493,261</u>
<b>Included in current liabilities</b>		
Secured borrowings	—	3,283
Unsecured borrowings	6,183,376	2,147,458
	<u>6,183,376</u>	<u>2,150,741</u>

## 10 Trade payables

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

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

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	52,493,579	47,999,500
3 to 6 months	4,809,809	1,820,555
6 months to 1 year	3,039,535	2,172,721
1 to 2 years	1,001,272	855,854
Over 2 years	754,305	244,913
	<u>62,098,500</u>	<u>53,093,543</u>

## 11 Dividends

No dividends have been paid or declared by the Company during the years ended December 31, 2023 and 2022.

## 12 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 INR45,321,947,000 (equivalent to RMB3,874,120,000) has been considered as restrictive as of December 31, 2023. 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 December 31, 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 year ended December 31, 2023 and up to the date of the announcement, the Company repurchased a total of 264,700,000 Class B ordinary shares (the “**Class B Shares**”) of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of approximately HK\$3,375,106,659 (the “**Shares Repurchased**”). Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate
		Highest (HK\$)	Lowest (HK\$)	Consideration (approximately) (HK\$)
<b>2023</b>				
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	16,000,000	12.00	11.64	189,868,052
November	1,600,000	15.00	14.96	23,989,565
December	21,800,000	16.30	14.44	329,330,498
<b>2024</b>				
January	112,100,000	15.54	12.30	1,533,095,902
February	26,000,000	12.78	12.08	324,555,828
<b>Total</b>	<u>264,700,000</u>			<u>3,375,106,659</u>

As at the date of this announcement, the number of Class B Shares in issue was reduced by 264,700,000 shares as a result of the cancellations 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 (the “**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.

The Class B Shares repurchased in November 2023, December 2023, January 2024 and February 2024 were subsequently cancelled on March 14, 2024. A total of 29,373,916 Class A Shares were converted into Class B Shares on a one-to-one ratio on March 14, 2024, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 26,454,431 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 2,919,485 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 year ended December 31, 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 C1 to the Listing Rules, the Company has complied with all the code provisions set out in the CG Code throughout the year ended December 31, 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.

## **Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules the code of conduct regarding the Directors’ dealings in the securities of the Company. Having made specific enquiries of all the Directors, all the Directors confirmed that they have complied with the provisions of the Model Code during the year ended December 31, 2023 and up to the date of this announcement.

## **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 audited consolidated financial statements of the Group for the year ended December 31, 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 external auditor of the Company, PricewaterhouseCoopers.

## **Auditor’s Procedures Performed on this Results Announcement**

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended December 31, 2023 as set out in this announcement have been agreed by the Auditor to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

## **Material Litigation**

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2023, nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

## **Final Dividend**

The Board has resolved not to declare any final dividend for the year ended December 31, 2023.

## **Events after the End of the Year Ended December 31, 2023**

Save as disclosed in this announcement, there has been no other significant events that might affect the Group since the end of the year ended December 31, 2023 and up to the date of this announcement.

## **Publication of the Annual Results Announcement and Annual Report**

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

By order of the Board  
**Xiaomi Corporation**  
**Lei Jun**  
*Chairman*

Hong Kong, March 19, 2024

*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 Ms. Cai Jinqing as Independent Non-executive Directors.*