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XIAOMI CORPORATION

小米集团

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

(Stock Code: 1810)

RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED MARCH 31, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Xiaomi Corporation 小米集团 (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended March 31, 2021. These interim results have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, and reviewed by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the International Auditing and Assurance Standards Board. The interim results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

KEY HIGHLIGHTS

	Unaudited Three months ended				
	March 31, 2021	March 31, 2020	Year- over-year change	December 31, 2020	Quarter- over-quarter change
Revenue	76,882.2	49,702.2	54.7%	70,462.9	9.1%
Gross profit	14,161.3	7,558.5	87.4%	11,326.3	25.0%
Operating profit	8,157.7	2,323.1	251.1%	9,601.9	-15.0%
Profit before income tax	9,066.9	2,454.0	269.5%	8,860.9	2.3%
Profit for the period	7,788.9	2,159.8	260.6%	8,795.0	-11.4%
Non-IFRS measure:					
Adjusted Net Profit	6,069.3	2,300.5	163.8%	3,204.4	89.4%

BUSINESS REVIEW AND OUTLOOK

1. Overall Performance

In the first quarter of 2021, our total revenue amounted to RMB76.9 billion, representing an increase of 54.7% year-over-year; adjusted net profit for the period was RMB6.1 billion, an increase of 163.8% year-over-year. Notably, both our total revenue and adjusted net profit reached record highs in the quarter, demonstrating the robustness of our business model and the strong execution of our strategies.

Our core strategy of “Smartphone × AIoT” continued to underpin our outstanding performance. In the first quarter of 2021, our global smartphone shipments increased by 69.1% year-over-year to 49.4 million units. According to Canalys, Xiaomi maintained a top 3 position in the global smartphone market this quarter, with a market share of 14.1% in terms of shipments. The strong growth of smartphone shipments drove the continued expansion of our global user base. In March 2021, the global monthly active users (“MAU”) of MIUI reached 425.3 million, an increase of 28.6% year-over-year. At the same time, our AIoT platform continued scaling up, with the number of connected IoT devices (excluding smartphones and laptops) on our AIoT platform reaching 351.1 million as of March 31, 2021. In March 2021, the MAU of our AI assistant “小愛同學” reached 93.0 million.

Our smartphone business maintained significant growth in mainland China. According to Canalys, our smartphone shipments in mainland China market grew 74.6% year-over-year, with market share ranking 4th in the first quarter of 2021. Additionally, our internet user base continued to grow. In March 2021, the MAU of MIUI in mainland China reached 118.6 million, representing an increase of 7.7 million, or 6.9%, from December 2020.

We continue to enrich our product portfolio to further promote our competitiveness in the premium smartphone market. Notably, our three premium smartphones *Mi MIX FOLD*, *Mi 11 Ultra* and *Mi 11 Pro* all delivered remarkable sales performance immediately following their release in March 2021. In the first quarter of 2021, global shipments of our smartphones with retail prices at or above RMB3,000 in mainland China and EUR300, or equivalent, in overseas markets exceeded 4 million units.

Meanwhile, as we further expanded our overseas business, our revenue from overseas markets amounted to RMB37.4 billion in the first quarter of 2021, representing a year-over-year increase of 50.6%. According to Canalys, in terms of smartphone shipments, our market share ranked among the top 5 smartphone companies in 62 countries and regions globally in the first quarter of 2021. Additionally, we ranked No. 2 in Europe for the first time, and rose to the 3rd position in Latin America in market share.

Besides delivering solid growth in our existing businesses, we continue to explore new opportunities and broaden our business boundaries. In March 2021, we unveiled our new brand identity, and also announced our official foray into the smart electric vehicle business, setting course on an exciting journey for the next decade.

2. Smartphones

In the first quarter of 2021, our smartphone business continued to grow significantly. Smartphone revenue amounted to RMB51.5 billion in the quarter, representing an increase of 69.8% year-over-year. The gross profit margin of our smartphone business was 12.9% in this quarter, and our global smartphone shipments reached 49.4 million units. According to Canalys, we maintained our 3rd position globally in terms of smartphone shipments in the quarter, with a market share of 14.1%.

Our smartphone business in mainland China maintained rapid growth. According to Canalys, in the first quarter of 2021, we rose to the 4th position with a market share of 14.6%. We further strengthened our market position in online channels. According to third-party data, our online smartphone market share in mainland China jumped to 38.0% in the first quarter of 2021 from 18.5% in the first quarter of 2020. Meanwhile, we also expanded our offline retail presence in mainland China. As of April 30, 2021, the number of our retail stores surpassed 5,500, an increase of over 2,300 stores from December 31, 2020.

We continued to execute our dual-brand strategy. During the quarter, we unveiled a series of new products under the Xiaomi brand, including *Mi 10S*, *Mi 11 Lite*, *Mi 11 Pro*, *Mi 11 Ultra* and *Mi MIX FOLD*. In particular, with prices starting from RMB9,999, our ultra-premium flagship product *Mi MIX FOLD* comes equipped with 2K+ foldable display, which offers a remarkable large-screen interactive experience in imaging, reading, video, gaming, etc. It is equipped with Xiaomi's first self-developed *Surge C1* Image Signal Processor optimized for professional photography. It is also the world's first smartphone to feature a liquid lens. Also, *Mi 11 Ultra*, with prices starting from RMB5,999, debuted the 50MP GN2 sensor. It comes equipped with the 120x digital zoom periscope lens, and an ultra-wide angle camera capable of capturing a stunningly wide 128° field of view. With these features, *Mi 11 Ultra* achieved a DXOMARK score of 143 for overall camera performance, ranking 1st globally at the time of launch. Additionally, with diversified designs and functions, *Mi 11 Pro* and *Mi 11 Lite* cater to a wide range of demands from various customers. From January 1 to April 30, 2021, total orders of *Mi 11*, *Mi 11 Pro* and *Mi 11 Ultra* exceeded 3 million units, and the sales of our *Mi 11* series ranked No. 1 among Android smartphones with prices between RMB4,000 and RMB6,000 in mainland China, according to third-party data.

We also offered new positioning and expanded product choices of our Redmi brand. In February 2021, we unveiled *Redmi K40*, *Redmi K40 Pro* and *Redmi K40 Pro+*, which were well received by the market. In April 2021, we unveiled *Redmi K40 Gaming Edition* with prices starting from RMB1,999. Equipped with the MediaTek Dimensity 1200 processor, *Redmi K40 Gaming Edition* offers superb gaming performance. Featuring unparalleled heat dissipation, fast charging capabilities, physical pop-up gaming triggers and an ultra-thin body design, it delivers an exceptional gaming experience to the mass market.

Our enriched premium product portfolio underpinned our robust growth in the premium smartphone market. In the first quarter of 2021, global shipments of our smartphones with retail prices at or above RMB3,000 in mainland China and EUR300 or equivalent in overseas markets exceeded 4 million units. In addition, according to third-party data, our market share for smartphones with prices between RMB4,000 and RMB6,000 in mainland China increased to 16.1% in the first quarter of 2021 from 5.5% in the first quarter of 2020.

3. IoT and lifestyle products

In the first quarter of 2021, IoT and lifestyle products segment witnessed strong performance, with revenue increasing 40.5% year-over-year to RMB18.2 billion.

In the first quarter of 2021, global shipments of our smart TVs reached 2.6 million units. According to All View Cloud (“AVC”), our TV shipments ranked No. 1 in mainland China for the 9th consecutive quarter, and remained top five globally. In addition, our large-screen smart TVs continued to gain widespread popularity in the market. According to AVC, Xiaomi and Redmi TVs continued to rank No. 1 by retail sales volume in the over 70-inch TV market in mainland China, with a market share of 29.0%, as retail sales volume increased over 160.0% year-over-year. In February 2021, we introduced *Redmi MAX 86*” super-size TV, which was well received by the market.

During the quarter, we introduced a number of new products with innovative features in our key IoT product categories. We unveiled *Mi Smart AC with Ventilation*, which takes clean fresh air from the outside to effectively lower indoor carbon-dioxide levels and brings a healthy and comfortable experience to our users, furthering the adoption of a new generation of smart air conditioners with ventilation. Meanwhile, we also unveiled *Mi Laptop Pro 15*”, featuring a wide color gamut OLED display with 1.07 billion colors to deliver an extraordinary visual experience to our users. Furthermore, we introduced *Mi Router AX9000* with price at RMB999. Its top speed of 9,000 Mbps based on three frequency bands and excellent signal coverage support e-sport-level user experiences.

We are leveraging our smartphone research and development capabilities to enhance our wearables business, strengthening the synergies between the two businesses. In the first quarter of 2021, revenue from our smart watch segment increased over 300.0% year-over-year. Additionally, we introduced our new generation smart wristband *Mi Smart Band 6* in the quarter, with a full screen display while further optimizing our health and fitness algorithm.

In mainland China, we maintained our top 3 position in market share across a wide array of smart home product categories. According to “IDC PRC Quarterly Smart Home Device Tracker, 2020Q4,” we ranked No. 1 in air purifiers and smart door locks, and No. 2 in robot vacuum cleaners.

Our IoT and lifestyle product segment also continued on its rapid growth trajectory in overseas markets. Revenue from our IoT and lifestyle products in overseas markets increased by 81.1% year-over-year in the quarter. Our electric scooters, air purifiers, *Mi Box* and other products maintained their widespread popularity.

4. Internet services

Our internet services segment continued its solid growth as revenue grew 11.4% year-over-year to RMB6.6 billion in the first quarter of 2021. The gross profit margin of our internet services segment reached 72.4% in the quarter.

Our global internet user base continued to expand rapidly. In March 2021, the MAU of MIUI increased by 28.6% year-over-year to 425.3 million, while the MAU of MIUI in mainland China rose to 118.6 million, representing a year-over-year increase of 6.4% and a net gain of 7.7 million users from December 2020.

In the first quarter of 2021, our advertising revenue reached another quarterly record high of RMB3.9 billion, representing an increase of 46.3% year-over-year. Driven by the expansion of our global user base and the robust growth of premium smartphone users, our advertising revenue, including pre-installation and search services, continued to advance.

Our gaming revenue in the first quarter of 2021 increased by 24.8% quarter-over-quarter to RMB1.1 billion. We focused on deepening partnerships with high-quality content providers, while growth in our premium smartphone user base also continued to boost average gaming revenue per user.

During the quarter, revenue from other value-added services decreased by 8.6% year-over-year to RMB1.6 billion, primarily because our fintech business further strengthened risk controls and proactively managed the balance of outstanding loans.

As we broaden our TV internet service offerings and reached a larger user base, MAU of our smart TVs and *Mi Box* increased over 34.0% year-over-year in the quarter. Meanwhile, the number of our TV paid subscribers increased 8.2% year-over-year to 4.7 million as of March 31, 2021.

In the first quarter of 2021, overseas internet services revenue increased 50.0% year-over-year to RMB0.9 billion, accounting for 13.8% of total internet services revenue. Our internet user base continued to expand in key overseas markets, with MAU of MIUI increasing 95.5% year-over-year in Western Europe. Going forward, we will further diversify our overseas internet service offerings and enhance user experience while driving growth in our overseas internet services business.

5. Overseas markets

In 2021, we have kept up our strong momentum in major markets around the world. In the first quarter, our revenue from overseas markets increased 50.6% year-over-year to RMB37.4 billion. According to Canalys, our market share in the first quarter ranked among the top five smartphone companies in terms of shipments in 62 countries and regions globally, and No. 1 in 12 countries and regions.

We further improved our competitive positioning in key markets. According to Canalys, in the first quarter of 2021, we ranked top 2 for the first time in Europe with an 85.1% year-over-year increase in smartphone shipments and a market share of 22.7%. Notably, we ranked No. 1 in Eastern Europe for the 2nd consecutive quarter as our smartphone shipments increased 81.8% year-over-year to reach 32.5% market share. We also ranked No. 1 for the first time in Russia with a market share of 32.1%. We retained top 3 position in Western Europe as our market share further rose to 16.6% with an 89.3% year-over-year increase in smartphone shipments. We ranked No. 1 in Spain for the 5th consecutive quarter, with 35.1% market share.

Additionally, our market position rose to No. 2 in Italy, retained the No. 3 spot in Germany and France and entered the top 5 in the U.K. for the first time, all with growth rate in shipments exceeding 90% year-over-year. Moreover, we ranked No. 1 for the 14th consecutive quarter in India in terms of smartphone shipments, with a market share of 28.3%.

We continued our strong growth momentum in new markets. According to Canalys, our position in Latin America rose to No. 3 as our smartphone shipments increased 161.7% year-over-year to reach 11.5% market share. In particular, we climbed to the No. 2 spot in Mexico with 16.7% market share and a 137.1% year-over-year growth in smartphone shipments. Additionally, we ranked No. 3 in the Middle East as our smartphone shipments increased 87.8% year-over-year. Meanwhile, we attained the No. 4 spot in Africa as our smartphone shipments increased 191.0% year-over-year.

We continued to strengthen our channel capabilities in overseas markets. In the first quarter of 2021, we sold more than 5.0 million smartphones each via online channels and carrier channels in overseas markets, excluding India, representing year-over-year increases of over 100% and 310%, respectively. According to Canalys, our smartphone market share in Western Europe carrier channels increased to 11.3% in the first quarter of 2021 from 7.4% in the fourth quarter of 2020. As of March 31, 2021, we have established cooperation with over 150 carrier channels (including carrier subsidiaries) worldwide.

6. Core strategy updates

Smartphone×AIoT

“Smartphone × AIoT” remains at the core of our strategy as we continue to enhance our smart ecosystem. As of March 31, 2021, the number of connected IoT devices (excluding smartphones and laptops) on our AIoT platform reached 351.1 million units. The number of users with five or more devices connected to our AIoT platform (excluding smartphones and laptops) reached 6.8 million, representing a year-over-year increase of 48.9%. In March 2021, our AI Assistant (“小愛同學”) had 93.0 million MAU, and the MAU of our Mi Home App reached 49.2 million, representing a year-over-year increase of 22.8%.

Investment in Technology

Our relentless pursuit of cutting-edge technology and innovation forms the bedrock of our development and growth. In the first quarter of 2021, we recorded RMB3.0 billion in research and development expenses, representing a year-over-year increase of 61.0%.

In the first quarter of 2021, we debuted our first self-developed Image Signal Processor *Surge CI* on *Mi MIX FOLD*. *Surge CI* enables more accurate auto focus, auto exposure and auto white balance, boasting another remarkable achievement in our imaging technology. *Mi MIX FOLD* also features the first liquid lens in a smartphone, replacing the traditional optical lens with a transparent fluid wrapped in film, and allowing telephoto as well as shooting with micro details. Moreover, we debuted the *Mi 11 Ultra* with an innovative battery technology featuring silicon-oxygen anode battery and new three-phase cooling technology, which rapidly dissipates heat through three substance state changes among solids, liquids and gases, and enables

elevated endurance, super-fast charging capabilities and more solid product performance. These innovations are testaments to our continuous efforts to explore and push the boundaries of technological innovations.

Moving forward, we will remain committed to ramping up R&D investments and recruiting global technological talents to relentlessly pursue innovations in core technologies as well as smart manufacturing.

New Brand Identity

In March 2021, we unveiled our upgraded brand identity including our new logo, setting forth on our new journey with a refreshed image as we embrace the next decade. Going forward, we will further strengthen our brand promotion efforts and elevate brand awareness across the globe.

Commencement of Smart EV Business

On March 30, 2021, we announced our plan to establish a wholly-owned subsidiary to manage our smart electric vehicle (“**Smart EV**”) business. The initial phase of investment will be RMB10 billion, with the total investment amount over the course of the next 10 years estimated to be USD10 billion. Mr. Lei Jun, the Chief Executive Officer of the Group, will concurrently serve as the Chief Executive Officer of the smart electric vehicle business.

We hope to offer quality smart electric vehicles to let everyone in the world enjoy smart living anytime, anywhere. Our broad user base, extensive experience in integrating software and hardware, our substantial investment in key technologies and resources across the value chain position us well to become a successful player in the Smart EV space.

Investments

As of March 31, 2021, we had invested in more than 320 companies with an aggregate book value of RMB51.9 billion, an increase of 60.8% year-over-year. As of March 31, 2021, 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 March 31, 2021 (ii) book value of our stakes in unlisted investee companies accounted for using the equity method and (iii) book value of long-term investments measured at fair value through profit or loss) reached RMB69.7 billion. In the first quarter of 2021, we generated net gains (after tax) of RMB0.4 billion on disposal of investments.

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter of 2021 Compared with First Quarter of 2020

The following table sets forth the comparative figures for the first quarter of 2021 and the first quarter of 2020:

	Unaudited	
	Three months ended	
	March 31,	March 31,
	2021	2020
	(RMB in millions)	
Revenue	76,882.2	49,702.2
Cost of sales	(62,720.9)	(42,143.7)
Gross profit	14,161.3	7,558.5
Selling and marketing expenses	(4,163.5)	(2,624.9)
Administrative expenses	(987.7)	(781.5)
Research and development expenses	(3,012.0)	(1,871.0)
Fair value changes on investments measured at fair value through profit or loss	2,063.2	347.8
Share of gains of investments accounted for using the equity method	9.0	130.7
Other income	152.1	73.7
Other losses, net	(64.7)	(510.2)
Operating profit	8,157.7	2,323.1
Finance income, net	909.2	130.9
Profit before income tax	9,066.9	2,454.0
Income tax expenses	(1,278.0)	(294.2)
Profit for the period	7,788.9	2,159.8
Non-IFRS measure: Adjusted Net Profit	6,069.3	2,300.5

Revenue

Revenue increased by 54.7% to RMB76.9 billion in the first quarter of 2021 on a year-on-year basis. The following table sets forth our revenue by line of business in the first quarter of 2021 and the first quarter of 2020:

	Unaudited			
	Three months ended		March 31, 2020	
	March 31, 2021		March 31, 2020	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	51,491.0	67.0%	30,324.7	61.0%
IoT and lifestyle products	18,243.3	23.7%	12,984.2	26.1%
Internet services	6,570.8	8.5%	5,900.7	11.9%
Others	577.1	0.8%	492.6	1.0%
Total revenue	<u>76,882.2</u>	<u>100.0%</u>	<u>49,702.2</u>	<u>100.0%</u>

Smartphones

Revenue from our smartphones segment increased by 69.8% from RMB30.3 billion in the first quarter of 2020 to RMB51.5 billion in the first quarter of 2021. We sold 49.4 million smartphone units in the first quarter of 2021, compared to 29.2 million units in the first quarter of 2020. The ASP of our smartphones was RMB1,042.1 per unit in the first quarter of 2021, compared with RMB1,038.0 per unit in the first quarter of 2020.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment increased by 40.5% from RMB13.0 billion in the first quarter of 2020 to RMB18.2 billion in the first quarter of 2021. The increase in revenue was primarily due to the strong growth in sales of certain IoT products, such as smart TVs, robot vacuum cleaners and electric scooters. Revenue from smart TVs and laptops increased by 21.7% from RMB4.6 billion in the first quarter of 2020 to RMB5.6 billion in the first quarter of 2021, mainly due to the recovery from lower sales caused by the pandemic in the first quarter of 2020.

Internet services

Revenue from our internet services segment increased by 11.4% from RMB5.9 billion in the first quarter of 2020 to RMB6.6 billion in the first quarter of 2021, mainly due to the increase in revenue from our advertising business. Our MIUI MAU was 425.3 million in March 2021, an increase of 28.6% from 330.7 million in March 2020, while the MAU of MIUI in mainland China increased 6.4% year-over-year to 118.6 million in March 2021, driven by the strong growth of smartphone shipments.

Others

Other revenue increased by 17.2% from RMB492.6 million in the first quarter of 2020 to RMB577.1 million in the first quarter of 2021, primarily due to the increase in revenue from the sales of materials and maintenance service.

Cost of Sales

Our cost of sales increased by 48.8% from RMB42.1 billion in the first quarter of 2020 to RMB62.7 billion in the first quarter of 2021. The following table sets forth our cost of sales by line of business in the first quarter of 2021 and the first quarter of 2020:

	Unaudited			
	Three months ended			
	March 31, 2021		March 31, 2020	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	44,857.4	58.3%	27,872.3	56.1%
IoT and lifestyle products	15,590.7	20.3%	11,242.9	22.6%
Internet services	1,816.1	2.4%	2,529.1	5.1%
Others	456.7	0.6%	499.4	1.0%
Total cost of sales	<u>62,720.9</u>	<u>81.6%</u>	<u>42,143.7</u>	<u>84.8%</u>

Smartphones

Cost of sales related to our smartphones segment increased by 60.9% from RMB27.9 billion in the first quarter of 2020 to RMB44.9 billion in the first quarter of 2021, primarily due to the increased sales of our smartphones.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment increased by 38.7% from RMB11.2 billion in the first quarter of 2020 to RMB15.6 billion in the first quarter of 2021, primarily due to the increased sales of our IoT and lifestyle products.

Internet services

Cost of sales related to our internet services segment decreased by 28.2% from RMB2.5 billion in the first quarter of 2020 to RMB1.8 billion in the first quarter of 2021, primarily due to the decreased cost of our fintech business as a result of lower provision for credit loss allowance.

Others

Cost of sales related to our others segment decreased by 8.5% from RMB499.4 million in the first quarter of 2020 to RMB456.7 million in the first quarter of 2021.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 87.4% from RMB7.6 billion in the first quarter of 2020 to RMB14.2 billion in the first quarter of 2021.

The gross profit margin from our smartphones segment increased from 8.1% in the first quarter of 2020 to 12.9% in the first quarter of 2021, mainly due to fewer promotional activities as a result of supply shortage and the improved product mix.

The gross profit margin from our IoT and lifestyle products segment increased from 13.4% in the first quarter of 2020 to 14.5% in the first quarter of 2021 due to higher revenue contribution from IoT products with higher gross profit margin.

The gross profit margin from our internet services segment increased from 57.1% in the first quarter of 2020 to 72.4% in the first quarter of 2021, mainly due to the higher revenue contribution of our advertising business and increased gross profit margin of our advertising and fintech businesses.

As a result of the foregoing, our gross profit margin increased from 15.2% in the first quarter of 2020 to 18.4% in the first quarter of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 58.6% from RMB2.6 billion in the first quarter of 2020 to RMB4.2 billion in the first quarter of 2021, primarily due to the increase in packaging and transportation expenses and compensation for selling and marketing personnel. Packaging and transportation expenses increased by 90.6% from RMB0.6 billion in the first quarter of 2020 to RMB1.1 billion in the first quarter of 2021, primarily due to the expansion of our overseas business in the first quarter of 2021. Compensation for selling and marketing personnel increased by 93.6% from RMB0.4 billion in the first quarter of 2020 to RMB0.8 billion in the first quarter of 2021, primarily due to the increase of selling and marketing personnel in the first quarter of 2021.

Administrative Expenses

Our administrative expenses increased by 26.4% from RMB781.5 million in the first quarter of 2020 to RMB987.7 million in the first quarter of 2021, primarily due to the increase in compensation for administrative personnel.

Research and Development Expenses

Our research and development expenses increased by 61.0% from RMB1.9 billion in the first quarter of 2020 to RMB3.0 billion in the first quarter of 2021, primarily due to the increase in compensation for research and development personnel and the expansion of our research projects.

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

Our fair value changes on investments measured at fair value through profit or loss increased by 493.1% from a gain of RMB0.3 billion in the first quarter of 2020 to a gain of RMB2.1 billion in the first quarter of 2021, primarily due to the increase in fair value of equity and preferred share investments in the first quarter of 2021.

Share of Gains of Investments Accounted for Using the Equity Method

Our share of gains of investments accounted for using the equity method decreased by 93.1% from a net gain of RMB130.7 million in the first quarter of 2020 to a net gain of RMB9.0 million in the first quarter of 2021, primarily due to the gain on deemed disposal of an investee company in first quarter of 2020.

Other Income

Our other income increased by 106.2% from RMB73.7 million in the first quarter of 2020 to RMB152.1 million in the first quarter of 2021, primarily due to the increase of value-added tax and other tax refunds.

Other Losses, Net

Our other net losses decreased by 87.3% from RMB510.2 million in the first quarter of 2020 to RMB64.7 million in the first quarter of 2021. This was mainly due to reduced foreign exchange losses.

Finance Income, Net

Our net finance income increased by 594.6% from RMB130.9 million in the first quarter of 2020 to RMB909.2 million in the first quarter of 2021, primarily due to the decrease in changes of value of financial liabilities to fund investors.

Income Tax Expenses

Our income tax expenses increased by 334.4% from RMB294.2 million in the first quarter of 2020 to RMB1,278.0 million in the first quarter of 2021, primarily due to the increase of operating profit in the first quarter of 2021.

Profit for the Period

As a result of the foregoing, we had a profit of RMB7.8 billion in the first quarter of 2021, compared with a profit of RMB2.2 billion in the first quarter of 2020.

First Quarter of 2021 Compared with Fourth Quarter of 2020

The following table sets forth the comparative figures for the first quarter of 2021 and the fourth quarter of 2020:

	Unaudited	
	Three months ended	
	March 31,	December 31,
	2021	2020
	(RMB in millions)	
Revenue	76,882.2	70,462.9
Cost of sales	(62,720.9)	(59,136.6)
Gross profit	14,161.3	11,326.3
Selling and marketing expenses	(4,163.5)	(5,090.3)
Administrative expenses	(987.7)	(1,275.8)
Research and development expenses	(3,012.0)	(3,105.6)
Fair value changes on investments measured at fair value through profit or loss	2,063.2	7,041.5
Share of gains of investments accounted for using the equity method	9.0	368.2
Other income	152.1	246.9
Other (losses)/gains, net	(64.7)	90.7
Operating profit	8,157.7	9,601.9
Finance income/(expenses), net	909.2	(741.0)
Profit before income tax	9,066.9	8,860.9
Income tax expenses	(1,278.0)	(65.9)
Profit for the period	7,788.9	8,795.0
Non-IFRS measure: Adjusted Net Profit	6,069.3	3,204.4

Revenue

Revenue increased by 9.1% to RMB76.9 billion in the first quarter of 2021 on a quarter-on-quarter basis. The following table sets forth our revenue by line of business in the first quarter of 2021 and the fourth quarter of 2020:

	Unaudited			
	Three months ended		December 31, 2020	
	March 31, 2021		December 31, 2020	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	51,491.0	67.0%	42,634.5	60.5%
IoT and lifestyle products	18,243.3	23.7%	21,054.4	29.9%
Internet services	6,570.8	8.5%	6,175.1	8.8%
Others	577.1	0.8%	598.9	0.8%
Total revenue	<u>76,882.2</u>	<u>100.0%</u>	<u>70,462.9</u>	<u>100.0%</u>

Smartphones

Revenue from our smartphones segment increased by 20.8% from RMB42.6 billion in the fourth quarter of 2020 to RMB51.5 billion in the first quarter of 2021, driven by growth in both sales volume and ASP. We sold 49.4 million smartphone units in the first quarter of 2021, compared to 42.3 million units in the fourth quarter of 2020. The ASP of our smartphones was RMB1,042.1 per unit in the first quarter of 2021, compared with RMB1,009.1 per unit in the fourth quarter of 2020. The increase in ASP was primarily due to the increase in sales of our premium smartphones.

IoT and lifestyle products

Revenue from our IoT and lifestyle products segment decreased by 13.4% from RMB21.1 billion in the fourth quarter of 2020 to RMB18.2 billion in the first quarter of 2021. Revenue from smart TVs and laptops decreased by 21.1% from RMB7.1 billion in the fourth quarter of 2020 to RMB5.6 billion in the first quarter of 2021. The decrease in revenue was primarily due to less promotional activities in the first quarter of 2021.

Internet services

Revenue from our internet services segment increased by 6.4% from RMB6.2 billion in the fourth quarter of 2020 to RMB6.6 billion in the first quarter of 2021, primarily due to the growth of our advertising and gaming businesses.

Others

Other revenue decreased by 3.7% from RMB598.9 million in the fourth quarter of 2020 to RMB577.1 million in the first quarter of 2021.

Cost of Sales

Our cost of sales increased by 6.1% from RMB59.1 billion in the fourth quarter of 2020 to RMB62.7 billion in the first quarter of 2021. The following table sets forth our cost of sales by line of business in the first quarter of 2021 and the fourth quarter of 2020:

	Unaudited			
	Three months ended		December 31, 2020	
	March 31, 2021		December 31, 2020	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	44,857.4	58.3%	38,162.9	54.2%
IoT and lifestyle products	15,590.7	20.3%	18,508.1	26.3%
Internet services	1,816.1	2.4%	1,951.0	2.8%
Others	456.7	0.6%	514.6	0.6%
Total cost of sales	<u>62,720.9</u>	<u>81.6%</u>	<u>59,136.6</u>	<u>83.9%</u>

Smartphones

Cost of sales related to our smartphones segment increased by 17.5% from RMB38.2 billion in the fourth quarter of 2020 to RMB44.9 billion in the first quarter of 2021, due to the increased sales of our smartphones.

IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products segment decreased by 15.8% from RMB18.5 billion in the fourth quarter of 2020 to RMB15.6 billion in the first quarter of 2021, primarily due to the decreased sales of our IoT and lifestyle products.

Internet services

Cost of sales related to our internet services segment decreased by 6.9% from RMB2.0 billion in the fourth quarter of 2020 to RMB1.8 billion in the first quarter of 2021, primarily due to the decreased cost of our fintech business as a result of lower provision for credit loss allowance.

Others

Cost of sales related to our others segment decreased by 11.2% from RMB514.6 million in the fourth quarter of 2020 to RMB456.7 million in the first quarter of 2021, primarily due to the decreased sales of materials.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 25.0% from RMB11.3 billion in the fourth quarter of 2020 to RMB14.2 billion in the first quarter of 2021. The gross profit margin from our smartphones segment increased from 10.5% in the fourth quarter of 2020 to 12.9% in the first quarter of 2021, mainly due to fewer promotional activities as a result of supply shortage and the improved product mix.

The gross profit margin from our IoT and lifestyle products segment increased from 12.1% in the fourth quarter of 2020 to 14.5% in the first quarter of 2021, mainly due to higher revenue contribution from IoT products with higher gross profit margin.

The gross profit margin from our internet services segment increased from 68.4% in the fourth quarter of 2020 to 72.4% in the first quarter of 2021, mainly due to the higher revenue contribution of our advertising business and increased gross profit margin of our advertising and fintech businesses.

As a result of the foregoing, our gross profit margin increased from 16.1% in the fourth quarter of 2020 to 18.4% in the first quarter of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 18.2% from RMB5.1 billion in the fourth quarter of 2020 to RMB4.2 billion in the first quarter of 2021, primarily due to the seasonality and the decrease in promotion and advertising expenses. Promotion and advertising expenses decreased by 49.9% from RMB2.3 billion in the fourth quarter of 2020 to RMB1.1 billion in the first quarter of 2021, primarily because more holiday marketing activities were carried out in the fourth quarter of 2020.

Administrative Expenses

Our administrative expenses decreased by 22.6% from RMB1.3 billion in the fourth quarter of 2020 to RMB1.0 billion in the first quarter of 2021, primarily due to lower stock-based compensation expenses and professional service fees.

Research and Development Expenses

Our research and development expenses decreased by 3.0% from RMB3.1 billion in the fourth quarter of 2020 to RMB3.0 billion in the first quarter of 2021.

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

Our fair value changes on investments measured at fair value through profit or loss decreased by 70.7% from a gain of RMB7.0 billion in the fourth quarter of 2020 to a gain of RMB2.1 billion in the first quarter of 2021, primarily due to the decrease in fair value gain of equity and preferred share investments in the first quarter of 2021.

Share of Gains of Investments Accounted for Using the Equity Method

Our share of gains of investments accounted for using the equity method decreased by 97.6% from a net gain of RMB368.2 million in the fourth quarter of 2020 to a net gain of RMB9.0 million in the first quarter of 2021, primarily due to the dilution gains from our certain investees in fourth quarter of 2020.

Other Income

Our other income decreased by 38.4% from RMB246.9 million in the fourth quarter of 2020 to RMB152.1 million in the first quarter of 2021, primarily due to the decrease of government grants.

Other (Losses)/Gains, Net

Our other net (losses)/gains changed from net gains of RMB90.7 million in the fourth quarter of 2020 to net losses of RMB64.7 million in the first quarter of 2021. This is mainly due to the recognition of foreign exchange losses for the first quarter of 2021, compared to foreign exchange gains for the fourth quarter of 2020.

Finance Income/(Expenses), Net

Our net finance income/(expenses) changed from net expenses of RMB741.0 million in the fourth quarter of 2020 to net income of RMB909.2 million in the first quarter of 2021, primarily due to the decrease in changes of value of financial liabilities to fund investors.

Income Tax Expenses

Our income tax expenses changed from RMB65.9 million in the fourth quarter of 2020 to RMB1,278.0 million in the first quarter of 2021, primarily due to higher taxable profit earned during the first quarter of 2021 and more deductible expense items in the fourth quarter of 2020.

Profit for the Period

As a result of the foregoing, we had a profit of RMB7.8 billion in the first quarter of 2021, compared with a profit of RMB8.8 billion in the fourth quarter of 2020.

Non-IFRS Measure: Adjusted Net Profit

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

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

The following tables set forth reconciliations of the Group's non-IFRS measures for the first quarters of 2021 and 2020, respectively, and the fourth quarter of 2020 to the nearest measures prepared in accordance with IFRS.

	Unaudited Three Months Ended March 31, 2021 Adjustments						Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾	Income tax effects ⁽⁴⁾	
Profit for the period	7,788,907	665,677	(1,666,922)	79	(788,017)	69,557	6,069,281
Net margin	10.1%						7.9%

	Unaudited Three Months Ended March 31, 2020 Adjustments						Non-IFRS
	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾	Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾	Income tax effects ⁽⁴⁾	
Profit for the period	2,159,894	569,921	(386,670)	79	41,006	(83,720)	2,300,510
Net margin	4.3%						4.6%

Unaudited
Three Months Ended December 31, 2020
Adjustments

	As reported	Share-based compensation	Net fair value changes on investments ⁽¹⁾ (RMB in thousand, unless specified)	Amortization of intangible assets resulting from acquisitions ⁽²⁾	Changes of value of financial liabilities to fund investors ⁽³⁾	Income tax effects ⁽⁴⁾	Non-IFRS
Profit for the period	8,794,995	660,624	(7,108,419)	79	864,430	(7,318)	3,204,391
Net margin	12.5%						4.5%

Notes:

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

Liquidity, Financial Resources and Gearing

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

Other than the funds raised through our Global Offering (as defined in the prospectus of the Company dated June 25, 2018 (the “**Prospectus**”)) 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 RMB34.3 billion and RMB54.8 billion as of March 31, 2021 and December 31, 2020, respectively.

Note:

The cash resources which the Group considered in cash management include but are not limited to cash and cash equivalents, restricted cash, short-term bank deposits, short-term investments measured at fair value through profit or loss, short-term investments measured at amortized cost and long-term bank deposits. As of March 31, 2021, the aggregate amount of cash resources of the Group was RMB108.9 billion.

Our gearing ratio was -61.4% and -88.9%, which represented a net cash position, as of March 31, 2021 and December 31, 2020, respectively. Our gearing ratio is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings less our cash and cash equivalents, restricted cash and short-term bank deposits. Total capital is calculated as total equity plus net debt.

Issuance of Debt Securities

On April 2, 2020, the Company issued Panda bonds in the Chinese interbank bond market in the amount of RMB1 billion with a maturity date of 365 days and a coupon rate of 2.78%.

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 March 31, 2021, no 2027 Bonds had been converted into new Shares.

Consolidated Statement of Cash Flows

	Unaudited	
	Three months ended	
	March 31,	December 31,
	2021	2020
	(in millions of RMB)	
Net cash generated from operating activities ⁽¹⁾	1,454.0	13,527.5
Net cash used in investing activities	(25,546.7)	(10,505.8)
Net cash generated from financing activities ⁽¹⁾	3,583.6	22,375.7
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(20,509.1)	25,397.4
	<hr/>	<hr/>
Cash and cash equivalents at beginning of period	54,752.4	30,257.7
Effects of exchange rate changes on cash and cash equivalents	36.2	(902.7)
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	34,279.5	54,752.4
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (1) Excluding (1) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech business; (2) the change of trade payments related to the finance factoring business; (3) the change of restricted cash resulting from the fintech business; and (4) the change of deposits from customers resulting from the Airstar bank, the net cash used in operating activities was RMB772.2 million in the first quarter of 2021 and the net cash generated from operating activities was RMB11.9 billion in the fourth quarter of 2020, respectively. Excluding the change of borrowings for the fintech business, the net cash generated from financing activities was RMB4.6 billion in the first quarter of 2021 and the net cash generated from financing activities was RMB23.4 billion in the fourth quarter of 2020, respectively. The information in this footnote is based on the management accounts of the Group, which have not been audited or reviewed by the Group's auditor. The accounting policies applied in the preparation of the management accounts are consistent with those used for other figures in this announcement.

Net Cash Generated From Operating Activities

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

In the first quarter of 2021, net cash generated from our operating activities amounted to RMB1.5 billion, representing cash generated from operations of RMB2.0 billion minus income tax paid of RMB0.5 billion. Cash generated from operations was primarily attributable to our profit before income tax of RMB9.1 billion, mainly adjusted by an increase in trade payables of RMB10.5 billion, and partially offset by an increase in inventories of RMB8.6 billion, an increase in prepayments and other receivables of RMB6.8 billion and an increase in trade and billing receivables of RMB3.2 billion.

Net Cash Used In Investing Activities

For the first quarter of 2021, our net cash used in investing activities was RMB25.5 billion, which was primarily attributed to the net changes of short-term bank deposits of RMB17.2 billion and the net changes of long-term bank deposits of RMB3.8 billion.

Net Cash Generated From Financing Activities

For the first quarter of 2021, our net cash generated from financing activities was RMB3.6 billion, which was primarily attributed to the net changes of borrowings of RMB3.3 billion.

Borrowings

As of December 31, 2020 and March 31, 2021, we had total borrowings of RMB17.6 billion and RMB21.0 billion, respectively.

Capital Expenditure

	Three months ended	
	March 31, 2021	December 31, 2020
	(in millions of RMB)	
Capital expenditures	1,131.0	1,510.1
Placement of long-term investments ⁽¹⁾	2,138.2	2,314.4
Total	<u>3,269.2</u>	<u>3,824.5</u>

Note:

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

Off-Balance Sheet Commitments and Arrangements

As of March 31, 2021, except for financial guarantee contracts, we had not entered into any off-balance sheet commitments or arrangements.

Future Plans for Material Investments and Capital Assets

As of March 31, 2021, we did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On March 24, 2021, the Company and shareholders of Zimi International Incorporation (“**Zimi International**”) entered into sale and purchase agreements to acquire the remaining 50.09% of the issued share capital of Zimi International (the “**2021 Acquisition**”). The total consideration for the 2021 Acquisition was approximately US\$204.73 million, out of which approximately US\$28.45 million was settled by way of allotment and issue of 8,670,924 consideration Shares and the remaining balance of approximately US\$176.28 million was settled in cash. Upon closing, Zimi International will become a wholly-owned subsidiary of the Company. Further details of the 2021 Acquisition can be found in the announcement of the Company published on March 24, 2021. As of the date of this announcement, this transaction has not yet closed.

Save as disclosed above, during the three months ended March 31, 2021, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Employee and Remuneration Policy

As of March 31, 2021, we had 23,410 full-time employees, 21,607 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India and Indonesia. We expect to continue to increase our headcount in mainland China and our key target global markets. As of March 31, 2021, our research and development personnel, totaling 10,407 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 March 31, 2021, 14,921 employees held share-based awards. The total remuneration expenses, including share-based compensation expenses, in the first quarter of 2021 were RMB3.4 billion, representing an increase of 10.5% from the fourth quarter of 2020.

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 the exposure to various currencies, primarily with respect to the United States Dollar. Therefore, foreign exchange risk primarily arises from the recognized assets and liabilities in our subsidiaries when receiving or expecting to receive foreign currencies from, or paying or expecting to pay foreign currencies to overseas business partners.

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

Pledge of Assets

As of March 31, 2021, we pledged a restricted deposit of RMB2,073.9 million, compared with RMB3,625.3 million as of December 31, 2020. We also had pledged certain buildings, construction in progress and land use right for borrowings.

Contingent Liabilities

We did not have any material contingent liabilities as of March 31, 2021 and December 31, 2020.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended March 31, 2021

(Expressed in Renminbi (“RMB”))

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the three months ended March 31, 2021**(Expressed in RMB)*

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

CONDENSED CONSOLIDATED BALANCE SHEET

As of March 31, 2021

(Expressed in RMB)

		Unaudited As of March 31, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Assets			
Non-current assets			
Property and equipment		6,652,138	6,305,657
Intangible assets		3,981,590	4,265,619
Investments accounted for using the equity method		13,173,876	12,781,995
Long-term investments measured at fair value through profit or loss	4	38,765,178	35,215,319
Deferred income tax assets		1,717,411	2,011,072
Long-term bank deposits		13,406,709	9,608,677
Long-term investments measured at amortized cost	4	354,066	232,798
Other non-current assets		8,756,654	6,975,851
		<u>86,807,622</u>	<u>77,396,988</u>
Current assets			
Inventories	6	49,537,348	41,670,719
Trade receivables	5	12,638,874	10,161,019
Loan receivables		7,636,143	8,919,088
Prepayments and other receivables		22,995,233	16,181,520
Bills receivables measured at fair value through other comprehensive income		875,972	200,000
Short-term investments measured at fair value through other comprehensive income	4	1,119,270	797,456
Short-term investments measured at amortized cost	4	1,314,541	—
Short-term investments measured at fair value through profit or loss	4	22,855,966	22,376,387
Short-term bank deposits		34,939,507	17,598,946
Restricted cash		2,073,854	3,625,257
Cash and cash equivalents		34,279,506	54,752,443
		<u>190,266,214</u>	<u>176,282,835</u>
Total assets		<u><u>277,073,836</u></u>	<u><u>253,679,823</u></u>

	Note	Unaudited As of March 31, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		410	409
Reserves		<u>131,935,957</u>	<u>123,691,287</u>
		<u>131,936,367</u>	<u>123,691,696</u>
Non-controlling interests		<u>318,979</u>	<u>321,819</u>
Total equity		<u><u>132,255,346</u></u>	<u><u>124,013,515</u></u>
Liabilities			
Non-current liabilities			
Borrowings	7	13,612,704	10,634,806
Deferred income tax liabilities		378,966	300,556
Warranty provision		844,056	802,590
Other non-current liabilities		<u>10,181,834</u>	<u>10,001,428</u>
		<u>25,017,560</u>	<u>21,739,380</u>
Current liabilities			
Trade payables	8	82,306,095	72,198,856
Other payables and accruals		14,664,300	13,619,655
Advance from customers		11,644,068	11,999,086
Borrowings	7	7,392,181	6,961,937
Income tax liabilities		826,122	674,298
Warranty provision		<u>2,968,164</u>	<u>2,473,096</u>
		<u>119,800,930</u>	<u>107,926,928</u>
Total liabilities		<u><u>144,818,490</u></u>	<u><u>129,666,308</u></u>
Total equity and liabilities		<u><u>277,073,836</u></u>	<u><u>253,679,823</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2021

(Expressed in RMB)

	Unaudited	
	Three months ended	
	March 31,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	1,453,986	(8,205,339)
Net cash (used in)/generated from investing activities	(25,546,673)	8,210,391
Net cash generated from/(used in) financing activities	<u>3,583,567</u>	<u>(1,231,329)</u>
Net decrease in cash and cash equivalents	(20,509,120)	(1,226,277)
Cash and cash equivalents at the beginning of the period	54,752,443	25,919,861
Effects of exchange rate changes on cash and cash equivalents	<u>36,183</u>	<u>380,103</u>
Cash and cash equivalents at the end of the period	<u>34,279,506</u>	<u>25,073,687</u>

1 Basis of preparation

The condensed consolidated interim financial information comprises the condensed consolidated balance sheet as of March 31, 2021, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “**Interim Financial Information**”). The Interim Financial Information is presented in RMB, unless otherwise stated.

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

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

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2020, as described in the 2020 Financial Statements, except for the adoption of certain amended standards which has had no significant impact on the results and the financial position of the Group.

2 Segment information

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

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

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. There were no material inter-segment sales during the three months ended March 31, 2021 and 2020. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated income statement.

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

	Three months ended March 31, 2021				
	Smartphones	IoT and	Internet	Others	Total
	RMB’000	lifestyle	services	RMB’000	RMB’000
		products	RMB’000		
		RMB’000			
(Unaudited)					
Segment revenues	51,490,983	18,243,267	6,570,848	577,065	76,882,163
Cost of sales	(44,857,384)	(15,590,732)	(1,816,119)	(456,697)	(62,720,932)
Gross profit	6,633,599	2,652,535	4,754,729	120,368	14,161,231

	Three months ended March 31, 2020				Total RMB'000
	Smartphones RMB'000	IoT and lifestyle products RMB'000	Internet services RMB'000	Others RMB'000	
(Unaudited)					
Segment revenues	30,324,723	12,984,208	5,900,696	492,540	49,702,167
Cost of sales	(27,872,334)	(11,242,932)	(2,529,144)	(499,300)	(42,143,710)
Gross profit/(loss)	2,452,389	1,741,276	3,371,552	(6,760)	7,558,457

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

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

Note:

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

3 Expenses by nature

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

4 Investments

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

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

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

5 Trade receivables

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

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

6 Inventories

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

7 Borrowings

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

8 Trade payables

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

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

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

OTHER INFORMATION

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

During the three months ended March 31, 2021 and up to the date of this announcement, the Company repurchased a total of 192,689,200 Class B Shares (the “**Shares Repurchased**”) of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration (including transaction cost) of approximately HK\$4,992,927,165. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
March	<u>19,307,600</u>	26.20	25.50	<u>498,900,661</u>
April	<u>173,381,600</u>	27.20	24.60	<u>4,494,026,504</u>
Total	<u><u>192,689,200</u></u>			<u><u>4,992,927,165</u></u>

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

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 three months ended March 31, 2021 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 A.2.1 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, the Company has complied with all the code provisions set out in the CG Code during the three months ended March 31, 2021.

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

Audit Committee

The Audit Committee (comprising one non-executive Director and two independent non-executive Directors, namely, Mr. Liu Qin, Dr. Chen Dongsheng and Mr. Wong Shun Tak) has reviewed the unaudited interim results of the Group for the three months ended March 31, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers.

Material Litigation

Regarding the U.S. Department of Defense decision on January 14, 2021 to designate Xiaomi Corporation as a “Communist Chinese Military Company” (“CCMC”), we are pleased to announce that on May 25, 2021 at 4:09 pm (Eastern Standard Time), the U.S. District Court for the District of Columbia issued a final order vacating the U.S. Department of Defense’s designation of the Company as a CCMC. In vacating the designation, the court formally lifted all restrictions on U.S. persons’ ability to purchase or hold securities of the Company. For further details, please refer to the announcement of the Company published on May 26, 2021.

Save as disclosed above, the Company was not involved in any material litigation or arbitration as of March 31, 2021, nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

Use of Net Proceeds

1. Use of Net Proceeds from the Global Offering

The net proceeds received by the Company from the Global Offering were approximately HK\$27,561.0 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company had fully utilized the amount of the net proceeds in accordance with such intended purposes.

2. *Use of Net Proceeds from Issue of the 2030 Notes*

The net proceeds received by the Company from the 2030 Notes were approximately US\$589.9 million. The Company intends to use the net proceeds of the 2030 Notes primarily for (i) general corporate purposes and (ii) to repay existing borrowings. There has been no change in the intended use of net proceeds as previously disclosed in the announcement dated April 20, 2020 and the Company had fully utilized the amount of the net proceeds of the issue of the 2030 Notes.

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

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

4. *Use of Net Proceeds from Issue of the 2027 Bonds*

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

Events after March 31, 2021

Save as disclosed in this announcement, there has been no other significant events that might affect the Group after March 31, 2021 and up to the date of this announcement.

By order of the Board
Xiaomi Corporation
Lei Jun
Chairman

Hong Kong, May 26, 2021

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