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## XIAOMI CORPORATION

小米集團

(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, 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Xiaomi Corporation 小米集團 (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, 2019. 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, and 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

	Three months ended				Quarter-on-quarter change
	March 31, 2019 (Unaudited)	March 31, 2018 (Audited)	Year-on-year change	December 31, 2018 (Unaudited)	
	(Renminbi (“ <b>RMB</b> ”) in millions, unless specified)				
Revenue	43,756.8	34,412.3	27.2%	44,421.4	-1.5%
Gross profit	5,215.6	4,301.4	21.3%	5,661.2	-7.9%
Operating profit	3,614.1	3,364.5	7.4%	3,213.3	12.5%
Profit/(loss) before income tax	3,717.1	(6,689.1)	N/A	3,344.1	11.2%
Profit/(loss) for the period	3,191.7	(7,027.4)	N/A	3,392.0	-5.9%
Non-IFRS Measure:					
Adjusted Net Profit	2,080.7	1,699.3	22.4%	1,853.2	12.3%

# BUSINESS REVIEW AND OUTLOOK

## 1. Overall financial performance

In the first quarter of 2019, we recorded RMB43.8 billion in revenue, representing an increase of 27.2% over the corresponding period of 2018. Profit for the first quarter of 2019 grew to RMB3.2 billion and Adjusted Net Profit grew 22.4% year-on-year to RMB2.1 billion. We continued to focus diligently on our “Smartphone + AIoT” dual-engine strategy and greatly expanded the number of devices connected to our platform. As of March 2019, monthly active users (“MAU”) of MIUI reached 260.9 million, representing a year-on-year increase of 37.3%. The number of connected IoT devices (excluding smartphones and laptops) on our IoT platform has reached approximately 171.0 million units, representing a year-on-year growth of 70.0%. Our AI assistant “小愛同學” had over 45.5 million MAU in March, 2019, representing a year-on-year increase of 247.2%.

## 2. Smartphones

Our smartphone segment recorded approximately RMB27.0 billion in revenue in the first quarter of 2019, representing an increase of 16.2% over the corresponding period of 2018. Our smartphone sales volume in the first quarter of 2019 reached 27.9 million units. According to Canalys, we ranked 4th globally in terms of the volume of smartphone shipments during the first quarter of 2019.

A series of strategic adjustments in our smartphone segment have started to bear fruit. We have successfully executed our multi-brand strategy by constantly improving our product portfolio and dedicating efforts to the separation of Redmi as an independent brand during the quarter. The Redmi brand is positioned to pursue the optimal price-performance ratio and focus on online channels, while the Xiaomi brand will remain focused on pursuing advanced technologies and delivering the ultimate user experience. In the first quarter of 2019, we released several smartphone models under each brand, including *Mi 9*, *Mi 9 SE*, *Redmi Note 7*, *Redmi Note 7 Pro* and *Redmi 7*. The market response was positive with regard to the respective product launches. In particular, *Redmi Note 7*, which was released on January 10, 2019, and launched in overseas markets on February 28, 2019, was in high demand. The shipments of our *Redmi Note 7* series exceeded 4 million units in the first quarter of 2019. In addition, our new flagship model *Mi 9* series, which was released on February 20, 2019 and launched in overseas markets shortly thereafter, has also been very popular to date. The *Mi 9* is powered by the Snapdragon<sup>™</sup> 855 processor, equipped with an ultra-wide-angle AI triple camera with the main camera using a 48-megapixel Sony sensor, and has an all-curved holographic back design. The *Mi 9* is also the world’s first smartphone to feature 20W wireless quick charging. As of March 31, 2019, the supply of *Mi 9* series smartphones surpassed 1.5 million units while the sales volume of *Mi 9* series smartphones exceeded 1.5 million shortly thereafter in early April 2019.

The successful releases of our new smartphone models and the excellent market feedback that we received helped us to further increase our market share of smartphone shipments in mainland China in the first quarter of 2019. According to a third party research agency, our smartphone market share in mainland China increased for three consecutive months throughout the first quarter of 2019, from 9.5% in January 2019 to 11.8% in March 2019. Moreover, due to the continuous optimization of our product portfolio, the average sales price (“ASP”) of our smartphones in mainland China and in overseas markets achieved a year-on-year growth of 29.9% and 12.1%, respectively, in the first quarter of 2019.

Given the significance of the mainland China market, we will continue to work on improving our fundamentals, optimizing our product portfolio and strengthening our capabilities in innovation, quality control and supply chain management to further boost our market share. In the first quarter of 2019, the smartphone market in mainland China was challenging, with shipments decreasing 2.9% year-on-year according to Canalys. However, we believe that government policies to improve the economic environment, such as the reduction of the VAT rate, will greatly benefit the entire smartphone industry in mainland China.

### **3. IoT and lifestyle products**

During the first quarter of 2019, revenue of the IoT and lifestyle products segment rose by 56.5% to RMB12.0 billion over the corresponding period of 2018, maintaining a rapid growth rate. Our smart TVs continued to lead the way, ranking 1st in terms of shipments for two consecutive quarters in mainland China. As of March 31, 2019, global shipments of our smart TVs reached 2.6 million units, representing a nearly two-fold year-on-year growth of 99.8%. We have also recently launched a variety of large home appliances. In April 2019, we released *Mi Mural TV*, *Mi LED TV 4 Pro* and *Mi Internet Vertical Air Conditioner C1*, all of which have been perceived positively by the market. *Mi Mural TV* is our first smart TV that uses far-field microphone technology, enabling users to activate voice control features even at a distance. Users can switch on their smart TVs, search for movies, check weather, and control other smart home products without the need of a mic-enabled remote control. Our smart TVs can also display smart device notifications and act as control hubs for compatible smart home products. We will continue to invest in this area so as to enhance the innovative features and functions and the user experience of our IoT products, achieve seamless device-to-device interaction, and create more smart home use cases to enrich our customers’ lives.

During the first quarter of 2019, our ecosystem products, such as *Mi Band*, *Mi Air Purifier* and *Mi Electric Scooter*, continued to enjoy wide popularity and achieved robust sales growth. We also launched a variety of other popular products this year, such as *Mi Smart Door Lock*, *Mi Wireless Power Bank*, *Mi Photo Printer*, *Mi Wireless Car Charger* and *Mi AirDots*. Our Redmi brand also launched various IoT and lifestyle products, such as *Redmi AirDots*. The designs of our IoT products have continued to receive significant market recognition. In the first quarter of 2019, we won 25 international design awards. For example, our *Mi Washing Machine* was awarded the iF Design Award and our *Mi Smart Door Lock* was awarded the Red Dot Award.

#### 4. Internet services

Revenue from our internet services segment grew 31.8% year-on-year to RMB4.3 billion in the first quarter of 2019. Advertising revenue grew 21.8% year-on-year to RMB2.3 billion. Revenue from gaming grew 6.8% year-on-year to RMB823.1 million. Our other internet value-added services grew 96.4% year-on-year to RMB1.2 billion, primarily due to the rapid growth in revenue from our internet finance business and Youpin e-commerce platform.

The MAU of MIUI rose 37.3% from 190.0 million in March 2018 to 260.9 million in March 2019. The MAU of MIUI in mainland China also achieved quarter-on-quarter growth. The MAU of our smart TVs and Mi Boxes achieved 55.1% year-on-year growth, reaching 20.7 million in March 2019.

We have continued to diversify our internet services revenue. Internet services revenue outside of advertising and gaming from China smartphones, including those generated from TV internet services, overseas internet services, Youpin e-commerce, and internet finance business, accounted for 31.8% of the total internet services revenue in the first quarter of 2019, representing a year-on-year growth of 167.3%. Our overseas internet services revenue grew rapidly as we continued to strengthen our internet services in key markets. For example, we have been actively developing our internet finance business in India and launched *Mi Pay*, a payment product, in India in March 2019.

We are also making it a point of focus to diversify our advertising customer base. We are achieving this diversification through expanding into more vertical industries, such as e-commerce, gaming, finance, education, and small and medium-sized enterprises. The strong diversification momentum that we have achieved thus far has contributed to us enjoying a more robust and healthy advertising business.

#### 5. International markets

In 2018, we focused on rapid expansion in international markets and have built a sizeable international business. While growing our market share in international markets, we have put more focus on strengthening our capabilities, such as supply chain management and distribution channels in key markets, in order to solidify our foundation for sustainable long-term growth. Our revenue from international markets grew 34.7% year-on-year to RMB16.8 billion in the first quarter of 2019. As of March 31, 2019, there were 480 authorized *Mi Home* stores overseas, representing a 93.5% year-on-year growth, of which 79 stores were located in India. We will step up our efforts to build and expand our new retail network in overseas markets going forward.

Through our dedicating efforts, we have built a strong market position in the India market. Our smartphones have remained number one in market share position by shipments for seven consecutive quarters in India. We dominated the online smartphone market with 51% market share by shipments in 2018 and have retained this number one market share position for ten consecutive quarters. We have a market share of over 20% for the India offline smartphone sales in the fourth quarter of 2018, and are seeing strong momentum in our offline expansion.

Our smartphone sales through offline channels in March 2019 doubled from that in December 2018. Following the success of smartphones, we have been introducing more IoT and lifestyle products into the India market and have become market leaders in several product categories including smart TVs and wearables. Our customer services in India is also well recognized. We ranked number one in the India smartphone market for after-sales services satisfaction in the fourth quarter of 2018, according to RedQuanta.

According to Canalys, in the first quarter of 2019, we ranked in the Top 5 in over 40 countries and regions in terms of shipments. In the first quarter of 2019, we ranked 4th in terms of smartphone shipments for Western Europe, with our shipments to the region growing by 115.1% year-on-year. In addition, we have continued to actively explore new markets, such as Africa and Latin America.

## 6. Strategic update

### *AIoT*

In 2019, we officially launched the “Smartphone + AIoT” dual-engine strategy. Our IoT platform continues to grow consistently and maintains a leading position in the industry. As of March 31, 2019, the number of connected IoT devices (excluding smartphones and laptops) on our IoT platform reached approximately 171.0 million units, a quarter-on-quarter increase of 13.7% and a year-on-year increase of 70.0%. As of March 31, 2019, the shipments of our AI speakers surpassed 10 million units, and according to Canalys, our AI speakers ranked 2nd in mainland China and 4th in the world in terms of shipments in 2018. In March, 2019, our AI assistant “小愛同學” had more than 45.5 million MAU, making it one of the most used AI voice interactive platforms in mainland China, in turn attracting more developers to join our AIoT platform. Our AI assistant “小愛同學” currently has more than 1,400 skills. Moreover, in February 2019, we released a 4-inch touchscreen AI speaker, which not only provides an additional control mode apart from voice control, but also allows for the utilization of more applications. Our *Mi Home* app had 26.1 million MAU in March 2019 and over 50% of the users were using non-Xiaomi smartphones. We will continue to invest in the development of our open AIoT platform, to attract more third-parties to join this IoT platform and to improve the user experience of our IoT devices through the empowerment of AI.

We have also continued to steadily increase investment in research and development in the AI field. We currently rank 11th in the world in terms of the total number of patent applications in the AI field according to Chinese Nikkei.com, making us one of the top Chinese companies in AI. We have applied for more than 1,000 AIoT related patent applications as of March 31, 2019. On March 7, 2019, we established the AIoT Strategy Committee to help our AIoT development and enhance synergy among our departments.

## *Organizational Structure*

We have continued to make structural adjustments and appointments to optimize our organizational structure. On February 26, 2019, we announced the establishment of the Technical Committee and appointed Cui Baoqiu as a vice president of the Group and the Chairman of the Technical Committee. The Technical Committee's mission is to further boost our technological developments by strengthening strategic guidance and organization structures across the Group. In addition, we optimized our artificial intelligence and cloud platform department by dividing this department into three departments, namely, the Artificial Intelligence Department, Big Data Department and Cloud Platform Department.

In an effort to strengthen our overseas internet business, we have established the Internet V department, which is responsible for the localization and commercialization of our overseas internet services. In order to strengthen the commercialization of our domestic internet business, we have established the Internet Commerce Department, responsible for the commercialization planning and execution of the domestic internet business.

## *Investments*

We have invested in over 270 companies worth a book value of RMB29.0 billion as of March 31, 2019, representing a year-on-year growth of 28.6%. As our early stage investments gradually mature, we are seeing an increasing number of investee companies going public. Since 2018, 10 of our investee companies have gone public, including iQIYI, Inc. (NASDAQ: IQ), Bilibili Inc. (NASDAQ: BILI), Huami Corporation (NYSE: HMI) and Viomi Technology Co., Ltd (NASDAQ: VIOT). We also have a strong pipeline of investee companies planning to go public this year. Our investments have not only allowed us to forge close partnerships with investee companies but could also provide us with recurring investment income. In the first quarter of 2019, we realized an after-tax net gain of RMB592.5 million from the disposal of investments.

# MANAGEMENT DISCUSSION AND ANALYSIS

## First Quarter of 2019 Compared with First Quarter of 2018

The following table sets forth the comparative figures for the first quarter of 2019 and the first quarter of 2018:

	<b>Three months ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>(RMB in millions)</b>	
<b>Revenue</b>	<b>43,756.8</b>	34,412.3
Cost of sales	<b>(38,541.2)</b>	(30,110.9)
<b>Gross profit</b>	<b>5,215.6</b>	4,301.4
Selling and marketing expenses	<b>(1,844.7)</b>	(1,402.8)
Administrative expenses	<b>(632.0)</b>	(465.3)
Research and development expenses	<b>(1,650.6)</b>	(1,103.8)
Fair value changes on investments measured at fair value through profit or loss	<b>2,632.7</b>	1,762.9
Share of (losses)/gains of investments accounted for using the equity method	<b>(145.4)</b>	16.3
Other income	<b>60.2</b>	158.2
Other (losses)/gains, net	<b>(21.7)</b>	97.6
<b>Operating profit</b>	<b>3,614.1</b>	3,364.5
Finance income, net	<b>103.0</b>	17.8
Fair value changes of convertible redeemable preferred shares	<b>—</b>	(10,071.4)
<b>Profit/(loss) before income tax</b>	<b>3,717.1</b>	(6,689.1)
Income tax expenses	<b>(525.4)</b>	(338.3)
<b>Profit/(loss) for the period</b>	<b>3,191.7</b>	(7,027.4)
<b>Non-IFRS Measure: Adjusted Net Profit</b>	<b>2,080.7</b>	1,669.3

## Revenue

Revenue increased by 27.2% to RMB43.8 billion in the first quarter of 2019 on a year-on-year basis. The following table sets forth our revenue by line of business in the first quarter of 2019 and the first quarter of 2018:

	Three months ended			
	March 31, 2019		March 31, 2018	
	Amount (Unaudited)	% of total revenue	Amount (Audited)	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	27,008.7	61.7%	23,239.5	67.5%
IoT and lifestyle products	12,043.0	27.5%	7,696.6	22.4%
Internet services	4,257.3	9.7%	3,231.3	9.4%
Others	447.8	1.1%	244.9	0.7%
Total revenue	<u>43,756.8</u>	<u>100%</u>	<u>34,412.3</u>	<u>100%</u>

### *Smartphones*

Despite being a period of adjustment and our new products only being launched in the end of the quarter, revenue from our smartphones segment still increased by 16.2% from RMB23.2 billion in the first quarter of 2018 to RMB27.0 billion in the first quarter of 2019, driven by the growth of the ASP of our smartphones. We sold approximately 27.9 million smartphone units in the first quarter of 2019, compared with approximately 28.4 million units in the first quarter of 2018. The ASP of our smartphones was RMB968.3 per unit in the first quarter of 2019, compared with RMB817.9 per unit in the first quarter of 2018. The increase in the ASP was primarily due to the continued optimization of our product portfolio.

### *IoT and lifestyle products*

Revenue from our IoT and lifestyle products segment increased by 56.5% from RMB7.7 billion in the first quarter of 2018 to RMB12.0 billion in the first quarter of 2019, primarily due to the strong growth in demand of our smart TVs and several sought-after ecosystem products such as *Mi Band*, *Mi Air Purifier* and *Mi Electric Scooter*. Revenue from our smart TVs and laptops increased by 57.9% from RMB3.2 billion in the first quarter of 2018 to RMB5.0 billion in the first quarter of 2019.

### *Internet services*

Revenue from our internet services segment increased by 31.8% from RMB3.2 billion in the first quarter of 2018 to RMB4.3 billion in the first quarter of 2019, primarily due to the growth in our advertising business and other internet value-added services. Our MIUI MAU increased by 37.3% from 190.0 million in March 2018 to 260.9 million in March 2019.



## Others

Other revenue increased by 82.8% from RMB244.9 million in the first quarter of 2018 to RMB447.8 million in the first quarter of 2019, primarily due to the increase in revenue from out-of-warranty service as a result of greater hardware sales as well as increase in revenue from sale of materials.

## Cost of Sales

Our cost of sales increased by 28.0% from RMB30.1 billion in the first quarter of 2018 to RMB38.5 billion in the first quarter of 2019.

	Three months ended			
	March 31, 2019		March 31, 2018	
	Amount (Unaudited)	% of total revenue	Amount (Audited)	% of total revenue
	(RMB in millions, unless specified)			
Smartphones	26,123.7	59.7%	21,893.4 <sup>(1)</sup>	63.6%
IoT and lifestyle products	10,594.3	24.2%	6,875.0 <sup>(1)</sup>	20.0%
Internet services	1,387.7	3.2%	1,219.4	3.5%
Others	435.5	1.0%	123.1	0.4%
Total cost of sales	<u>38,541.2</u>	<u>88.1%</u>	<u>30,110.9</u>	<u>87.5%</u>

### Note:

- (1) There was a RMB156 million reclassification of costs from smartphones segment to IoT and lifestyle products segment to better reflect the segment information of the first quarter of 2018. The reclassification was related to the allocation of costs for the amortization of certain intangible assets including brand and software. The total gross profit of first quarter of 2018 was not affected by this reclassification. The reclassification also did not have any impact for the segment information for the years ended December 31, 2015, 2016 and 2017.

## Smartphones

Cost of sales related to our smartphones segment increased by 19.3% from RMB21.9 billion in the first quarter of 2018 to RMB26.1 billion in the first quarter of 2019, 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 54.1% from RMB6.9 billion in the first quarter of 2018 to RMB10.6 billion in the first quarter of 2019, primarily due to the increased sales of our smart TVs and other IoT products.

## Internet services

Cost of sales related to our internet services segment increased by 13.8% from RMB1.2 billion in the first quarter of 2018 to RMB1.4 billion in the first quarter of 2019, primarily due to the increased spending on infrastructure service as a result of higher user traffic and engagement.

## *Others*

Cost of sales related to our others segment increased by 253.8% from RMB123.1 million in the first quarter of 2018 to RMB435.5 million in the first quarter of 2019, primarily due to the increased costs of providing out-of-warranty services and the increased costs from sale of materials.

## **Gross Profit and Margin**

As a result of the foregoing, our gross profit increased by 21.3% from RMB4.3 billion in the first quarter of 2018 to RMB5.2 billion in the first quarter of 2019. The gross profit margin from our smartphones segment decreased from 5.8% in the first quarter of 2018 to 3.3% in the first quarter of 2019, mainly due to the decline in the gross profit margin from our overseas smartphone business. The gross profit margin from our mainland China smartphone business improved in the first quarter of 2019 after we launched our new smartphone models. The first quarter of 2019 was a period of adjustment for our overseas markets, with the promotion of some of our existing smartphone models in preparation for the launch of our new smartphone models between late February and March 2019. The gross profit margin from our overseas smartphone business rebounded in April 2019 following the launch of our new products.

The gross profit margin from our IoT and lifestyle products segment increased from 10.7% in the first quarter of 2018 to 12.0% in the first quarter of 2019, mainly due to the increased gross profit margin from our smart TVs business. The gross profit margin from our internet services segment increased from 62.3% in the first quarter of 2018 to 67.4% in the first quarter of 2019, mainly due to the increased gross profit margin from our gaming business.

As a result of the foregoing, our gross profit margin decreased from 12.5% in the first quarter of 2018 to 11.9% in the first quarter of 2019.

## **Selling and Marketing Expenses**

Our selling and marketing expenses increased by 31.5% from RMB1.4 billion in the first quarter of 2018 to RMB1.8 billion in the first quarter of 2019, primarily due to the increase in packaging and transportation expenses and the increase in compensation for our selling and marketing personnel, supporting the growth of our hardware business in both domestic and overseas markets.

## **Administrative Expenses**

Our administrative expenses increased by 35.8% from RMB456.3 million in the first quarter of 2018 to RMB632.0 million in the first quarter of 2019, primarily due to the increase in compensation for administrative personnel. The compensation relating to our administrative personnel increased by 32.4% from RMB306.0 million in the first quarter of 2018 to RMB405.2 million in the first quarter of 2019, primarily due to the increased headcount to accommodate the growth of our business.

## **Research and Development Expenses**

Our research and development expenses increased by 49.5% from RMB1.1 billion in the first quarter of 2018 to RMB1.7 billion in the first quarter of 2019, primarily due to the increase in compensation for our research and development personnel and the expansion of our research projects. The salaries and benefits relating to our research and development personnel increased primarily due to the increased headcount to accommodate the growth of our business.

## **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 49.3% from RMB1.8 billion in the first quarter of 2018 to RMB2.6 billion in the first quarter of 2019, primarily due to fair value gains of the equity and preferred share investments in the first quarter of 2019.

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

Our share of (losses)/gains of investments accounted for using the equity method changed from net gains of RMB16.3 million in the first quarter of 2018 to net losses of RMB145.4 million in the first quarter of 2019, primarily due to the increase in share of losses of our associates.

## **Other Income**

Our other income decreased by 61.9% from RMB158.2 million in the first quarter of 2018 to RMB60.2 million in the first quarter of 2019.

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

Our other net (losses)/gains changed from net gains of RMB97.6 million in the first quarter of 2018 to net losses of RMB21.7 million in the first quarter of 2019, due to the changes in gains and losses on the disposal of long-term investments measured at fair value through profit or loss and the increase of losses on the disposal of an investment accounted for using the equity method.

## **Finance Income, Net**

Our net finance income increased from RMB17.8 million in the first quarter of 2018 to RMB103.0 million in the first quarter of 2019, primarily due to the increase in our interest income. Our interest income increased primarily due to more bank deposits which generated higher interest received.

## **Fair Value Changes of Convertible Redeemable Preferred Shares**

Changes in the fair value of our convertible redeemable preferred shares were recorded as fair value changes of convertible redeemable preferred shares. We did not incur fair value changes of convertible redeemable preferred shares in the first quarter of 2019, compared to a loss of RMB10.1 billion in the first quarter of 2018. After the completion of the Global Offering, all of our convertible redeemable preferred shares were automatically converted to our Class B Shares and thus in the fourth quarter of 2018 and forward, we will not incur fair value changes of convertible redeemable preferred shares.

## **Income Tax Expenses**

Our income tax expenses increased from RMB338.3 million in the first quarter of 2018 to RMB525.4 million in the first quarter of 2019, primarily due to the increase in tax expenses from higher net profit, offset by a lower tax rate as one of our subsidiaries was qualified as a Key Software Enterprise.

## **Profit/(Loss) for the Period**

As a result of the foregoing, we had a loss of RMB7.0 billion and a profit of RMB3.2 billion in the first quarter of 2018 and the first quarter of 2019, respectively.

## First quarter of 2019 Compared with Fourth Quarter of 2018

The following table sets forth the comparative figures for the first quarter of 2019 and the fourth quarter of 2018:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	(RMB in millions)	
<b>Revenue</b>	<b>43,756.8</b>	44,421.4
Cost of sales	<b>(38,541.2)</b>	(38,760.2)
<b>Gross profit</b>	<b>5,215.6</b>	5,661.2
Selling and marketing expenses	<b>(1,844.7)</b>	(2,327.8)
Administrative expenses	<b>(632.0)</b>	(593.6)
Research and development expenses	<b>(1,650.6)</b>	(1,775.0)
Fair value changes on investments measured at fair value through profit or loss	<b>2,632.7</b>	2,075.3
Share of losses of investments accounted for using the equity method	<b>(145.4)</b>	(318.3)
Other income	<b>60.2</b>	220.2
Other (losses)/gains, net	<b>(21.7)</b>	271.3
<b>Operating profit</b>	<b>3,614.1</b>	3,213.3
Finance income, net	<b>103.0</b>	130.8
<b>Profit before income tax</b>	<b>3,717.1</b>	3,344.1
Income tax (expenses)/income	<b>(525.4)</b>	47.9
<b>Profit for the period</b>	<b>3,191.7</b>	3,392.0
<b>Non-IFRS Measure: Adjusted Net Profit</b>	<b>2,080.7</b>	1,853.2

## Revenue

Revenue decreased by 1.5% to RMB43.8 billion in the first quarter of 2019 on a quarter-on-quarter basis. The following table sets forth our revenue by line of business in the first quarter of 2019 and the fourth quarter of 2018:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Amount</b>	<b>% of total revenue</b>	<b>Amount</b>	<b>% of total revenue</b>
	(RMB in millions, unless specified)			
Smartphones	<b>27,008.7</b>	<b>61.7%</b>	25,077.3	56.5%
IoT and lifestyle products	<b>12,043.0</b>	<b>27.5%</b>	14,936.7	33.6%
Internet services	<b>4,257.3</b>	<b>9.7%</b>	4,037.3	9.1%
Others	<b>447.8</b>	<b>1.1%</b>	370.1	0.8%
Total revenue	<b><u>43,756.8</u></b>	<b><u>100%</u></b>	<u>44,421.4</u>	<u>100%</u>

### *Smartphones*

Revenue from our smartphones segment increased by 7.7% from RMB25.1 billion in the fourth quarter of 2018 to RMB27.0 billion in the first quarter of 2019, driven by the strong sales performance of our newly released smartphone models. We sold approximately 27.9 million units of smartphones in the first quarter of 2019, compared with approximately 25.0 million units in the fourth quarter of 2018. The ASP of our smartphones was RMB968.3 per unit in the first quarter of 2019, compared with RMB1,004.7 per unit in the fourth quarter of 2018. The decrease was mainly due to the decline in the ASP from our overseas smartphone business, which was as a result of the promotion of some of our existing smartphone models as we prepared for launches of our new products.

### *IoT and lifestyle products*

Revenue from our IoT and lifestyle products segment decreased by 19.4% from RMB14.9 billion in the fourth quarter of 2018 to RMB12.0 billion in the first quarter of 2019, primarily due to the seasonality of the sales of IoT and lifestyle products. Revenue from our smart TVs and laptops decreased by 23.0% from RMB6.6 billion in the fourth quarter of 2018 to RMB5.0 billion in the first quarter of 2019.

### *Internet services*

Revenue from our internet services segment increased by 5.4% from RMB4.0 billion in the fourth quarter of 2018 to RMB4.3 billion in the first quarter of 2019, driven by the growth in our gaming and other internet value-added services. Our MIUI MAU increased by 7.8% from 242.1 million in December 2018 to 260.9 million in March 2019.

## *Others*

Other revenue increased by 21.0% from RMB370.1 million in the fourth quarter of 2018 to RMB447.8 million in the first quarter of 2019, primarily due to the increase in revenue from sale of materials.

## **Cost of Sales**

Our cost of sales decreased by 0.6% from RMB38.8 billion in the fourth quarter of 2018 to RMB38.5 billion in the first quarter of 2019.

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
		<b>revenue</b>		<b>revenue</b>
	<b>(RMB in millions, unless specified)</b>			
Smartphones	<b>26,123.7</b>	<b>59.7%</b>	23,557.5	53.0%
IoT and lifestyle products	<b>10,594.3</b>	<b>24.2%</b>	13,358.9	30.1%
Internet services	<b>1,387.7</b>	<b>3.2%</b>	1,496.5	3.4%
Others	<b>435.5</b>	<b>1.0%</b>	347.3	0.8%
Total cost of sales	<b><u>38,541.2</u></b>	<b><u>88.1%</u></b>	<b><u>38,760.2</u></b>	<b><u>87.3%</u></b>

## *Smartphones*

Cost of sales related to our smartphones segment increased by 10.9% from RMB23.6 billion in the fourth quarter of 2018 to RMB26.1 billion in the first quarter of 2019, primarily 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 20.7% from RMB13.4 billion in the fourth quarter of 2018 to RMB10.6 billion in the first quarter of 2019, consistent with the seasonal decline in the sales of our IoT and lifestyle products.

## *Internet services*

Cost of sales related to our internet services segment decreased by 7.3% from RMB1.5 billion in the fourth quarter of 2018 to RMB1.4 billion in the first quarter of 2019, due to the lower costs related to our advertising business.

## *Others*

Cost of sales related to our others segment increased by 25.4% from RMB347.3 million in the fourth quarter of 2018 to RMB435.5 million in the first quarter of 2019, primarily due to the increased costs from sale of materials.

## **Gross Profit and Margin**

As a result of the foregoing, our gross profit decreased by 7.9% from RMB5.7 billion in the fourth quarter of 2018 to RMB5.2 billion in the first quarter of 2019. The gross profit margin from our smartphones segment decreased from 6.1% in the fourth quarter of 2018 to 3.3% in the first quarter of 2019, mainly due to the decline in the gross profit margin from our overseas smartphone business. The gross profit margin from our mainland China smartphone business improved in the first quarter of 2019 after we launched our new smartphone models. The first quarter of 2019 was a period of adjustment for our overseas markets, with the promotion of some of our existing smartphone models in preparation for the launch of our new smartphone models between late February and March 2019. We have seen our gross profit margin from our overseas smartphone business rebound in April 2019 following the launch of our new products.

The gross profit margin from our IoT and lifestyle products segment increased from 10.6% in the fourth quarter of 2018 to 12.0% in the first quarter of 2019, mainly due to the increased gross profit margin from our smart TVs business. The gross profit margin from our internet services segment increased from 62.9% in the fourth quarter of 2018 to 67.4% in the first quarter of 2019, mainly due to the increased gross profit margin from our gaming business.

As a result of the foregoing, our gross profit margin decreased from 12.7% in the fourth quarter of 2018 to 11.9% in the first quarter of 2019.

## **Selling and Marketing Expenses**

Our selling and marketing expenses decreased by 20.7% from RMB2.3 billion in the fourth quarter of 2018 to RMB1.8 billion in the first quarter of 2019, primarily due to the decrease in our advertising expenses. Advertising expenses decreased by 51.6% from RMB0.6 billion in the fourth quarter of 2018 to RMB0.3 billion in the first quarter of 2019.

## **Administrative Expenses**

Our administrative expenses increased by 6.5% from RMB593.6 million in the fourth quarter of 2018 to RMB632.0 million in the first quarter of 2019.

## **Research and Development Expenses**

Our research and development expenses decreased by 7.0% from RMB1.8 billion in the fourth quarter of 2018 to RMB1.7 billion in the first quarter of 2019.



## **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 26.9% from a gain of RMB2.1 billion in the fourth quarter of 2018 to a gain of RMB2.6 billion in the first quarter of 2019, primarily due to the fair value gains of equity and preferred share investments in the first quarter of 2019.

## **Share of Losses of Investments Accounted for Using the Equity Method**

Our share of losses of investments accounted for using the equity method decreased by 54.3% from RMB318.3 million in the fourth quarter of 2018 to RMB145.4 million in the first quarter of 2019, primarily due to the decrease in the share of losses of our associates.

## **Other Income**

Our other income decreased by 72.6% from RMB220.2 million in the fourth quarter of 2018 to RMB60.2 million in the first quarter of 2019, due to the decrease of investment income from short-term investments measured at fair value through profit or loss.

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

Our other net (losses)/gains changed from net gains of RMB271.3 million in the fourth quarter of 2018 to net losses of RMB21.7 million in the first quarter of 2019, primarily due to the decrease of foreign exchanges gains.

## **Finance Income, Net**

Our net finance income decreased by 21.3% from RMB130.8 million in the fourth quarter of 2018 to RMB103.0 million in the first quarter of 2019.

## **Income Tax (Expenses)/Income**

Our income tax (expenses)/income changed from income tax income of RMB47.9 million in the fourth quarter of 2018 to income tax expense of RMB525.4 million in the first quarter of 2019 primarily due to a reversal of over accrued income tax expenses in the fourth quarter of 2018.

## **Profit for the Period**

As a result of the foregoing, we had a profit of RMB3.4 billion and profit of RMB3.2 billion in the fourth quarter of 2018 and first quarter of 2019, respectively.

## 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 Adjusted Net Profit as an additional financial measure. We define non-IFRS adjusted net profit (“Adjusted Net Profit”) as profit for the period, as adjusted by adding back (i) fair value changes of convertible redeemable preferred shares, (ii) share-based compensation, (iii) net fair value gains on investments, and (iv) amortization of intangible assets resulting from acquisitions.

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 operation, 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 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 the reconciliations of the Group’s non-IFRS measures for the first quarter of 2019 and 2018, respectively, and the fourth quarter of 2018, to the nearest measures prepared in accordance with IFRS:

Unaudited  
Three Months Ended March 31, 2019  
Adjustments

	As reported	Fair value changes of convertible redeemable preferred shares	Share-based compensation	Net fair value gains on investments <sup>(1)</sup>	Amortization of intangible assets resulting from acquisitions <sup>(2)</sup>	Changes of fair value of financial liabilities to fund investors <sup>(3)</sup>	Non-IFRS
(RMB in thousand, unless specified)							
Profit for the period	3,191,744	—	630,752	(1,742,925)	1,100	—	2,080,671
Net margin	7.3%						4.8%

Unaudited  
Three Months Ended December 31, 2018

Adjustments

	As reported	Fair value changes of convertible redeemable preferred shares	Share-based compensation	Net fair value gains on investments <sup>(1)</sup>	Amortization of intangible assets resulting from acquisitions <sup>(2)</sup>	Changes of fair value of financial liabilities to fund investors <sup>(3)</sup>	Non-IFRS
(RMB in thousand, unless specified)							
Profit for the period	3,392,027	—	663,297	(2,246,032)	1,408	42,504	1,853,204
Net margin	7.6%						4.2%

Audited  
Three Months Ended March 31, 2018

Adjustments

	As reported	Fair value changes of convertible redeemable preferred shares	Share-based compensation	Net fair value gains on investments <sup>(1)</sup>	Amortization of intangible assets resulting from acquisitions <sup>(2)</sup>	Changes of fair value of financial liabilities to fund investors <sup>(3)</sup>	Non-IFRS
(RMB in thousand, unless specified)							
(Loss)/profit for the period	(7,027,411)	10,071,376	488,237	(1,833,421)	520	—	1,699,301
Net margin	(20.5)%						4.9%

*Notes:*

- (1) Includes fair value gains 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, the impairment provision for investments, remeasurement of loss of significant influence in an associate, re-measurement of investments transferring from financial asset measured at fair value through profit or loss to investments using the equity method, net of tax.
- (2) Represents amortization of intangible assets resulting from acquisitions, net of tax.
- (3) Represent the change of value of the financial liabilities payable to the fund investors, net of tax, as a result of the change of fair value of the fund.

## Liquidity and Financial Resources

Other than the funds raised through our Global Offering in July 2018, we have historically funded our cash requirements principally from cash generated from our operations and bank borrowings. We had cash and cash equivalents of RMB26.5 billion and RMB30.2 billion as of March 31, 2019 and December 31, 2018, respectively.

*Note:*

The cash resources which the Group considered in cash management including but not limited to cash and cash equivalents, restricted cash, short-term bank deposits and short-term investments measured at fair value through profit or loss. As of March 31, 2019, the aggregate amount of cash resources of the Group is RMB37.6 billion, decreased by 5.3% from RMB39.7 billion as of December 31, 2018.

## Consolidated Statement of Cash Flows

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	(RMB in thousands, unless specified)	
Net cash used in operating activities <sup>(1)</sup>	<b>(117,783)</b>	(6,200,817)
Net cash used in investing activities	<b>(2,372,212)</b>	(1,454,131)
Net cash (used in)/generated from financing activities <sup>(1)</sup>	<b>(485,696)</b>	2,378,542
Net decrease in cash and cash equivalents	<b>(2,975,691)</b>	(5,276,406)
Cash and cash equivalents at beginning of period	<b>30,230,147</b>	35,208,793
Effects of exchange rate changes on cash and cash equivalents	<b>(781,325)</b>	297,760
Cash and cash equivalents at end of period	<b><u>26,473,131</u></b>	<b><u>30,230,147</u></b>

*Note:*

- (1) Excluding (1) the change in loan and interest receivables and impairment provision for loan receivables mainly resulting from the internet finance business; (2) the change in trade payables resulting from the finance factoring business; and (3) the increase in restricted cash resulting from the internet finance business, the net cash used in operating activities was RMB1.5 billion in the first quarter of 2019 and RMB4.6 billion in the fourth quarter of 2018, respectively; excluding the change of borrowings for the internet finance business, the net cash used in financing activities was RMB0.1 billion in the first quarter of 2019 and net cash generated from financing activities was RMB1.1 billion in the fourth quarter of 2018, respectively. The information in this footnote is based on the management accounts of the Group, which have not been audited or reviewed by the Group's auditor. The accounting policies applied in the preparation of the management accounts are consistent with those used for other figures in this announcement.

## **Net Cash Used In Operating Activities**

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

In the first quarter of 2019, net cash used in our operating activities amounted to RMB0.1 billion, representing cash generated from operations of RMB0.1 billion minus income tax paid of RMB0.2 billion. Cash used in operations was primarily attributable to our profit before income tax of RMB3.7 billion, adjusted by deduction of fair value gains on long-term investments measured at fair value through profit or loss of RMB2.6 billion, and a decrease in inventories of RMB2.4 billion, a decrease in loan and interest receivables of RMB0.9 billion, a decrease in prepayments and other receivables of RMB5.2 billion, partially offset by a decrease in trade payables of RMB9.8 billion.

The decrease in inventories was mainly due to the decrease of smartphones finished goods from RMB13.4 billion as of December 31, 2018 to RMB9.2 billion as of March 31, 2019, and partially offset by the increase in raw materials from our non-smartphone products from RMB1.0 billion as of December 31, 2018 to RMB1.6 billion as of March 31, 2019. There were also seasonal factors affecting the net cash used in operating activities in the first quarter of 2019. According to management accounts, the net cash flows from operating activities was positive in both March and April 2019.

## **Net Cash Used In Investing Activities**

In the first quarter of 2019, our net cash used in investing activities was RMB2.4 billion, which was primarily attributed to the net cash used in capital expenditure of RMB1.0 billion and the net changes of short-term investments measured at fair value through profit or loss of RMB2.1 billion, partially offset by cash generated from the net changes of short-term bank deposits and interest income of RMB0.5 billion.

## **Net Cash (Used In)/Generated From Financing Activities**

In the first quarter of 2019, our net cash used in financing activities was RMB0.5 billion, which was primarily attributable to the repayments of borrowings of RMB1.8 billion and payments of shares repurchase of RMB0.2 billion, partially offset by the proceeds from borrowings of RMB1.5 billion.

## **Borrowings**

As of December 31, 2018 and March 31, 2019, we had total borrowings of RMB10.9 billion and RMB10.6 billion, respectively.

## Capital Expenditure and Placement of Long-Term Investments Measured at Fair Value Through Profit or Loss

	Unaudited	
	Three months ended	
	March 31, 2019	December 31, 2018
	(RMB in thousands, unless specified)	
Capital expenditures	960,055	2,252,610
Placement of long-term investments <sup>(1)</sup>	1,117,963	528,060
Total	<u>2,078,018</u>	<u>2,780,670</u>

*Note:*

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

Our capital expenditures primarily included expenditures on property and equipment resulting from the construction of and improvements made to our office complex, as well as on our intangible assets. Placement of long-term investments include our investment in TCL Industrial Holdings (Guangdong) Co., Ltd. to jointly develop smart hardware and core components in order to advance our AIoT strategy.

### Off-Balance Sheet Commitments and Arrangements

As of March 31, 2019, except for our 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, 2019, we did not have other future plans for material investments or capital assets.

### Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

In the first quarter of 2019, we did not have any material acquisitions or disposals of our subsidiaries and affiliated companies.

### Employee and Remuneration Policy

As of March 31, 2019, we had 16,473 full-time employees, 15,357 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 global markets. As of March 31, 2019, our research and development personnel, totaling 7,120 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, 2019, 5,692 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, in the first quarter of 2019 were RMB2,039.4 million, representing an increase of 3.5% from the fourth quarter of 2018 of RMB1,970.6 million.

### **Foreign Exchange Risk**

The transactions of our Company are denominated and settled in our functional currency, the United States Dollar. Our Group's subsidiaries primarily operate in the People's Republic of China and other regions such as India, and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar. Therefore, foreign exchange risk primarily arises from recognized assets and liabilities in our subsidiaries when receiving foreign currencies from, or paying foreign currencies to our 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 March 31, 2019, we had pledged a restricted deposit of RMB1,284.1 million, compared with the RMB1,480.2 million pledged as of December 31, 2018.

### **Contingent Liabilities**

As of March 31, 2019 and December 31, 2018, we did not have any material contingent liabilities.

# CONDENSED FINANCIAL INFORMATION

## Consolidated Income Statement

For the three months ended March 31, 2019

	Note	Unaudited Three months ended March 31, 2019 RMB'000	Audited 2018 RMB'000
<b>Revenue</b>	3	<b>43,756,823</b>	34,412,362
Cost of sales	4	<u>(38,541,246)</u>	<u>(30,110,935)</u>
<b>Gross profit</b>		<b>5,215,577</b>	4,301,427
Selling and marketing expenses	4	(1,844,684)	(1,402,829)
Administrative expenses	4	(632,022)	(465,323)
Research and development expenses	4	(1,650,579)	(1,103,775)
Fair value changes on investments measured at fair value through profit or loss	8	<b>2,632,715</b>	1,762,868
Share of (losses)/gains of investments accounted for using the equity method	5	(145,392)	16,329
Other income		<b>60,247</b>	158,226
Other (losses)/gains, net		<u>(21,686)</u>	<u>97,567</u>
<b>Operating profit</b>		<b>3,614,176</b>	3,364,490
Finance income, net		<b>102,964</b>	17,834
Fair value changes of convertible redeemable preferred shares		<u>—</u>	<u>(10,071,376)</u>
<b>Profit/(loss) before income tax</b>		<u><b>3,717,140</b></u>	<u>(6,689,052)</u>
Income tax expenses	6	<u>(525,396)</u>	<u>(338,359)</u>
<b>Profit/(loss) for the period</b>		<b>3,191,744</b>	(7,027,411)
<b>Attributable to:</b>			
— Owners of the Company		<b>3,125,959</b>	(7,005,123)
— Non-controlling interests		<b>65,785</b>	(22,288)
		<u><b>3,191,744</b></u>	<u>(7,027,411)</u>
Earnings/(loss) per share (expressed in RMB per share)	7		
Basic		<u><b>0.132</b></u>	<u>(0.718)</u>
Diluted		<u><b>0.128</b></u>	<u>(0.718)</u>



**Consolidated Statement of Comprehensive Income**  
*For the three months ended March 31, 2019*

		<b>Unaudited</b>	Audited
		<b>Three months ended</b>	
		<b>March 31,</b>	
	Note	<b>2019</b>	2018
		<b>RMB'000</b>	RMB'000
<b>Profit/(loss) for the period</b>		<b>3,191,744</b>	(7,027,411)
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive income/(losses)			
of investments accounted for using the equity method	5	<b>18,088</b>	(14,362)
Currency translation differences		<b>111,617</b>	(186,482)
<i>Item that will not be reclassified subsequently</i>			
<i>    to profit or loss</i>			
Currency translation differences		<u><b>(593,955)</b></u>	<u>5,911,734</u>
<b>Other comprehensive (loss)/income for the period,</b>			
<b>    net of tax</b>		<u><b>(464,250)</b></u>	<u>5,710,890</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><b>2,727,494</b></u>	<u>(1,316,521)</u>
<b>Attributable to:</b>			
— Owners of the Company		<b>2,665,952</b>	(1,288,535)
— Non-controlling interests		<u><b>61,542</b></u>	<u>(27,986)</u>
		<u><b>2,727,494</b></u>	<u>(1,316,521)</u>

## Consolidated Balance Sheet

As of March 31, 2019

	Note	Unaudited As of March 31, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights		3,383,144	3,402,968
Property and equipment		5,441,114	5,068,053
Intangible assets		1,957,597	2,061,192
Investments accounted for using the equity method	5	8,428,095	8,639,238
Long-term investments measured at fair value through profit or loss	8	20,588,047	18,636,208
Deferred income tax assets		1,528,806	1,312,245
Other non-current assets	2	1,370,280	95,485
		<u>42,697,083</u>	<u>39,215,389</u>
<b>Current assets</b>			
Inventories	10	25,982,064	29,480,685
Trade receivables	9	6,693,522	5,598,443
Loan receivables		9,203,829	10,293,645
Prepayments and other receivables		15,958,229	20,914,946
Short-term investments measured at fair value through profit or loss	8	8,749,298	6,648,526
Short-term bank deposits		1,125,372	1,365,991
Restricted cash		1,284,066	1,480,178
Cash and cash equivalents		26,473,131	30,230,147
		<u>95,469,511</u>	<u>106,012,561</u>
<b>Total assets</b>		<u><u>138,166,594</u></u>	<u><u>145,227,950</u></u>

	Note	<b>Unaudited As of March 31, 2019 RMB'000</b>	Audited As of December 31, 2018 RMB'000
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		383	377
Reserves		<u>74,434,897</u>	<u>71,322,608</u>
		<b>74,435,280</b>	71,322,985
<b>Non-controlling interests</b>		<u>38,550</u>	<u>(72,856)</u>
<b>Total equity</b>		<u><u>74,473,830</u></u>	<u><u>71,250,129</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	11	8,417,235	7,856,143
Deferred income tax liabilities		868,305	777,645
Warranty provision		605,180	559,016
Other non-current liabilities	2, 12	<u>3,553,300</u>	<u>2,844,859</u>
		<b>13,444,020</b>	12,037,663
<b>Current liabilities</b>			
Trade payables	13	36,053,557	46,287,271
Other payables and accruals	2	6,047,027	6,312,770
Advance from customers		3,952,282	4,479,522
Borrowings	11	2,141,149	3,075,194
Income tax liabilities		828,815	661,816
Warranty provision		<u>1,225,914</u>	<u>1,123,585</u>
		<b>50,248,744</b>	61,940,158
<b>Total liabilities</b>		<u><u>63,692,764</u></u>	<u><u>73,977,821</u></u>
<b>Total equity and liabilities</b>		<u><u>138,166,594</u></u>	<u><u>145,227,950</u></u>

**Condensed Consolidated Statement of Cash Flows**  
*For the three months ended March 31, 2019*

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash used in operating activities	(117,783)	(1,277,682)
Net cash (used in)/generated from investing activities	(2,372,212)	460,647
Net cash (used in)/generated from financing activities	(485,696)	3,337,476
	<u>(2,975,691)</u>	<u>2,520,441</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	<b>30,230,147</b>	11,563,282
Effects of exchange rate changes on cash and cash equivalents	(781,325)	(56,710)
	<u>(781,325)</u>	<u>(56,710)</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>26,473,131</u></b>	<b><u>14,027,013</u></b>

# Notes:

## 1. General information

Xiaomi Corporation (formerly known as Top Elite Limited) (the “**Company**”), was incorporated in the Cayman Islands on January 5, 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at the offices of Maples Corporate Services Limited, PO Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including controlled structured entities (together, the “**Group**”) are principally engaged in development and sales of smartphones, internet of things (“**IoT**”) and lifestyle products, provision of internet services and investments holding in the People’s Republic of China and other countries or regions.

Lei Jun is the ultimate controlling shareholder of the Company as of the date of approval of this financial information.

The condensed consolidated financial information comprises the condensed consolidated balance sheet as of March 31, 2019, the condensed consolidated income statement and 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 “**Financial Information**”). The Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

This Financial Information was approved by the board of directors of the Company on May 20, 2019.

The Financial Information has not been audited but has been reviewed by the external auditor of the Company.

## 2. Basis of preparation

The 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 Financial Information does not include all the notes of the type normally included in annual financial statements. The Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 2018 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) by the Group as set out in the 2018 annual report of the Company dated March 19, 2019 (the “**2018 Financial Statements**”).

The accounting policies and methods of computation used in the preparation of the Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018, as described in the 2018 Financial Statements, except for the adoption of new and amended standards as set out below.

### *New and amended standards adopted by the Group*

The following new and amended standards, and annual improvements are mandatory for the first time for the Group’s financial year beginning on January 1, 2019 and are applicable for the Group:

- IFRS 16 Leases (“**IFRS 16**”)
- IFRIC 23 Uncertainty over income tax treatments
- Amendments to IAS 19 Employee benefits on plan amendment, curtailment or settlement
- Amendments to IFRS Annual Improvements to IFRSs Standards 2015–2017 Cycle
- Amendments to IAS 28 Long-term interests in associates and joint ventures
- Amendment to IFRS 9 Prepayment features with negative compensation

The adoption of these interpretation and amendments to standards has had no significant impact on the results and the financial position of the Group other than IFRS 16, details of which are set out below.

The Group has adopted IFRS 16 Leases from January 1, 2019. The Group has applied IFRS 16 using the simplified transition approach and has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

At adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019.

All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet immediately before the adoption of the IFRS 16. As a result of the adoption of IFRS 16, as of January 1, 2019, the Group recognized a right of use asset of RMB892,208,000 in other non-current assets, and a lease liability of RMB285,402,000 and RMB573,431,000 in other payables and accruals and other non-current liabilities, respectively. The impact on transition also includes a decrease of RMB52,987,000 in prepayments and other receivables and a decrease of RMB19,612,000 in other payables and accruals for the adjustment of prepaid or accrued lease payments.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for certain operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Upon adoption of IFRS 16, principal elements of lease payments and related interest portion have been classified within financing activities.

### 3. 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, 2019 and 2018. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated income statement.

The segment results for the three months ended March 31, 2019 and 2018 are as follows:

	<b>Three months ended March 31, 2019</b>				
	<b>Smartphones</b>	<b>IoT and</b>	<b>Internet</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>lifestyle</b>	<b>services</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>products</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>RMB'000</b>			
<b>(Unaudited)</b>					
Segment revenues	27,008,652	12,042,953	4,257,317	447,901	43,756,823
Cost of sales	(26,123,653)	(10,594,311)	(1,387,670)	(435,612)	(38,541,246)
Gross profit	884,999	1,448,642	2,869,647	12,289	5,215,577
Three months ended March 31, 2018					
	<b>Smartphones</b>	<b>IoT and</b>	<b>Internet</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>lifestyle</b>	<b>services</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>products</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>RMB'000</b>			
<b>(Audited)</b>					
Segment revenues	23,239,490	7,696,566	3,231,350	244,956	34,412,362
Cost of sales	(22,049,712)	(6,718,684)	(1,219,413)	(123,126)	(30,110,935)
Gross profit	1,189,778	977,882	2,011,937	121,830	4,301,427

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in mainland China. For the three months ended March 31, 2019 and 2018, the geographical information on the total revenues is as follows:

	<b>Three months ended March 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>	
Mainland China	<b>26,960,489</b>	<b>61.6</b>	21,942,103	63.8
Rest of the world <i>(Note)</i>	<b>16,796,334</b>	<b>38.4</b>	12,470,259	36.2
	<b><u>43,756,823</u></b>		<b><u>34,412,362</u></b>	

Note: Revenues outside mainland China are mainly from India, Indonesia and Western Europe.

#### 4. Expenses by nature

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cost of inventories sold	<b>34,215,147</b>	27,163,131
Provision for impairment of inventories	<b>1,105,875</b>	321,765
Royalty fees	<b>1,003,392</b>	780,894
Employee benefit expenses	<b>2,039,356</b>	1,519,284
Depreciation of property and equipment and right-of-use assets	<b>209,770</b>	43,340
Amortization of intangible assets	<b>124,647</b>	140,118
Promotion and advertising expenses	<b>296,819</b>	337,599
Content fees to game developers and video providers	<b>372,562</b>	420,924
Provision for loan receivables	<b>187,006</b>	68,793
Consultancy and professional service fees	<b>123,249</b>	113,141
Cloud service, bandwidth and server custody fees	<b>491,553</b>	334,998
Office rental expenses	—	105,540
Warranty expenses	<b>598,982</b>	586,245

#### 5. Investments accounted for using the equity method

	<b>As of</b>	As of
	<b>March 31,</b>	December 31,
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Investments in associate accounted for using the equity method		
— Listed entities	<b>5,978,115</b>	6,198,681
— Unlisted entities	<b>2,449,980</b>	2,440,557
	<b>8,428,095</b>	8,639,238

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>At the beginning of the period</b>	<b>8,639,238</b>	1,710,819
Additions	—	948,848
Disposals	<b>(88,395)</b>	(100)
Share of losses	<b>(145,392)</b>	16,329
Share of other comprehensive income	<b>18,088</b>	(14,362)
Share of changes of other reserves	<b>4,556</b>	7,168
At the end of the period	<b>8,428,095</b>	2,668,702



## 6. Income tax expenses

The income tax expenses of the Group during all the periods presented are analyzed as follows:

	Three months ended	
	March 31,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax	(651,297)	(394,648)
Deferred income tax	125,901	56,289
<b>Income tax expenses</b>	<b>(525,396)</b>	<b>(338,359)</b>

Income tax expenses is recognized based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

## 7. Earnings/(loss) per share

On June 17, 2018, pursuant to the shareholders' resolution, each existing issued and unissued share of United States dollar ("US\$") 0.000025 each in the share capital of the Company were subdivided into 10 shares of US\$0.000025 each ("**Share Subdivision**"). Following the Share Subdivision, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the three months ended March 31, 2018 has been retrospectively adjusted.

### (a) Basic

Basic earnings or loss per share for the three months ended March 31, 2019 and 2018 are calculated by dividing the profit or loss attributable to the Company's owners by the weighted average number of ordinary shares in issue during the periods.

	Three months ended Mar 31,	
	2019	2018
	RMB'000	RMB'000
Net profit/(loss) attributable to the owners of the Company	3,125,959	(7,005,123)
Weighted average number of ordinary shares in issue (thousand shares)	23,684,717	9,758,340
Basic earnings/(loss) per share (expressed in RMB per share)	0.132	(0.718)

### (b) Diluted

Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

In addition, the share options and RSUs granted by the Company's subsidiaries and associates should also have potential dilutive effect on the earnings per share. During the three months ended March 31, 2019, these share options and RSUs had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted earnings or loss per share.

As the Group incurred losses for the three months ended March 31, 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the three months ended March 31, 2018 is same as basic loss per share.

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Net profit/(loss) attributable to the owners of the Company	<b>3,125,959</b>	(7,005,123)
Weighted average number of ordinary shares in issue (thousand shares)	<b>23,684,717</b>	9,758,340
Adjustments for RSUs and share options granted to employees (thousand shares)	<b>794,282</b>	—
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share (thousand shares)	<b>24,478,999</b>	9,758,340
Diluted earnings/(loss) per share (expressed in RMB per share)	<b>0.128</b>	(0.718)

## 8. Investments

	<b>As of</b>	As of
	<b>March 31,</b>	December 31,
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Current assets</b>		
Short-term investments measured at		
— Fair value through profit or loss	<u><b>8,749,298</b></u>	<u>6,648,526</u>
	<u><b>8,749,298</b></u>	<u>6,648,526</u>
<b>Non-current assets</b>		
Long-term investments measured at fair value through profit or loss		
— Equity investments	<u><b>9,667,945</b></u>	<u>7,629,929</u>
— Preferred shares investments	<u><b>10,920,102</b></u>	<u>11,006,279</u>
	<u><b>20,588,047</b></u>	<u>18,636,208</u>

### Amounts recognized in profit or loss

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Fair value changes on equity investments	<u><b>2,525,421</b></u>	<u>87,051</u>
Fair value changes on preferred shares investments	<u><b>85,996</b></u>	<u>1,664,163</u>
Fair value changes on short-term investments measured at fair value through profit or loss	<u><b>21,298</b></u>	<u>11,654</u>
	<u><u><b>2,632,715</b></u></u>	<u><u>1,762,868</u></u>

## 9. Trade receivables

The Group generally 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, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
<b>Trade receivables</b>		
Up to 3 months	6,271,467	5,094,390
3 to 6 months	263,701	392,868
6 months to 1 year	153,315	116,279
1 to 2 years	32,589	16,630
Over 2 years	50,593	46,873
	<u>6,771,665</u>	<u>5,667,040</u>
Less: allowance for impairment	(78,143)	(68,597)
	<u><u>6,693,522</u></u>	<u><u>5,598,443</u></u>

Majority of the Group's trade receivables were denominated in RMB and Indian Rupees.

## 10. Inventories

	As of March 31, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Raw materials	7,873,601	7,343,118
Finished goods	14,445,192	19,112,105
Work in progress	2,316,633	2,068,834
Spare parts	1,267,307	1,156,825
Others	1,544,914	1,651,854
	<u>27,447,647</u>	<u>31,332,736</u>
Less: provision for impairment	(1,465,583)	(1,852,051)
	<u><u>25,982,064</u></u>	<u><u>29,480,685</u></u>

## 11. Borrowings

	As of March 31, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
<b>Included in non-current liabilities</b>		
Asset-backed securities	2,754,468	2,752,815
Fund raised through trusts	450,000	—
Secured borrowings	1,440,042	1,260,941
Unsecured borrowings	3,772,725	3,842,387
	<u>8,417,235</u>	<u>7,856,143</u>
<b>Included in current liabilities</b>		
Asset-backed securities	285,000	586,282
Fund raised through trusts	17,000	648,390
Unsecured borrowings	1,839,149	1,840,522
	<u>2,141,149</u>	<u>3,075,194</u>

For the three months ended March 31, 2019, the interest rate of the interest-bearing liabilities ranges from 4.35% to 9.00% per annum.

## 12. Other non-current liabilities

	As of March 31, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Investment from investors	2,823,504	2,823,504
Lease liabilities (Note 2)	612,301	—
Others	117,495	21,355
	<u>3,553,300</u>	<u>2,844,859</u>

### 13. Trade payables

Trade payables primarily include payables for inventories and royalty fees. As of March 31, 2019 and December 31, 2018, 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:

	<b>As of March 31, 2019 RMB'000 (Unaudited)</b>	<b>As of December 31, 2018 RMB'000 (Audited)</b>
Up to 3 months	<b>35,190,061</b>	44,312,748
3 to 6 months	<b>475,959</b>	1,656,699
6 months to 1 year	<b>270,773</b>	266,623
1 to 2 years	<b>79,604</b>	50,350
Over 2 years	<b>37,160</b>	851
	<b><u>36,053,557</u></b>	<b><u>46,287,271</u></b>

## OTHER INFORMATION

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

In January 2019, the Company repurchased a total of 19,972,200 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\$199,931,233. All the Shares Repurchased were subsequently cancelled on February 1, 2019. Particulars of the Shares Repurchased are as follows:

Date of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 17, 2019	6,140,000	9.79	9.74	59,941,940
January 18, 2019	9,849,600	10.20	10.08	99,999,996
January 22, 2019	3,982,600	10.06	10.00	39,989,297
<b>Total</b>	<u>19,972,200</u>			<u>199,931,233</u>

The number of Class B Shares in issue was reduced by 19,972,200 shares as a result of the cancellation of the Shares Repurchased. Upon cancellation of the Shares Repurchased, the weighted voting rights (“**WVR**”) beneficiaries of the Company simultaneously reduced their WVR in the Company proportionately by way of converting their Class A ordinary shares (“**Class A Shares**”) into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), such that the proportion of shares carrying WVR of the Company shall not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules. A total of 5,591,700 Class A Shares were converted into Class B Shares on a one-to-one ratio on February 1, 2019, of which Lei Jun, through Smart Mobile Holdings Limited, converted 3,587,263 Class A Shares and Lin Bin, through Bin Lin Trust, converted 2,004,437 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 period from January 1, 2019 to March 31, 2019.

### 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 period from January 1, 2019 to March 31, 2019.

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, Dr. Chen Dongsheng, Mr. Koh Tuck Lye and Mr. Wong Shun Tak) has reviewed the unaudited interim results of the Group for the three months ended March 31, 2019. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers.

### **Material Litigation**

As of March 31, 2019, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

### **Use of Proceeds from the Global Offering**

The gross proceeds received by the Company from the Global Offering (as defined in the prospectus of the Company dated June 25, 2018), including full exercise of the over-allotment option, were approximately HK\$27,811 million (equivalent to approximately RMB23,525 million), which will be utilized for the purposes as set out in the prospectus of the Company dated June 25, 2018.

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

Hong Kong, May 20, 2019

*As at the date of this announcement, the Board comprises Mr. Lei Jun as Chairman and Executive Director, Mr. Lin Bin as Executive Director, Mr. Koh Tuck Lye and Mr. Liu Qin as Non-executive Directors, and Dr. Chen Dongsheng, Dr. Lee Ka Kit and Mr. Wong Shun Tak as Independent Non-executive Directors.*