SUMMARY

This summary aims to give you an overview of the information contained in this **[REDACTED]**. *As this is a summary, it does not contain all the information that may be important to you. You should read the entire* **[REDACTED]** *before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

There are risks associated with any **[REDACTED]**. *Some of the particular risks in* **[REDACTED]** *are set out in the section headed "Risk Factors." You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

Xiaomi is an internet company with smartphones and smart hardware connected by an IoT platform at its core.

Our Mission

We relentlessly build amazing products with honest prices to let everyone in the world enjoy a better life through innovative technology.

Under the leadership of Lei Jun, Xiaomi was founded in 2010 by a group of accomplished engineers and designers, who believed that high-quality and well-designed technology products and services should be accessible to the world. To achieve this, we are unwavering in our pursuit of advances in innovation, quality, design, user experience and efficiency in an effort to provide the best technology products and services that are accessibly priced to our users.

Our Pledge: In order to achieve our mission, we pledge to our existing and potential users that starting in 2018, Xiaomi's hardware business (including smartphone, IoT and lifestyle products) will have an overall net profit margin that will not exceed 5% per year. If the net margin exceeds 5%, we will return the excess above 5% to our users.

Our Vision

Be friends with our users. Be the coolest company in the hearts of our users.

Our Core Values

Our core values are sincerity and passion.

Our values enable us to pursue and uphold our mission and vision. Our passion for our business drives us to pursue artisanal craftsmanship in all our products. We aspire for perfection in every detail, even if others may not notice immediately. Our sincerity drives us to place our users at the heart of everything we do and listen attentively to their every request. It motivates us to pursue efficiency in our business model in order to continuously provide our users with unparalleled value.

Our Mi Fans

We have a large and highly engaged global user base with approximately 190 million monthly active MIUI users as of March 2018. We believe that our user base is differentiated by our "Mi Fans," a large global community of passionate users who are intensely loyal to the Xiaomi brand, are highly engaged on our platform and actively contribute feedback and feature ideas to our product development. As of March 31, 2018, over 1.4 million users had more than five connected Xiaomi products (excluding smartphones and laptops). In addition, our users are very vocal on our MIUI forum, which has over nine million MAUs in March 2018. As of March 31, 2018, our users had collectively generated approximately 250 million posts on our MIUI forum since we launched it in August 2010.

Our Milestones

Our unique mission, vision and core values have made the following significant achievements possible since our inception in 2010:

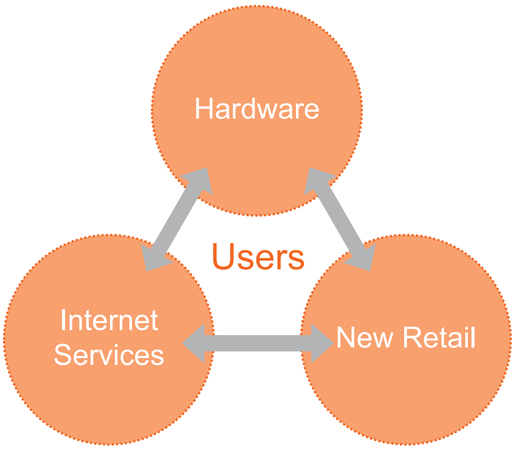
- 2012: Annual sales exceeded US$1 billion (two years after inception)
- 2014: Number one smartphone company in mainland China by unit shipments, according to IDC (three years after launching our first smartphone)

- 2014: Annual sales exceeded US$10 billion, four years after inception, which is the fastest in history, according to iResearch
- 2015: MIUI MAUs exceeded 100 million
- 2017: The world's largest consumer IoT platform in terms of the number of connected devices (excluding smartphones and laptops), according to iResearch
- 2017: Number one smartphone company in India by unit shipments in the fourth quarter of 2017, according to IDC (three and a half years after officially entering the India market)
- 2017: Fastest growing internet company and second fastest growing company globally, as measured by organic revenue growth compared to publicly-listed profitable companies with revenue of over RMB100 billion in 2017, according to iResearch

Our Business Model

Our Company is built on innovation and efficiency. As a company founded by engineers and designers, we embrace a culture of bold innovation to push the boundaries of what technology can offer. A spirit of innovation permeates our Company and guides everything we do. In addition, we are relentless in our pursuit of efficiency. We strive to achieve cost savings to deliver value back to our users.

Our unique and powerful "triathlon" business model comprises three synergistic pillars of growth—(i) innovative, high quality and well-designed hardware focused on exceptional user experience, (ii) highly efficient new retail allowing for our products to be priced accessibly and (iii) engaging internet services.



Hardware

We offer a broad range of hardware products developed in-house or in collaboration with our ecosystem partners. Innovation, quality, design and user experience are ingrained in all of our products regardless of whether they are developed in-house or in collaboration with our partners. We strive to offer our products at price points that are accessible to the widest user base to enjoy broad adoption and high retention. For our core in-house products, we focus on designing and developing a range of cutting-edge hardware products including smartphones, laptops, smart TVs, AI speakers and smart routers.

We curate a wide range of additional products by investing in and managing an ecosystem of over 210 companies, among which more than 90 companies were focused on the development of smart hardware and lifestyle products as of March 31, 2018. We had over 100 million connected devices, excluding smartphones and laptops, as of March 31, 2018. This active and integrated suite of connected technology products enhances the lives of our users and constitutes a proprietary delivery platform for our internet services. We also curate a range of lifestyle products to further drive brand awareness and traffic to our sales points.

New Retail

Our highly efficient omni-channel new retail distribution platform is a core component of our growth strategy, allowing us to operate efficiently while simultaneously extending our user reach and enhancing our users' experience. Since our inception, we have focused on direct online sales of our products to maximize efficiency and build a direct digital relationship with users. We were number one in terms of smartphone unit shipments online in both mainland China and India in the fourth quarter of 2017, according to IDC. Since 2015, we have significantly expanded our direct offline retail network, for example, through our self-operated Mi Home stores. Our direct offline retail capability allows us to broaden our reach and provide a richer user experience, while maintaining similar efficiency and the same product prices as our online channels. Our efficient omni-channel sales strategy enables us to provide our products at accessible price points to the largest user base.

Internet Services

We provide internet services to give our users a complete mobile internet experience. In March 2018, we had approximately 190 million MAUs on MIUI, our proprietary operating system built on the Android kernel. MIUI fully embraces the Android ecosystem, including all mobile apps. It functions as an open platform for us to deliver our wide range of internet services, such as content, entertainment, financial services and productivity tools. The connectivity between our devices and the seamless integration between hardware and internet services enable us to provide our users with better user experience. Furthermore, we have a proven track record of developing killer apps. In March 2018, we had 38 apps with more than 10 million MAUs and 18 apps with more than 50 million MAUs, including our Mi App Store, Mi Browser, Mi Music and Mi Video apps. Our users spent an average of approximately 4.5 hours per day on our smartphones in March 2018. Compared to other internet platforms that acquire new users at high costs, we leverage the sale of our hardware to acquire users at a profit.

Network Effects

Our unique and powerful triathlon business model comprises three synergistic pillars that are closely connected. We strive to offer killer products that are high quality, high performance, well designed and honestly priced. These products in turn bring additional traffic to our retail channels. We deliver our products to users at accessible prices through our highly efficient new retail channels such as our e-commerce platforms and our Mi Home stores. With our internet services, we closely engage and interact with users on our platform, thus increasing user stickiness and monetization opportunities.

Cloud, Big Data and Artificial Intelligence (AI)

We believe that the sheer amount of unique consumer and behavioral data created by our platform gives us a massive advantage in the field of big data and AI. As a result, we can leverage our understanding of each user's personalized needs and habits to provide customized recommendations and further improve our monetization ability. Our unified Xiaomi account service, launched in 2012, allows our users to get access to cloud services, shop online, enjoy content and many other services we provide. With prior user consent, we have accumulated more than 230PB of proprietary data on our cloud services as of March 31, 2018. Such data is stored in compliance with strict data privacy standards and data security requirements we have in place. See section headed "—Data Privacy and Protection." Since 2016, the privacy practice of our MIUI and Mi Store has been certified by TrustArc, a privacy compliance and risk management company that conducts comprehensive assessments of privacy policy and control measures. Our proprietary deep learning and AI capabilities together with the active user engagement on our platform, empower us to continuously improve our products and services. For example, our facial recognition technology, the core of our computer vision technology, forms a positive feedback loop with our users' activities such that an increasing amount of user data further improves the precision and efficiency of our algorithm. The entire process is based solely on collected user behavioral statistics and does not involve users' data privacy. Going forward, we will continue to launch new and smarter AI-enabled technology products and services such as our AI speaker, which was launched in July 2017.

Our Global Opportunities

Since our inception in 2010, we have continually grown our user base in mainland China through our pioneering business model. We have also successfully tailored our strategy internationally to new markets and are present in 74 countries and regions as of March 31, 2018. We have successfully achieved a foothold in key international markets. For example, we ranked number one in India in terms of smartphone unit shipments in the fourth quarter of 2017 and were also the top five in 15 markets, according to IDC.

As we expand our business globally, we have been able to achieve increasing profitability as we grow our revenue. During our Track Record Period, our revenue grew from RMB66.8 billion in 2015 to RMB114.6 billion in 2017. We had an adjusted non-IFRS profit of RMB5.4 billion in 2017, compared to an adjusted non-IFRS loss of RMB0.3 billion in 2015.

OUR INDUSTRY AND COMPETITIVE LANDSCAPE

We operate in the global smartphone, consumer internet of things, internet services and new retail industries, which are highly competitive and are characterized by significant barriers to entry.

There is a large and growing base of smartphone users globally. According to IDC, the total number of smartphone devices grew from 2,871.0 million in 2015 to 3,665.7 million in 2017, representing a CAGR of 13.0%. This is expected to reach 4,798.5 million by 2022, representing a CAGR of 5.5% between 2017 and 2022. Smartphone adoption is expected to increase globally, with the growth being driven by emerging markets. Shipment volume and smartphone adoption will be driven by devices that combine accessible price points with high performance and great user experience. Furthermore, there are significant barriers to entry into the smartphone market given the high upfront costs associated with research and development and the prototyping requirements to manufacture competitive devices. Given the current entrenched position of leading smartphone companies and their well-established brand recognition in the market, stabilized supply chain and established distribution channels, it is highly unlikely that new entrants will be able to compete and gain significant market share. Market entrants need to achieve significant scale in order to realize operating leverage and develop sustainable business models.

The global consumer IoT market is expected to continue to grow exponentially as a result of the advancement in sensor and device processor technology, allowing for internet connectivity to become a more standard feature across a range of consumer products. According to iResearch, the number of consumer IoT endpoints grew from 3.0 billion in 2015 to 4.9 billion in 2017, representing a CAGR of 27.7%. This is expected to reach 15.3 billion by 2022, representing a CAGR of 25.4% between 2017 and 2022. The large and rapidly growing base of IoT devices enables the collection of a vast amount of real-time data, which in turn furthers the development of various consumer applications. A successful consumer IoT strategy requires a company to offer not only high quality and well-designed products, but also a wide range of products that can be seamlessly connected by a single app, such as Mi Home app, in order to meet users' daily needs.

The internet is an indispensable tool for individuals to engage with the world. According to iResearch, the global internet services market grew from US$1,010.6 billion in 2015 to US$1,540.4 billion in 2017, representing a CAGR of 23.5%. This is expected to reach US$2,600.9 billion by 2022, representing a CAGR of 11.0%, which is driven by increasing mobile internet penetration, as smartphones become the primary medium through which consumers access the internet. The internet services market is highly competitive and occupied by a large amount of players offering competing services. Companies that have the ability to acquire and retain users through the sale of hardware devices increase their competitiveness in terms of lower customer acquisition cost, deeper engagement with users and enhanced data collection.

New retail can be understood as the seamless integration of online and offline retail channels through technology to drive efficiency. The integration of online and offline retail channels is highly synergistic and drives customer traffic, which improves overall sales efficiency. New retail also enhances cost efficiency through direct-to-consumer distribution via self-owned online and offline channels to reduce the need for additional distribution layers.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- Our founders;
- Passionate users;
- Triathlon business model;
- Innovation and design;
- Efficiency;
- Ecosystem;
- Cloud, big data and AI capabilities; and
- Global.

OUR STRATEGIES

To achieve our mission and further solidify our leadership, we intend to pursue the following strategies:

- Unwavering focus on innovation, quality, design and user experience;
- Maintain relentless efficiency;
- Expand killer product offerings;
- Enrich internet services;
- Invest in and expand our ecosystem; and
- Broaden international expansion.

WEIGHTED VOTING RIGHTS STRUCTURE

The Company will have a weighted voting rights structure, effective immediately upon the completion of the **[REDACTED]**. Under this structure, the Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder thereof to exercise 10 votes, and each Class B Share will entitle the holder thereof to exercise one vote, on any resolution tabled at the Company's general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote.

Immediately upon the completion of the Share Subdivision and the **[REDACTED]**, the WVR Beneficiaries, being the holders of the Class A Shares, will be Lei Jun and Lin Bin. Lei Jun will beneficially own **[REDACTED]** Class A Shares, representing approximately **[REDACTED]**% of the voting rights in the Company (assuming [the **[REDACTED]** is not exercised and] the options granted under the Pre- **[REDACTED]** ESOP are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. Lin Bin will beneficially own **[REDACTED]** Class A Shares, representing approximately **[REDACTED]**% of the voting rights in the Company (assuming [the **[REDACTED]** is not exercised and] the options granted under the Pre-**[REDACTED]** ESOP are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. For further details, please see the section headed "Share Capital—Weighted Voting Rights Structure."

The Company's WVR structure will enable the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This allows the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

Prospective **[REDACTED]** are advised to be aware of the potential risks of **[REDACTED]** in companies with WVR structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective **[REDACTED]** should make the decision to **[REDACTED]** in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to section headed "Risk Factors—Risks Relating to the **[REDACTED]**—The concentration of our Share ownership limits our shareholders' ability to influence corporate matters" and "Risk Factors—Risks Relating to the **[REDACTED]**—Holders of our Class A Shares may exert substantial influence over us and may not act in the best interests of our independent shareholders."

RISK FACTORS

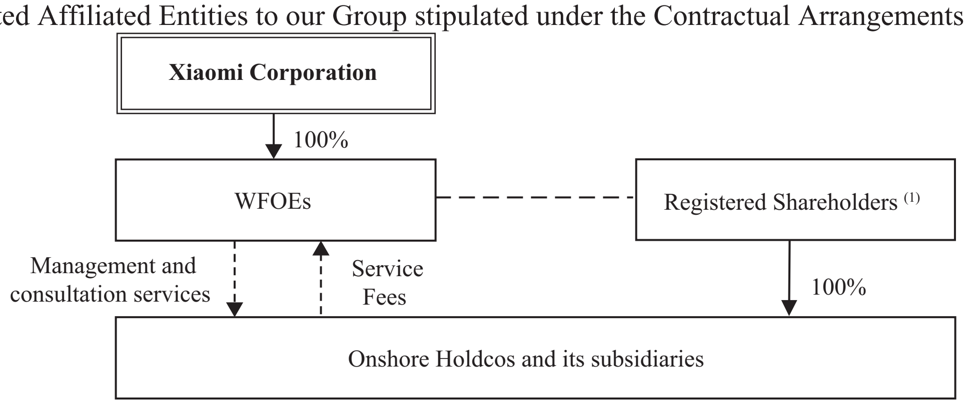
Our business and the **[REDACTED]** involve certain risks, which are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to **[REDACTED]** in our Shares. Some of the major risks we face are relating to:

- our ability to compete effectively in the global markets for our products and services, which are highly competitive and subject to rapid technological changes;
- our ability to effectively manage our growth or execute our strategies;
- our ability to maintain the trusted brand image of our products and services;
- our ability to successfully manage frequent product introductions and transitions;
- our ability to grow and retain our user base, as well as user engagement;
- the fact that we have incurred losses and had a net liability position in the past and we may continue to incur losses and may not be able to declare or pay dividends in the future;
- our ability to continue our growth trend;
- our limited operating history, which makes it difficult to evaluate our future prospects;
- the significant contribution of smartphones to our revenue; and
- our ability to retain existing or attract new advertising customers, to maintain and increase our wallet share of advertising budget and to collect accounts receivable in a timely manner.

CONTRACTUAL ARRANGEMENTS

Our Company operates or may operate in certain industries that are subject to restrictions under the current laws and regulations of mainland China. In order to comply with such laws, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements entered into on December 1, 2017, April 11, 2018 and April 17, 2018. Hence, we do not directly own any equity interest in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, we have effective control over the financial and operational policies of our Consolidated Affiliated Entities and are entitled to all the economic benefits derived from the Consolidated Affiliated Entities' operations. For further details, please see section headed "Contractual Arrangements."

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

(1) Registered Shareholders refer to the registered shareholders of the Onshore Holdcos, namely (i) Beijing Wali Culture, (ii) Rigo Design, (iii) Xiaomi Inc., (iv) Beijing Duokan, (v) Beijing Wali Internet, (vi) Xiaomi Pictures, and (vii) Beijing Electronic Software.

(i) Beijing Wali Culture is owned by Lei Jun (雷軍) as to 90% and Shang Jin (尚進) as to 10%.

(ii) Rigo Design is owned by Zhu Yin (朱印) as to 61% and Li Jiong (李炯) as to 39%.

(iii) Xiaomi Inc. is owned by Lei Jun as to 77.80%, Li Wanqiang (黎萬强) as to 10.12%, Hong Feng (洪鋒) as to 10.07% and Liu De (劉德) as to 2.01%.

(iv) Beijing Duokan is owned by Lei Jun as to 38.25% and Wang Chuan (王川) as to 61.75%.

(v) Beijing Wali Internet is owned by Lei Jun as to 10%, Liu Yang (劉泱) as to 65%, Liang Qiushi (梁秋實) as to 14%, Liu Jingyan (劉景岩) as to 6%, Yuan Bin (袁彬) as to 3% and Nan Nan (南楠) as to 2%.

(vi) Xiaomi Pictures is owned by Li Wanqiang as to 87.92%, Hong Feng as to 10.07% and Liu De as to 2.01%.

(vii) Beijing Electronic Software is owned by Lei Jun as to 90% and Hong Feng as to 10%.

(2) "—>" denotes direct legal and beneficial ownership in the equity interest.

(3) "--->" denotes contractual relationship.

(4) "----"denotes the control by WFOEs over the Registered Shareholders and the Onshore Holdcos through (1) powers of attorney to exercise all shareholders' rights in the Onshore Holdcos, (2) exclusive options to acquire all or part of the equity interests in the Onshore Holdcos and (3) equity pledges over the equity interests in the Onshore Holdcos.

MOFCOM published Draft FIL in January 2015, which stipulates restriction of foreign investment in certain industry sectors on the "catalog of special administrative measures," but did not specify the businesses to be included therein. The Draft FIL also provides that entities established in mainland China but "controlled" by foreign investors will be treated as foreign invested entities, whereas an entity organized in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as "controlled" by mainland China entities and/or citizens, would be treated as a mainland China domestic entity for investment purposes. As of the Latest Practicable Date, the Draft FIL was a draft only and there is no certainty whether, or timeline when, the Draft FIL will be promulgated and come into effect, and if so, whether it is to be promulgated in the current draft form after it undergoes through further enactment process. Please refer to the sections headed "Risk Factors—Risks Relating to Our Contractual Arrangements" and "Contractual Arrangements—Development in Mainland China Legislation on Foreign Investment" for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Share Subdivision and the **[REDACTED]**, Lei Jun, our executive Director, Founder, Chairman and Chief Executive Officer, will be interested in and will control, through various intermediary entities, **[REDACTED]** Class A Shares and **[REDACTED]** Class B Shares (assuming all Preferred Shares are converted into Class B Shares upon **[REDACTED]**). Assuming [the **[REDACTED]** is not exercised and] the options granted under the Pre-**[REDACTED]** ESOP are not exercised, Lei Jun's aggregated shareholding will be approximately **[REDACTED]**% of our issued share capital and he will hold approximately **[REDACTED]**% of the voting rights in the Company capable of being exercised on resolutions in general meetings (except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote). Therefore, Lei Jun will be a Controlling Shareholder after the **[REDACTED]**. Lei Jun holds his interests in the Company through two wholly-owned intermediary entities being Smart Mobile Holdings Limited and Smart Player Limited. Pursuant to the Voting Proxy Agreements, certain minority shareholders have also granted Lei Jun a voting proxy over Class B Shares representing **[REDACTED]**% of the issued share capital or **[REDACTED]**% of the voting rights of the Company immediately upon completion of the **[REDACTED]** (assuming [the **[REDACTED]** is not exercised and] the options granted under the Pre-**[REDACTED]** ESOP are not exercised) in relation to resolutions other than the Reserved Matters.

For further details about our Controlling Shareholders, please refer to the section headed "Relationship with the Controlling Shareholders."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this **[REDACTED]**. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this **[REDACTED]**, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

CONSOLIDATED INCOME STATEMENTS

	For the year ended December 31,					
	2015		2016		2017	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Revenue	66,811,258	100.0	68,434,161	100.0	114,624,742	100.0
Cost of sales	(64,111,325)	(96.0)	(61,184,806)	(89.4)	(99,470,537)	(86.8)
Gross profit	2,699,933	4.0	7,249,355	10.6	15,154,205	13.2
Selling and marketing expenses	(1,912,765)	(2.9)	(3,022,313)	(4.4)	(5,231,540)	(4.6)
Administrative expenses	(766,252)	(1.1)	(926,833)	(1.4)	(1,216,110)	(1.1)
Research and development expenses	(1,511,815)	(2.3)	(2,104,226)	(3.1)	(3,151,401)	(2.7)
Fair value changes on investments measured at fair value through profit or loss	2,813,353	4.2	2,727,283	4.0	6,371,098	5.6
Share of losses of investments accounted for using the equity method	(92,781)	(0.1)	(150,445)	(0.2)	(231,496)	(0.2)
Other income	522,436	0.8	540,493	0.8	448,671	0.4
Other (losses)/gains, net	(379,439)	(0.6)	(528,250)	(0.8)	72,040	0.1
Operating profit	1,372,670	2.0	3,785,064	5.5	12,215,467	10.7
Finance (expense)/income, net	(85,867)	(0.1)	(86,246)	(0.1)	26,784	0.0
Fair value changes of convertible redeemable preferred shares	(8,759,314)	(13.1)	(2,523,309)	(3.7)	(54,071,603)	(47.2)
(Loss)/profit before income tax	(7,472,511)	(11.2)	1,175,509	1.7	(41,829,352)	(36.5)
Income tax expenses	(154,519)	(0.2)	(683,903)	(1.0)	(2,059,763)	(1.8)
(Loss)/profit for the year	(7,627,030)	(11.4)	491,606	0.7	(43,889,115)	(38.3)
Non-IFRS Measure:						
Adjusted (loss)/profit (unaudited)(1)	(303,887)	(0.5)	1,895,657	2.8	5,361,876	4.7

Note:

(1) We define non-IFRS adjusted (loss)/profit as loss or 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 (loss)/profit is not a measure required by, or presented in accordance with, IFRS. The use of adjusted (loss)/profit has limitation 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 condition as reported under IFRS. See "Financial Information—Non-IFRS Measure: Adjusted (Loss)/Profit" for details.

The following tables set forth the reconciliations of our non-IFRS financial measure for the years ended December 31, 2017, 2016 and 2015 to the nearest measures prepared in accordance with IFRS:

	Year Ended December 31, 2017					
		Adjustments				
	As reported	Fair value changes of convertible redeemable preferred shares	Share-based compensation	Net fair value gains on investments(1)	Amortization of intangible assets resulting from acquisitions(2)	Non-IFRS
	(RMB in thousand, unless specified)					
(Loss)/Profit for the year	(43,889,115)	54,071,603	909,155	(5,732,151)	2,384	5,361,876
Net margin	(38.3)%					4.7%

	Year Ended December 31, 2016					
		Adjustments				
	As reported	Fair value changes of convertible redeemable preferred shares	Share-based compensation	Net fair value gains on investments[(1)]	Amortization of intangible assets resulting from acquisitions[(2)]	Non-IFRS
	(RMB in thousand, unless specified)					
(Loss)/Profit for the year	491,606	2,523,309	871,230	(1,992,999)	2,511	1,895,657
Net margin	0.7%					2.8%

	Year Ended December 31, 2015					
		Adjustments				
	As reported	Fair value changes of convertible redeemable preferred shares	Share-based compensation	Net fair value gains on investments[(1)]	Amortization of intangible assets resulting from acquisitions[(2)]	Non-IFRS
	(RMB in thousand, unless specified)					
(Loss)/Profit for the year	(7,627,030)	8,759,314	690,742	(2,130,169)	3,256	(303,887)
Net margin	(11.4)%					(0.5)%

Notes:

(1) Includes fair value gains on equity investments and preferred share investments, impairment provision for investments and remeasurement of loss of significant influence in an associate, net of tax.

(2) Represents amortization of intangible assets resulting from acquisitions, net of tax.

SELECTED CONSOLIDATED BALANCE SHEET DATA

	As of December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Total non-current assets	14,184,010	20,129,283	28,731,300
Total current assets	24,952,527	30,636,318	61,138,461
Total assets	39,136,537	50,765,601	89,869,761
Total non-current liabilities	109,310,565	116,760,214	169,947,781
Total current liabilities	16,464,280	26,063,262	47,132,671
Total liabilities	125,774,845	142,823,476	217,080,452
Net liabilities	(86,638,308)	(92,057,875)	(127,210,691)
Share capital	150	150	150
Reserves	(86,714,628)	(92,191,820)	(127,272,511)
Non-controlling interests	76,170	133,795	61,670
Total equity	(86,638,308)	(92,057,875)	(127,210,691)
Total equity and liabilities	39,136,537	50,765,601	89,869,761

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS DATA

	For the year ended December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Net cash (used in)/generated from operating activities	(2,601,311)	4,531,264	(995,669)
Net cash generated from/(used in) investing activities	873,395	(3,735,267)	(2,677,714)
Net cash generated from/(used in) financing activities	568,383	(72,141)	6,214,930
Net (decrease)/increase in cash and cash equivalents	(1,159,533)	723,856	2,541,547
Cash and cash equivalents at beginning of the year	9,264,955	8,394,078	9,230,320
Effects of exchange rate changes on cash and cash equivalents	288,656	112,386	(208,585)
Cash and cash equivalents at end of the year	8,394,078	9,230,320	11,563,282

KEY RATIOS/METRICS

The following table sets forth our key ratios/metrics for the periods indicated:

	For the Year Ended December 31,		
	2015	2016	2017
Total revenue growth (%)	N/A	2.4	67.5
Revenue growth for smartphones segment (%)	N/A	(9.2)	65.2
Number of smartphones sold (thousands)	66,546	55,419	91,410
Smartphone average selling price (RMB)	807.2	879.9	881.3
Revenue growth for IoT and lifestyle products segment (%)	N/A	42.9	88.9
Revenue of IoT and lifestyle products segment per smartphone sold (RMB)	130.6	224.0	256.5
Revenue growth for internet services segment (%)	N/A	101.8	51.4
End-of-the-period MIUI MAUs (millions)	112.2	134.8	170.8
Average internet services revenue per user[(1)] (RMB)	28.9	48.5	57.9
Gross margin for hardware[(2)] (%)	(0.2)	4.4	8.7
Gross margin for internet services segment (%)	64.2	64.4	60.2
Non-IFRS adjusted (loss)/profit[(3)] (RMB in thousands)	(303,887)	1,895,657	5,361,876
Non-IFRS net margin[(4)] (%)	(0.5)	2.8	4.7
Cash conversion cycle[(5)] (days)	(20)	(35)	(38)

Notes:

(1) Calculated as revenue for the internet services segment divided by end-of-the-period MIUI MAUs.

(2) Gross margin for hardware equals the sum of the gross profit for the smartphone segment and the IoT and lifestyle products segment divided by the total revenue from these two segments for the period indicated and multiplied by 100%.

(3) We define non-IFRS adjusted (loss)/profit as loss or 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.

(4) Represents non-IFRS adjusted (loss)/profit divided by the total revenue for the period indicated.

(5) Cash conversion cycle equals inventory turnover days, plus trade receivables turnover days, minus trade payables turnover days.

[REDACTED]

FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. Chinese laws require that dividends be paid only out of the profit for the year calculated according to Chinese accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. Chinese laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by us.

[REDACTED]

RECENT DEVELOPMENTS

Since the end of the Track Record Period and up to the date of this **[REDACTED]**, we have experienced significant revenue growth. We plan to continue to launch new products and services and expand internationally.

On April 2, 2018, we issued 63,959,619 Class B Shares (or **[REDACTED]** Class B Shares following the Share Subdivision) at par value to Smart Mobile Holdings Limited, an entity controlled by Lei Jun, to reward Lei Jun for his contributions to our Company.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this **[REDACTED]**, except as disclosed above, there has been no material adverse change in our financial or trading position or prospects since December 31, 2017, being the end date of the periods reported on in the Accountant's Report in Appendix I to this **[REDACTED]**, and there is no event since December 31, 2017 that would materially affect the information as set out in the Accountant's Report in Appendix I to this **[REDACTED]**.

[REDACTED]

[REDACTED]

USE OF [REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in relation to the **[REDACTED]** and taking into account **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per Share. We intend to use the **[REDACTED]** we will receive from this **[REDACTED]** for the following purposes:

- approximately 30% (approximately HK$**[REDACTED]**) for research and development as well as other efforts to develop our core in-house products, including our smartphones, smart TVs, laptops, AI speakers and smart routers;
- approximately 30% (approximately HK$**[REDACTED]**) for investments to expand and strengthen our ecosystem primarily in the fields of IoT and lifestyle products and mobile internet services, including AI;
- approximately 30% (approximately HK$**[REDACTED]**) for our global expansion; and
- approximately 10% (approximately HK$**[REDACTED]**) for working capital and general corporate purposes.

In the event that the **[REDACTED]** is set at the high point or the low point of the indicative **[REDACTED]** range, the **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately HK$**[REDACTED]**, respectively. Under such circumstances, we will increase or decrease the allocation of the **[REDACTED]** to the above purposes on a pro-rata basis.

[We will not receive **[REDACTED]** if the **[REDACTED]** is exercised. If the **[REDACTED]** is exercised in full, the **[REDACTED]** will receive the **[REDACTED]** for up to **[REDACTED]** additional **[REDACTED]** to be sold and transferred upon the exercise of the **[REDACTED]**.]