



Stock Codes: 1810 (HKD counter) and 81810 (RMB counter)

XIAOMI CORPORATION

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

2024 ANNUAL REPORT

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Shareholders who have chosen or are deemed to have consented to receive the corporate communications using electronic means and who have difficulty in receiving or gaining access to the annual report posted on the Company's website will promptly upon request be sent the annual report in printed form free of charge.

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CONTENTS

CORPORATE INFORMATION	4
FIVE-YEAR FINANCIAL SUMMARY	6
CHAIRMAN'S STATEMENT	8
MANAGEMENT DISCUSSION AND ANALYSIS	17
DIRECTOR'S REPORT	33
CORPORATE GOVERNANCE REPORT	88
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	110
INDEPENDENT AUDITOR'S REPORT	222
CONSOLIDATED FINANCIAL STATEMENTS	228
DEFINITIONS	370



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





CORPORATE INFORMATION

Board of Directors

Executive Directors

Lei Jun (雷軍) *(Chairman of the Board)*

Lin Bin (林斌) *(Vice Chairman of the Board)*

Liu De (劉德)

Non-Executive Director

Liu Qin (劉芹)

Independent Non-Executive Directors

Chen Dongsheng (陳東升)

Wong Shun Tak (王舜德)

Tong Wai Cheung Timothy (唐偉章) (resigned with effect from January 8, 2024)

Cai Jinqing (蔡金青) (appointed with effect from January 8, 2024)

Audit Committee

Wong Shun Tak (王舜德) *(Chairman)*

Liu Qin (劉芹)

Chen Dongsheng (陳東升)

Remuneration Committee

Chen Dongsheng (陳東升) *(Chairman)*

Lei Jun (雷軍)

Wong Shun Tak (王舜德)

Nomination Committee

Wong Shun Tak (王舜德) *(Chairman)* (appointed with effect from January 8, 2024)

Lin Bin (林斌)

Tong Wai Cheung Timothy (唐偉章) (resigned with effect from January 8, 2024)

Cai Jinqing (蔡金青) (appointed with effect from January 8, 2024)

Corporate Governance Committee

Chen Dongsheng (陳東升) *(Chairman)*

Wong Shun Tak (王舜德)

Tong Wai Cheung Timothy (唐偉章) (resigned with effect from January 8, 2024)

Cai Jinqing (蔡金青) (appointed with effect from January 8, 2024)

Joint Company Secretaries

So Ka Man (蘇嘉敏)

Liu Hao (劉灝)

Authorized Representatives

Lin Bin (林斌)

So Ka Man (蘇嘉敏)

Auditor

PricewaterhouseCoopers

Certified Public Accountants and Registered Public Interest Entity Auditor

22/F, Prince's Building, Central, Hong Kong

Registered Office

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Mainland China

Xiaomi Campus
Anningzhuang Road
Haidian District
Beijing
The People's Republic of China

Principal Place of Business in Hong Kong

Room 1928, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Hong Kong Legal Advisor

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Compliance Advisor

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Principal Banker

Shouti Technology Finance Sub-Branch,
Beijing Branch, China Merchants Bank

Stock Codes

1810 (HKD counter) and 81810 (RMB counter)

Company Website

www.mi.com

FIVE-YEAR FINANCIAL SUMMARY

Condensed consolidated statements of comprehensive income

		Year ended December 31,			
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	365,906,350	270,970,141	280,044,016	328,309,145	245,865,633
Gross profit	76,560,194	57,476,239	47,577,190	58,260,941	36,751,862
Operating profit	24,502,896	20,008,670	2,816,498	26,028,664	24,034,729
Profit before income tax	28,126,653	22,011,047	3,933,956	24,417,033	21,633,432
Profit for the year	23,578,449	17,474,196	2,502,568	19,283,235	20,312,710
Profit attributable to owners of the Company	23,658,126	17,475,173	2,474,030	19,339,321	20,355,504
Total comprehensive income for the year	24,338,685	18,510,061	6,247,923	17,879,021	17,949,889
Total comprehensive income attributable to owners of the Company	24,407,696	18,507,548	6,201,669	17,940,990	17,986,452
Non-IFRS Measure: Adjusted net profit	27,234,531	19,272,754	8,518,007	22,039,474	13,006,363

Condensed consolidated balance sheets

		As of December 31,			
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	177,446,523	125,194,739	113,092,416	107,040,469	77,396,988
Current assets	225,708,766	199,052,700	160,414,795	185,851,401	176,282,835
Total assets	403,155,289	324,247,439	273,507,211	292,891,870	253,679,823
Equity and liabilities					
Equity attributable to owners of the Company	188,737,777	163,995,489	143,658,458	137,212,906	123,691,696
Non-controlling interests	467,342	266,279	264,602	219,590	321,819
Total equity	189,205,119	164,261,768	143,923,060	137,432,496	124,013,515
Non-current liabilities	38,565,180	44,398,075	39,956,618	39,731,903	21,739,380
Current liabilities	175,384,990	115,587,596	89,627,533	115,727,471	107,926,928
Total liabilities	213,950,170	159,985,671	129,584,151	155,459,374	129,666,308
Total equity and liabilities	403,155,289	324,247,439	273,507,211	292,891,870	253,679,823

xiaomi**Year ended December 31, 2024****Total revenue**
365.9
RMB billion
**Smartphone × AIoT
segment⁽¹⁾ revenue**
333.2
RMB billion
**Smart EV and
other new initiatives
segment⁽¹⁾ revenue**
32.8
RMB billion
**Gross profit margin**
20.9%
**Smartphone
shipments**
168.5
million units
**Connected IoT
devices⁽²⁾**
904.6
million units
**Global MAU⁽³⁾**
702.3
million
**Smart EV deliveries**
136,854
vehicles

Notes:

(1) Since the second quarter of 2024, we have updated our business into two main business segments, including smartphone × AIoT segment, and smart EV and other new initiatives segment. The smartphone × AIoT segment encompasses smartphones, IoT and lifestyle products, internet services and other related business. The smart EV and other new initiatives segment encompasses smart EV and other related business.

(2) As of December 31, 2024, excluding smartphones, tablets and laptops.

(3) In December 2024, global monthly active users including smartphones and tablets.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our annual report for the year ended December 31, 2024 to the shareholders.

Business Review and Outlook



OVERALL PERFORMANCE



SMARTPHONE X AIOT



SMART EV AND
OTHER NEW INITIATIVES



CORPORATE SOCIAL
RESPONSIBILITY

1. Overall performance

As we continue to execute our operating strategy of “steadfastly forging ahead” and strengthen our capabilities, all of our business segments have achieved significant growth in 2024. Total revenue for the year reached a record high of RMB365.9 billion, representing an increase of 35.0% year-over-year. In 2024, revenue of our Smartphone x AIoT segment reached RMB333.2 billion, up 22.9% year-over-year; revenue of our smart Electric Vehicle (“EV”) and other new initiatives segment reached RMB32.8 billion. In 2024, our adjusted net profit reached a record high of RMB27.2 billion, up 41.3% year-over-year, which included RMB6.2 billion in adjusted net loss related to our smart EV and other new initiatives¹.

¹ Excluding share-based compensation expenses (SBC) of RMB0.9 billion and other non-recurring profit or loss related to smart EV and other new initiatives for the year.

In 2024, we continued to advance our corporate strategy of “Human × Car × Home”. According to Canalys, in 2024, our smartphone shipments ranked among the top three globally for the four consecutive years with a market share of 13.8%, an increase of 1.0 percentage point year-over-year. In December 2024, our global monthly active users (“MAU”)² reached another record high of 702.3 million, up 9.5% year-over-year. As of December 31, 2024, the number of connected IoT devices on our AIoT platform (excluding smartphones, tablets and laptops) increased to 904.6 million, up 22.3% year-over-year. Our smart EV business is making remarkable progress. As of December 31, 2024, we have delivered a total of 136,854 *Xiaomi SU7 Series* vehicles.

Our goal for the next decade of 2020–2030 is to invest in foundational core technologies and to become a global leader in the evolving realm of cutting-edge technologies. In 2024, our R&D expenses increased by 25.9% year-over-year to RMB24.1 billion. As of December 31, 2024, we had 21,190 research and development personnel, accounting for 48.5% of our total employees. In addition, we continued to extend our intellectual property capabilities. As of December 31, 2024, we had obtained over 42,000 patents worldwide, including more than 1,000 patents in EV-related technologies.

In 2024, we continued to deepen our efforts in technological innovation and continued to introduce new and innovative products to our users. In terms of software, in October 2024, we introduced Xiaomi HyperOS 2, featuring three core technologies including HyperCore, HyperConnect and HyperAI, offering a fresh, advanced experience in fundamental functionality, cross-device smart connectivity, and AI functions. We also fully embrace the rapid developments of the AI industry and strive to integrate cutting-edge AI technology into our products and operations. We have significantly enhanced our AI infrastructure investments and solidified our fundamental capability. In terms of core technology developments, we use foundation models as our strategic cornerstone while applying continuous innovations across multiple modalities including computer vision, audio and speech processing. We integrate AI into Xiaomi HyperOS 2, bringing AI technologies across our Smartphones, Smart home devices and Smart EVs, empowering our “Human × Car × Home” strategy and continuously enhancing users’ intelligent experience. Meanwhile, we integrate AI in all aspects of our internal business operations to optimize efficiency across manufacturing, sales, customer services, and employee workflows.

2 Including smartphones and tablets.

In 2024, we achieved significant breakthroughs in our premiumization strategy. According to third-party data, in 2024, our premium smartphone³ shipments accounted for 23.3% of our total smartphone shipments in mainland China, representing an increase of 3.0 percentage points year-over-year. According to third-party data, in 2024, our market share in the RMB4,000–5,000 segment in mainland China ranked No. 1, reaching 24.3% with an increase of 0.2 percentage points year-over-year. Our market share in the RMB5,000–6,000 segment in mainland China reached 9.7%, up 1.3 percentage points year-over-year.

We continued to expand our global footprint while deepening our penetration worldwide. In 2024, our revenue from overseas markets reached RMB153.3 billion, accounting for 41.9% of our total revenue or 46.0% of our Smartphone × AIoT segment revenue. According to Canalys, in 2024, our smartphone shipments ranked among the top three across 56 countries and regions globally and ranked among the top five across 69 countries and regions globally. In particular, we achieved significant growth in our smartphone market share in Africa, Southeast Asia and the Middle East in 2024, increasing by 2.4 percentage points, 2.0 percentage points, and 1.5 percentage points year-over-year respectively, reaching 11.3%, 16.1%, and 18.6%.

The year 2024 marks the acceleration and ecosystem upgrades of our new retail strategy in mainland China, aided by our “Human × Car × Home” strategy. As of December 31, 2024, the number of our offline retail stores in mainland China reached nearly 15,000. According to third-party data, in 2024, our market share of smartphone shipments through offline channels in mainland China was 10.3%, up 1.9 percentage points year-over-year. In 2025, we position our new retail strategy as the Year of Balanced Expansion. We will expand our store network across mainland China, in particular focusing on the deployment of large-format stores, while enhancing the operations of our offline retail network. Meanwhile, we expect to expand approximately 10,000 new Mi Home stores overseas in the next five years.

We have achieved solid margins and profitability in 2024. Our gross profit margin reached 20.9% at the Group level. The gross profit margin of our Smartphone × AIoT segment reached 21.2%. The gross profit margin of our smart EV and other new initiatives segment reached 18.5%. Owing to our relentless efforts in cost saving and efficiency enhancements, the Group’s overall operating expense ratio reached 15.0% in 2024, a decrease of 1.0 percentage point year-over-year. The operating expense ratio of our Smartphone × AIoT segment reached 12.6%, a decrease of 0.7 percentage points year-over-year. In 2024, our adjusted net profit reached record high of RMB27.2 billion, up 41.3% year-over-year. We have also been actively repurchasing our shares in the open market, and we repurchased HKD3.7 billion, or 249.2 million shares, in 2024.

3 Premium smartphones in mainland China are models with retail prices at or above RMB3,000.

2. Smartphone × AIoT

In 2024, revenue from our Smartphone × AIoT segment reached RMB333.2 billion, up 22.9% year-over-year. The gross profit margin of our Smartphone × AIoT segment was 21.2%, similar to the levels in 2023. The average selling price (“ASP”) of our smartphones reached RMB1,138.2 in 2024, up 5.2% year-over-year and a record high.

Smartphones

In 2024, our smartphone revenue reached RMB191.8 billion, up 21.8% year-over-year, with a gross profit margin of 12.6%. Our global smartphone shipments reached 168.5 million units, up 15.7% year-over-year. According to Canalys, in 2024, we maintained our No. 3 global smartphone shipment ranking with a 13.8% market share.

We continued to execute our dual-brand strategy. Under the Xiaomi brand, in July 2024, we unveiled the *Xiaomi MIX Fold 4* and our first compact foldable smartphone, the *Xiaomi MIX Flip*. The *Xiaomi MIX Fold 4* features our proprietary hinge 2.0, and adopts “all-carbon architecture”⁴, which significantly enhances overall strength and durability and considerably reduces weight. Equipped with a 4.01-inch outer display, the *Xiaomi MIX Flip*, our first compact foldable smartphone, seamlessly supports over 200 of the most popular mobile applications. The *Xiaomi MIX Flip*, powered by the Snapdragon 8 Gen 3 Mobile Platform, features a 4,780mAh Xiaomi Surge battery and a dual-camera system with Leica optical lenses, blending stylish design with advanced technological features and dual-camera flagship performance. In October 2024, we unveiled the *Xiaomi 15 Series*.⁵ Running on Xiaomi HyperOS 2, the *Xiaomi 15 Series* debuts the Snapdragon 8 Elite mobile platform processor, and also boasts three professional Leica lenses and an energy-efficient high-brightness screen. Powered by the Xiaomi Surge battery, the *Xiaomi 15 Series* introduces an ultrasonic under-display fingerprint unlocking feature for the first time, further elevating the overall user experience. In February and March 2025, we launched *Xiaomi 15 Ultra* sequentially in Mainland China and overseas markets. The *Xiaomi 15 Ultra* features a new Leica Ultra-Pure Optical System with a 1-inch main camera and a Leica 200MP super-telephoto lens to upgrade imaging performance. The *Xiaomi 15 Ultra* is powered by the Snapdragon 8 Elite mobile platform processor and a 6,000mAh Xiaomi Surge battery to elevate the flagship performance.

⁴ The hinge floating plate, display backing plate and middle plate battery compartment are all precision-molded from T800H carbon fiber material.

⁵ Including *Xiaomi 15*, *Xiaomi 15 Pro*, *Xiaomi 15 Custom Edition* and *Xiaomi 15 Limited Edition*.

Under the Redmi brand, in July 2024, we unveiled the *Redmi K70 Ultra Series*, powered by MediaTek Dimensity 9300+ chipset, a collaborative innovation from the Redmi x MediaTek Joint Laboratory, alongside the Rage Gaming D1 chip that works as a display processor. In addition, the *Redmi K70 Ultra* incorporates our next-generation 3D “ice-sealed cooling system”, ensuring enhanced performance stability across all features. The *Redmi K70 Ultra* also debuts our innovative Xiaomi Ceramic Glass for the first time, featuring an upgraded IP68 rating for water resistance up to 2 meters. In November 2024, we unveiled the *Redmi K80 Series*. Powered by the Snapdragon 8 Gen 3 mobile platform, the *Redmi K80* shipped with Xiaomi HyperOS 2, featuring a 2K flagship eye-protection display, the 6,550mAh Xiaomi Surge battery and our dual-loop 3D “ice-sealed cooling system.” The cumulative sales of the *Redmi K80 Series* exceeded 3.6 million within 100 days⁶ after launch.

IoT and lifestyle products

In 2024, our IoT and lifestyle products revenue have exceeded RMB100 billion in sales for the first time, and reached RMB104.1 billion, up 30.0% year-over-year, and gross profit margin reached 20.3%, up 3.9 percentage points year-over-year. Both revenue and gross profit margin hit record highs.

As of December 31, 2024, the number of connected IoT devices (excluding smartphones, tablets and laptops) on our AIoT platform reached 904.6 million, up 22.3% year-over-year; the number of users with five or more devices connected to our AIoT platform (excluding smartphones, tablets and laptops) reached 18.3 million, up 26.1% year-over-year. In December 2024, the MAU of our Mi Home App grew to 100.8 million, up 17.5% year-over-year. The MAU of our AI Assistant (“小愛同學”)⁷ grew to 137.1 million, up 12.0% year-over-year.

In 2024, our smart large home appliances sustained a robust growth trajectory. Our air conditioner shipments exceeded 6.8 million units, up over 50% year-over-year; our refrigerator shipments exceeded 2.7 million units, up over 30% year-over-year; and our washing machine shipments exceeded 1.9 million units, up over 45% year-over-year. In particular, the shipments of air conditioners, refrigerators and washing machines all reached record highs. We continue to pursue our premiumization strategy in IoT and lifestyle products. In October 2024, we unveiled the *Mijia Top-Outlet Pro 1.5HP Air Conditioner* and *Mijia Dual-drum Washer Dryer Washing Machine*, both of which incorporated new innovations that contributed to their huge successes. In February 2025, we launched *Mijia Central Air Conditioner Pro*, featuring twin-cylinder design in the compressor for air supply with Level 1+ Energy Efficiency⁸. Also *Mijia Central Air Conditioner Pro* can be controlled by Xiaomi’s Mijia Lingyun smart home, which can intelligently detect best modes depending on the current room conditions.

⁶ Based on sales data recorded from 20:40:00 Beijing time on November 27, 2024 to 10:00:00 Beijing time on March 4, 2025.

⁷ Including smart EV.

⁸ Level 1+ energy efficiency: This product has been certified by Hefei General Machinery Product Certification Co., Ltd. in accordance with the requirements of the “GC/JG5151[0/A] Multi-Split Heat Pump [Air Conditioning] Unit Super First-Class Energy Efficiency Characteristic Certification Technical Specification” and GC009G08 “Product Characteristic Certification Implementation Rules.” Certificate Number: GC25TX002000082.

We enhanced our after-sales services capability in 2024 with a comprehensive upgrade to our home appliances disassembly, delivery and installation services. In June 2024, we introduced one-stop services for air conditioners, addressing users' needs by enabling the completion of all three services in a single visit. We continue to promote our after-sales services across various categories and regions. By December 31, 2024, we have upgraded the one-stop services for six core categories, including air conditioners, smart TVs, refrigerators, washing machines, water heaters and smart door locks, covering 2,898 districts and counties nationwide.

In 2024, our tablets sustained its strong growth trajectory. According to Canalys, in 2024, our global tablet shipments grew by 73.1% year-over-year. We achieved the fastest growth among the top 5 brands, maintaining our No. 5 ranking globally and No. 3 ranking in mainland China. We continued to maintain our leading edge in wearables in 2024. According to Canalys, in 2024, our wearable bands⁹ shipments ranked No. 2 both globally and in mainland China, and our TWS earbud shipments ranked No. 1 in mainland China. In February 2025, we launched the *Xiaomi Buds 5 Pro*. In terms of audio performance, the product features a dual-amplifier triple-speaker acoustic system with a coaxial triple-speaker layout to minimize sound distortion. For noise cancellation, it supports 55dB deep active noise reduction (ANC) across a super-wideband frequency range of up to 5 kHz. It also has the ability to record, transcribe and translate conversations in real-time by using AI technology.

Internet services

In 2024, our internet services reached record highs in both revenue and gross profit margin. In 2024, our internet services revenue reached RMB34.1 billion, an increase of 13.3% year-over-year. The gross profit margin of our internet service reached 76.6%, an increase of 2.5 percentage points year-over-year.

Our internet user base continued to expand. Our MAU globally and in mainland China both hit record highs. In December 2024, our global MAU reached 702.3 million, up 9.5% year-over-year, and our MAU in mainland China reached 172.9 million, up 11.1% year-over-year. In December 2024, the global MAU of our smart TV¹⁰ reached 70.7 million, up 7.1% year-over-year.

In 2024, we achieved advertising revenue of RMB24.7 billion, an increase of 20.5% year-over-year.

In 2024, we continued to strengthen our global presence. In 2024, overseas internet services revenue reached RMB11.0 billion, with an increase of 30.0% year-over-year. Overseas internet services revenue accounted for 32.2% of our total internet services revenue, up 4.1 percentage points year-over-year.

9 Including basic bands, basic watches and smart watches.

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

3. Smart EV and Other New Initiatives

In 2024, revenue from our smart EV and other new initiatives reached RMB32.8 billion, which consisted of RMB32.1 billion from smart EV and RMB0.7 billion from other related businesses. In 2024, the gross profit margin of our smart EV and other new initiatives segment reached 18.5%. In 2024, the adjusted net loss related to our smart EV and other new initiatives reached RMB6.2 billion¹¹.

Year 2024 marked the first year of our smart EV launch. In March 2024, we officially launched our first smart EV product. Positioned as a “full-size high performance eco-technology sedan”, the Xiaomi SU7 Series includes three models: *Xiaomi SU7*, *Xiaomi SU7 Pro* and *Xiaomi SU7 Max*. In 2024, the deliveries of the *Xiaomi SU7 Series* reached 136,854 vehicles. We will continue to ramp up production and ensure delivery, striving to achieve the target of delivering 350,000 vehicles in 2025.

We continued to expand our sales and service network. As of December 31, 2024, we opened 200 smart EV sales centers across 58 cities in mainland China.

We are committed to investing in foundational core technologies in the smart EV business, continuously advancing in areas such as assisted driving, smart cabin, electric powertrain system, and smart chassis. In the field of assisted driving, we have progressively rolled out the Highway Navigate on Autopilot (Highway NOA), City Navigate on Autopilot (City NOA), and Xiaomi Hyper Assisted Driving (Xiaomi HAD)¹² based on an End to End and large-scale visual Language Model (VLM) in 2024, achieving full-scenario assisted driving experience. The smart cabin leverages the interconnectivity capabilities of Xiaomi HyperOS to enable seamless interaction with smartphones, in-car systems, and smart home devices, integrating a fully connected “Human × Car × Home” ecosystem. At the hardware level, we have made continuous innovations in motor design, material strength, and thermal efficiency. Our independently developed Xiaomi HyperEngine V8s, featuring a 27,200 rpm ultra-high-speed rotation, has been mass-produced and integrated into our *Xiaomi SU7 Ultra*. In November 2024, we unveiled our advanced smart chassis technologies, featuring Xiaomi Fully Active Suspension, the Xiaomi Super Quad Motor System, the Xiaomi 48V brake-by-wire system, and Xiaomi 48V steer-by-wire technology.

11 Excluding share-based compensation expenses (SBC) of RMB0.9 billion and other non-recurring profit or loss related to smart EV and other new initiatives for the year.

12 Xiaomi Hyper Assisted Driving.

In February 2025, our *Xiaomi SU7 Ultra* was officially launched, positioned as a high-performance luxury vehicle that also excels on the racetrack. *Xiaomi SU7 Ultra* features a newly designed luxury cockpit, incorporating over 5m² of Alcantara fabric throughout the interior and offering 21 optional components made of carbon fiber. It is powered by our trimotor system and can generate a maximum horsepower of 1,548PS, and accelerate from 0 to 100km/h in just 1.98s with a top speed over 350km/h. With a starting price of RMB529,900, *Xiaomi SU7 Ultra*s pre-orders exceeded 19,000 units, and locked-in orders exceeded 10,000 units within the first 3 days after launch¹³.

4. Corporate social responsibility (CSR)

We actively fulfill our corporate social responsibility and are deeply committed to driving low-carbon development. In April 2024, we unveiled the Xiaomi Corporation 2023 Environmental, Social and Governance (ESG) Report which we have released for the 6th consecutive year. The report covers our diverse ESG-related endeavors, including the exploration and accessibility of technology, data security and privacy protection, sustainable supply chain, climate mitigation and adaptation, corporate governance, and business ethics, among others. Our Environmental, Social and Governance (ESG) endeavors have continued to receive recognition from global authorities. We included in S&P Global's Sustainability Yearbook (China Edition) 2024 in July 2024. In September 2024, we were included in the Forbes 2024 China ESG 50 list. In October 2024, MSCI upgraded our ESG rating from BB to BBB, recognizing our efforts to enhance our corporate governance and environmental risk management, marking two consecutive years of improvement in our rating. In December 2024, we were awarded "Exemplary ESG Enterprises in China" by China Media Group for our leadership in low-carbon development, people-centered innovation, and technology-driven empowerment. This honor highlights our dedication to social responsibility, serving as a catalyst for our mission to establish ourselves as a global ESG leader in China's technology sector. In January 2025, we have secured the Gold Medal for the two consecutive years by EcoVadis as top 2% globally.

13 Based on data recorded as of 17:00:00 Beijing time on March 2, 2025.

In October 2024, we hosted the Xiaomi Foundation's 5th Anniversary Forum in Beijing. Founded in 2019 by a donation from Xiaomi Corporation, the Xiaomi Foundation has dedicated the past five years to contributing to society in three key areas: technology innovation, talent development, and poverty and disaster relief. Focusing on these priorities, as of December 31, 2024, Xiaomi Foundation has cumulatively donated RMB650 million, with pledged donations totaling more than RMB1.7 billion in technology innovation and talent development. We will continue to deliver eco-friendly, smart, and sustainable technological solutions with profound social responsibility, ensuring that the benefits of green innovation reach broader audiences and let everyone in the world enjoy a better life through innovative technology.

Our Pledge

Our mission is to relentlessly build amazing products with honest prices to let everyone in the world enjoy a better life through innovative technology. To achieve this, as approved by our Board in May 2018, we pledged to our existing and potential users that starting from 2018, the Xiaomi Hardware Business ("HB"), including smartphones, IoT and lifestyle products, and smart EV and other new initiatives¹⁴, would have an overall net profit margin that would not exceed 5.0% per year. If the net margin exceeds 5.0%, we will return the excess above 5.0% to our users. In 2024, the overall net margin of our hardware business was 1.0%, fulfilling our pledge. (For the definition of hardware business net margin, please refer to Hardware Business Net Margin.)

Lei Jun

Chairman

Hong Kong

March 18, 2025

14 Since 2024, the Xiaomi HB includes smartphones, IoT and lifestyle products and smart EV and other new initiatives.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

The following table sets forth the comparative figures for the years ended December 31, 2024 and 2023:

	Year ended December 31,	
	2024	2023
	(RMB in millions)	
Revenue	365,906.4	270,970.1
Cost of sales	(289,346.2)	(213,493.9)
Gross profit	76,560.2	57,476.2
Research and development expenses	(24,050.5)	(19,097.7)
Selling and marketing expenses	(25,389.6)	(19,226.5)
Administrative expenses	(5,601.2)	(5,126.8)
Fair value changes on financial instruments measured at fair value through profit or loss	1,050.8	3,501.1
Share of net profits of investments accounted for using the equity method	276.8	45.6
Other income	1,666.8	740.1
Other (losses)/gains, net	(10.4)	1,696.7
Operating profit	24,502.9	20,008.7
Finance income, net	3,623.8	2,002.3
Profit before income tax	28,126.7	22,011.0
Income tax expenses	(4,548.3)	(4,536.8)
Profit for the year	23,578.4	17,474.2
Non-IFRS Measure: Adjusted net profit	27,234.5	19,272.8

Revenue

Revenue increased by 35.0% to RMB365.9 billion for the year ended December 31, 2024, compared to RMB271.0 billion for the year ended December 31, 2023. The following table sets forth our revenue by segment for the year ended December 31, 2024 and the year ended December 31, 2023:

	Year ended December 31,			
	2024		2023	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphone x AIoT	333,152.8	91.0%	270,970.1	100.0%
Smart EV and other new initiatives	32,753.6	9.0%	—	—
Total revenue	365,906.4	100.0%	270,970.1	100.0%

Smartphone × AIoT

Revenue from our smartphone × AIoT segment increased by 22.9% from RMB271.0 billion for the year ended December 31, 2023 to RMB333.2 billion for the year ended December 31, 2024. The following table sets forth our revenue by line of our smartphone × AIoT segment for the year ended December 31, 2024 and the year ended December 31, 2023:

	Year ended December 31,			
	2024		2023	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphone × AIoT				
Smartphones	191,759.3	52.4%	157,461.3	58.1%
IoT and lifestyle products	104,103.9	28.5%	80,107.7	29.6%
Internet services	34,115.4	9.3%	30,107.5	11.1%
Other related businesses	3,174.2	0.8%	3,293.6	1.2%
Total revenue of smartphone × AIoT segment	333,152.8	91.0%	270,970.1	100.0%

(i) Smartphones

Revenue from our smartphones increased by 21.8% from RMB157.5 billion for the year ended December 31, 2023 to RMB191.8 billion for the year ended December 31, 2024, primarily due to the increase in both our smartphone shipments and ASP. Our smartphone shipments increased by 15.7% from 145.6 million units for the year ended December 31, 2023 to 168.5 million units for the year ended December 31, 2024, outperforming the 7.1% year-over-year increase in global smartphone shipments for the year ended December 31, 2024, according to Canalys. The ASP of our smartphones increased by 5.2% from RMB1,081.7 per unit for the year ended December 31, 2023 to RMB1,138.2 per unit for the year ended December 31, 2024, primarily due to the higher contribution from our premium smartphone shipments in the global market.

(ii) IoT and lifestyle products

Revenue from our IoT and lifestyle products increased by 30.0% from RMB80.1 billion for the year ended December 31, 2023 to RMB104.1 billion for the year ended December 31, 2024, primarily due to the increased revenue from smart large home appliances, tablets, wearables and certain lifestyle products.

Revenue from our smart large home appliances increased by 56.4% year-over-year, primarily due to the increased shipments of our air conditioners, refrigerators and washing machines.

Revenue from our tablets increased by 52.1% year-over-year, primarily due to the increased shipments in the overseas markets.

Revenue from our wearables increased by 44.1% year-over-year, primarily due to the increased shipments of our smart watches and TWS earbuds.

(iii) Internet services

Revenue from our internet services increased by 13.3% from RMB30.1 billion for the year ended December 31, 2023 to RMB34.1 billion for the year ended December 31, 2024, primarily due to the increased revenue from our advertising business.

(iv) Other related businesses

Revenue from our other related businesses decreased by 3.6% from RMB3.3 billion for the year ended December 31, 2023 to RMB3.2 billion for the year ended December 31, 2024, primarily due to the decreased revenue from sales of materials, partially offset by the increased revenue from installation services provided for air conditioners.

Smart EV and Other New Initiatives

Revenue from our smart EV and other new initiatives segment was RMB32.8 billion for the year ended December 31, 2024.

Revenue from our smart EV was RMB32.1 billion for the year ended December 31, 2024. For the year ended December 31, 2024, we have delivered 136,854 *Xiaomi SU7 Series* vehicles. The ASP of our smart EV was RMB234,479 per unit.

Revenue from our other related businesses was RMB0.7 billion for the year ended December 31, 2024.

Cost of Sales

Our cost of sales increased by 35.5% from RMB213.5 billion for the year ended December 31, 2023 to RMB289.3 billion for the year ended December 31, 2024. The following table sets forth our cost of sales by segment for the year ended December 31, 2024 and the year ended December 31, 2023:

	Year ended December 31,			
	2024		2023	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphone × AIoT	262,642.9	71.8%	213,493.9	78.8%
Smart EV and other new initiatives	26,703.3	7.3%	—	—
Total cost of sales	289,346.2	79.1%	213,493.9	78.8%

Smartphone × AIoT

Cost of sales related to our smartphone × AIoT segment increased by 23.0% from RMB213.5 billion for the year ended December 31, 2023 to RMB262.6 billion for the year ended December 31, 2024. The following table sets forth our cost of sales by line of our smartphone × AIoT segment for the year ended December 31, 2024 and the year ended December 31, 2023:

	Year ended December 31,			
	2024		2023	
	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)			
Smartphone × AIoT				
Smartphones	167,505.5	45.8%	134,480.7	49.6%
IoT and lifestyle products	83,011.8	22.7%	67,029.1	24.7%
Internet services	7,968.6	2.2%	7,773.5	2.9%
Other related businesses	4,157.0	1.1%	4,210.6	1.6%
Total cost of sales of smartphone × AIoT segment	262,642.9	71.8%	213,493.9	78.8%

(i) Smartphones

Cost of sales related to our smartphones increased by 24.6% from RMB134.5 billion for the year ended December 31, 2023 to RMB167.5 billion for the year ended December 31, 2024, primarily due to the increased sales of our smartphones and the increased price of key components.

(ii) IoT and lifestyle products

Cost of sales related to our IoT and lifestyle products increased by 23.8% from RMB67.0 billion for the year ended December 31, 2023 to RMB83.0 billion for the year ended December 31, 2024, primarily due to the increased sales of our IoT and lifestyle products.

(iii) Internet services

Cost of sales related to our internet services increased by 2.5% from RMB7.8 billion for the year ended December 31, 2023 to RMB8.0 billion for the year ended December 31, 2024, primarily due to the increased cost of our advertising business.

(iv) Other related businesses

Cost of sales related to our other related businesses remained stable at RMB4.2 billion for the year ended December 31, 2024 compared to the year ended December 31, 2023, primarily due to the decreased cost from sales of materials, partially offset by the increased cost from installation services provided for air conditioners.

Smart EV and Other New Initiatives

Cost of sales related to our smart EV and other new initiatives segment was RMB26.7 billion for the year ended December 31, 2024.

Gross Profit and Margin

As a result of the foregoing, our gross profit increased by 33.2% from RMB57.5 billion for the year ended December 31, 2023 to RMB76.6 billion for the year ended December 31, 2024. Our gross margin decreased from 21.2% for the year ended December 31, 2023 to 20.9% for the year ended December 31, 2024.

The following table sets forth our gross profit and margin by segment for the year ended December 31, 2024 and the year ended December 31, 2023:

	Year ended December 31,			
	2024		2023	
	Gross profit	Gross margin %	Gross profit	Gross margin %
	(RMB in millions, unless specified)			
Smartphone × AIoT	70,509.9	21.2%	57,476.2	21.2%
Smart EV and other new initiatives	6,050.3	18.5%	—	—
Total gross profit and gross margin	76,560.2	20.9%	57,476.2	21.2%

Smartphone × AIoT

The gross profit from our smartphone × AIoT segment increased by 22.7% from RMB57.5 billion for the year ended December 31, 2023 to RMB70.5 billion for the year ended December 31, 2024. The following table sets forth our gross profit and margin by line of our smartphone × AIoT segment for the year ended December 31, 2024 and the year ended December 31, 2023:

	Year ended December 31,			
	2024		2023	
	Gross profit	Gross margin %	Gross profit	Gross margin %
	(RMB in millions, unless specified)			
Smartphone × AIoT				
Smartphones	24,253.8	12.6%	22,980.6	14.6%
IoT and lifestyle products	21,092.1	20.3%	13,078.6	16.3%
Internet services	26,146.8	76.6%	22,334.0	74.2%
Other related businesses	(982.8)	(31.0%)	(917.0)	(27.8%)
Total gross profit and margin of smartphone × AIoT segment	70,509.9	21.2%	57,476.2	21.2%

The gross profit margin from our smartphones decreased from 14.6% for the year ended December 31, 2023 to 12.6% for the year ended December 31, 2024, mainly due to the increased price of key components.

The gross profit margin from our IoT and lifestyle products increased from 16.3% for the year ended December 31, 2023 to 20.3% for the year ended December 31, 2024, mainly due to the increased gross profit margin and the higher revenue contribution of our wearables and smart large home appliances.

The gross profit margin from our internet services increased from 74.2% for the year ended December 31, 2023 to 76.6% for the year ended December 31, 2024, mainly due to the increased gross profit margin and the higher revenue contribution of our advertising business.

Smart EV and Other New Initiatives

The gross profit margin from our smart EV and other new initiatives segment was 18.5% for the year ended December 31, 2024.

Operating Expenses

Our operating expenses comprised our research and development expenses, selling and marketing expenses and administrative expenses. Our operating expenses related to our smart EV and other new initiatives segment was RMB13.2 billion for the year ended December 31, 2024.

Research and Development Expenses

Our research and development expenses increased by 25.9% from RMB19.1 billion for the year ended December 31, 2023 to RMB24.1 billion for the year ended December 31, 2024, primarily due to the increase in research and development expenses related to our smart EV and other new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 32.1% from RMB19.2 billion for the year ended December 31, 2023 to RMB25.4 billion for the year ended December 31, 2024, primarily due to the increase in logistic expenses related to smartphone x AIoT, compensation for selling and marketing personnel and promotion and advertising expenses.

Promotion and advertising expenses increased by 14.5% from RMB7.0 billion for the year ended December 31, 2023 to RMB8.0 billion for the year ended December 31, 2024, primarily due to promotional events of our products and brand marketing in the overseas markets and the increased promotion and advertising expenses related to our smart EV and other new initiatives.

Administrative Expenses

Our administrative expenses increased by 9.3% from RMB5.1 billion for the year ended December 31, 2023 to RMB5.6 billion for the year ended December 31, 2024, primarily due to the increase in compensation for administrative personnel and professional service fees.

Fair Value Changes on Financial Instruments Measured at Fair Value Through Profit or Loss

Our fair value changes on financial instruments measured at fair value through profit or loss decreased by 70.0% from a gain of RMB3.5 billion for the year ended December 31, 2023 to a gain of RMB1.1 billion for the year ended December 31, 2024, primarily due to the lower fair value gains of listed equity investments for the year ended December 31, 2024, and fair value losses of unlisted preferred shares investments for the year ended December 31, 2024 compared to fair value gains of unlisted preferred shares investments for year ended December 31, 2023.

Share of Net Profits of Investments Accounted for Using the Equity Method

Our share of net profits of investments accounted for using the equity method increased from net profits of RMB45.6 million for the year ended December 31, 2023 to net profits of RMB276.8 million for the year ended December 31, 2024.

Other Income

Our other income increased from RMB0.7 billion for the year ended December 31, 2023 to RMB1.7 billion for the year ended December 31, 2024, primarily due to the increase of government grants.

Other (Losses)/Gains, Net

Our other net (losses)/gains changed from a net gain of RMB1.7 billion for the year ended December 31, 2023 to a net loss of RMB10.4 million for the year ended December 31, 2024, primarily due to the decrease of disposal and deemed disposal gains of investments accounted for using the equity method, as well as the change from foreign exchange gains to losses.

Finance Income, Net

Our net finance income increased by 81.0% from RMB2.0 billion for the year ended December 31, 2023 to RMB3.6 billion for the year ended December 31, 2024, primarily due to the change of value of financial liabilities payable to fund investors.

Income Tax Expenses

Our income tax expenses remained stable at RMB4.5 billion for the year ended December 31, 2024 compared to the year ended December 31, 2023.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 34.9% from RMB17.5 billion for the year ended December 31, 2023 to RMB23.6 billion for the year ended December 31, 2024.

Adjusted Net Profit

Our adjusted net profit increased by 41.3% from RMB19.3 billion for the year ended December 31, 2023 to RMB27.2 billion for the year ended December 31, 2024.

Consolidated Statement of Cash Flows

	Year ended December 31,	
	2024	2023
	(RMB in millions)	
Net cash generated from operating activities ⁽¹⁾	39,295.5	41,300.5
Net cash used in investing activities	(35,386.4)	(35,169.1)
Net cash used in financing activities ⁽¹⁾	(3,999.0)	(505.0)
Net (decrease)/increase in cash and cash equivalents	(89.9)	5,626.4
Cash and cash equivalents at beginning of year	33,631.3	27,607.3
Effects of exchange rate changes on cash and cash equivalents	120.0	397.6
Cash and cash equivalents at end of year	33,661.4	33,631.3

Notes:

- (1) Excluding (1) the change of trade payables related to the finance factoring business; (2) the change of loan and interest receivables and impairment provision for loan receivables mainly resulting from the fintech business; (3) the change of restricted cash resulting from the fintech business; and (4) the change of deposits from customers resulting from the Airstar Bank, the net cash generated from operating activities was RMB40.6 billion and RMB42.3 billion for the years ended December 31, 2024 and 2023, respectively. Excluding the change of borrowings for the finance factoring business, the net cash used in financing activities was RMB6.9 billion and RMB2.3 billion for the years ended December 31, 2024 and 2023, respectively. The information in this footnote is based on the management accounts of the Group, which have not been audited or reviewed by the Group's auditor. The accounting policies applied in the preparation of the management accounts are consistent with those used for other figures in this annual report.
- (2) The cash resources which the Group considered in cash management include but not limited to cash and cash equivalents, restricted cash, term bank deposits, short-term investments measured at fair value through profit or loss, short-term investments measured at amortized cost, long-term investments measured at amortized cost and treasury investments included in long-term investments measured at fair value through profit or loss. As of December 31, 2024, the aggregate amount of cash resources of the Group was RMB175.1 billion.

Net Cash Generated From Operating Activities

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

For the year ended December 31, 2024, net cash generated from our operating activities amounted to RMB39.3 billion, representing cash generated from operations of RMB42.8 billion minus income tax paid of RMB3.5 billion. Cash generated from operations was primarily attributable to our profit before income tax of RMB28.1 billion, adjusted by an increase in trade payables of RMB36.1 billion, partially offset by an increase of inventories of RMB24.1 billion.

Net Cash Used In Investing Activities

For the year ended December 31, 2024, our net cash used in investing activities was RMB35.4 billion, which was primarily attributed to the net increase of term bank deposits of RMB23.4 billion, the net increase of short-term investments measured at fair value through profit or loss of RMB7.9 billion, capital expenditures of RMB7.3 billion, partially offset by interest income received of RMB3.6 billion.

Net Cash Used In Financing Activities

For the year ended December 31, 2024, our net cash used in financing activities was RMB4.0 billion, which was primarily attributed to the payments for shares repurchase of RMB4.0 billion, the payments of deferred consideration for acquisition of intangible assets of RMB3.2 billion, the payments of lease liabilities of RMB2.5 billion, partially offset by the net increase of borrowings of RMB6.7 billion.

Capital Expenditures

	Year ended December 31,	
	2024	2023
	(RMB in millions)	
Capital expenditures		
Smartphone × AIoT	6,418.9	5,300.0
Smart EV and other new initiatives	4,061.3	2,362.1
Total	10,480.2	7,662.1

Non-IFRS Measure: Adjusted Net Profit

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

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

The following tables set forth reconciliations of the Group’s Non-IFRS measures for the years ended December 31, 2024 and 2023 to the nearest measures prepared in accordance with IFRS Accounting Standards.

Year Ended December 31, 2024							
Adjustments							
		Amortization of intangible assets		Changes of value of financial liabilities		Income tax effects ⁽⁵⁾	
As reported	Share-based compensation ⁽¹⁾	Net fair value changes on investments ⁽²⁾	resulting from acquisitions ⁽³⁾	to investors ⁽⁴⁾			Non-IFRS
(RMB in thousand, unless specified)							
Profit for the year	23,578,449	3,719,482	1,184,519	144,008	(1,243,607)	(148,320)	27,234,531
Net margin	6.4%						7.4%

	Year Ended December 31, 2023							Non-IFRS
	Adjustments							
	As reported	Share-based compensation ⁽¹⁾	Net fair value changes on investments ⁽²⁾	Amortization	Changes of	Income tax effects ⁽⁵⁾		
				of intangible	value of			
				assets	financial			
			resulting from acquisitions ⁽³⁾	liabilities to investors ⁽⁴⁾				
(RMB in thousand, unless specified)								
Profit for the year	17,474,197	3,344,357	(2,746,397)	144,008	410,946	645,643	19,272,754	
Net margin	6.4%						7.1%	

Notes:

- (1) Represents the expenses related to share-based payments granted to employees of the Group.
- (2) Primarily includes fair value changes on equity investments and preferred shares investments deducting the accumulative fair value changes for investments (including the financial assets measured at fair value through profit or loss ["FAFVPL"] and the investments using the equity method transferred from FAFVPL) disposed in the current period, net gains/(losses) on deemed disposals of investee companies, the impairment provision for investments, re-measurement impact on loss of significant influence in an associate and, re-measurement of investments transferring from FAFVPL to investments using the equity method.
- (3) Represents amortization of intangible assets resulting from acquisitions.
- (4) Represent the change of value of the financial liabilities payable to the investors.
- (5) Income tax effects of non-IFRS adjustments.

Hardware Business Net Margin

HB overall net profit margin rate⁽¹⁾ = HB overall net profit/Revenue from HB

HB overall profit before tax = Revenue from HB – Cost of sales of HB – Research and development expenses of HB – Selling and marketing expenses of HB – Administrative expenses of HB

HB overall net profit = HB overall profit before tax – Income tax expenses of HB

Share-based compensation expenses are excluded from research and development expenses of HB, selling and marketing expenses of HB, administrative expenses of HB. Income tax expenses of HB equals to the HB overall profit before tax multiplied by the effective tax rate of the Group.

Note:

- (1) The source data and calculation formulae of HB overall net profit margin rate are provided by the Group. PricewaterhouseCoopers Zhong Tian LLP was engaged by the Group to conduct certain procedures, as mutually agreed by both parties, including agreeing the source data used to the books and records and recalculating the HB overall net profit margin rate based on the formulae provided by the Group.

Liquidity and Financial Resources and Gearing

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

Other than the funds raised through our Global Offering in July 2018, the 2020 Placing and Subscription and the issuance of debt securities as described in “Issuance of Debt Securities” below, we have historically funded our cash requirements principally from cash generated from our operations and bank borrowings. We had cash and cash equivalents of RMB33.7 billion as of December 31, 2024.

Our gearing ratio was -31.1%, which represented a net cash position, as of December 31, 2024. Our gearing ratio is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings less our cash and cash equivalents, restricted cash and short-term bank deposits. Total capital is calculated as total equity plus net debt.

Issuance of Debt Securities

On April 29, 2020, Xiaomi Best Time International Limited, a wholly owned subsidiary of the Company, issued US\$600 million 3.375% senior notes due 2030 unconditionally and irrevocably guaranteed by the Company (the “**2030 Notes**”). For further details, please refer to the announcements of the Company published on April 20, 2020, April 23, 2020 and May 3, 2020.

On December 17, 2020, Xiaomi Best Time International Limited issued zero coupon guaranteed convertible bonds due 2027 guaranteed by the Company in the aggregate principal amount of US\$855 million at an initial conversion price of HK\$36.74 per conversion share [subject to adjustments] (the “**2027 Bonds**”). The 2027 Bonds are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). For further details, please refer to the announcements of the Company dated December 2, 2020, December 3, 2020, December 17, 2020 and December 18, 2020.

As of December 31, 2024, no 2027 Bonds had been converted into new Shares.

On July 14, 2021, Xiaomi Best Time International Limited issued US\$800 million 2.875% senior bonds due 2031 (the “**2031 Bonds**”) and US\$400 million 4.100% senior green bonds due 2051, both of which were unconditionally and irrevocably guaranteed by the Company (the “**Green Bonds**”). For further details of the 2031 Bonds and Green Bonds, please refer to the announcements of the Company published on July 6, 2021, July 8, 2021, July 14, 2021 and July 15, 2021.

Borrowings

As of December 31, 2024, we had total borrowings of RMB30.6 billion.

Off-Balance Sheet Commitments and Arrangements

As of December 31, 2024, we had not entered into any significant off-balance sheet arrangements.

Future Plans for Material Investments and Capital Assets

As of December 31, 2024, we did not have plans for material investments and capital assets.

Investments Held

As of December 31, 2024, we had invested in about 430 companies with an aggregate book value of RMB68.3 billion, an increase of 1.7% year-over-year. In 2024, we recorded a net gain on disposal of investments (after tax) of RMB1.6 billion. The total amount of our investments (including (i) fair value of our stakes in listed investee companies accounted for using the equity method based on the stock price on December 31, 2024; (ii) book value of our stakes in unlisted investee companies accounted for using the equity method; and (iii) book value of long-term investments measured at fair value through profit or loss) reached RMB71.4 billion as of December 31, 2024.

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group’s total assets as of December 31, 2024) during the year ended December 31, 2024.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended December 31, 2024, we did not conduct any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Employee and Remuneration Policy

As of December 31, 2024, we had 43,688 full-time employees, 41,492 of whom were based in mainland China, primarily at our headquarters in Beijing, with the rest primarily based in India. As of December 31, 2024, our research and development personnel, totaling 21,190 employees, were staffed across our various departments.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive compensation packages. As of December 31, 2024, 14,268 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, for the year ended December 31, 2024 were RMB22.9 billion, representing an increase of 21.0% from RMB18.9 billion for the year ended December 31, 2023.

Foreign Exchange Risk

The transactions of our Company are denominated and settled in our functional currency, the United States dollar. Our Group's subsidiaries primarily operate in the People's Republic of China (the "PRC") and other regions such as India, and are exposed to foreign exchange risk arising from the exposure to various currencies, primarily with respect to the United States Dollar. Therefore, foreign exchange risk primarily arises from the recognized assets and liabilities in our subsidiaries when receiving or expecting to receive foreign currencies from, or paying or expecting to pay foreign currencies to overseas business partners.

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

Pledge of Assets

As of December 31, 2024, our total restricted bank deposits amounted to RMB5.5 billion. We also had pledged certain buildings and land use right for borrowings.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2024. Further details of the contingencies are set out in Note 36 to the consolidated financial statements.

DIRECTOR'S REPORT

The Board of the Company is pleased to present this Director's report together with the consolidated financial statements of the Group for the Reporting Period.

Principal Activities

The Company is an investment holding company. During the Reporting Period, the Group was principally engaged in development and sales of smartphones, IoT and lifestyle products, provision of internet services, development, manufacture and sales of smart EV and investments holding in the PRC and other countries or regions.

Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business, a description of the principal risks and uncertainties facing the Group and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year are set out in the section headed "Events after the Reporting Period" in this annual report.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 11 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

Bank Loans and Borrowings

Particulars of bank loans and other borrowings of the Group as of December 31, 2024 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 33 to the consolidated financial statements.

Donation

During the Reporting Period, the Group made charitable donations of approximately RMB34.0 million.

Issuance of Debt Securities

On April 29, 2020, Xiaomi Best Time International Limited, a wholly owned subsidiary of the Company, issued the 2030 Notes. The 2030 Notes are listed on the Stock Exchange. For further details, please refer to the announcements of the Company published on April 20, 2020, April 23, 2020 and May 3, 2020.

On December 17, 2020, Xiaomi Best Time International Limited issued the 2027 Bonds. The 2027 Bonds are listed on the Stock Exchange. For further details, please refer to the announcements of the Company dated December 2, 2020, December 3, 2020, December 17, 2020 and December 18, 2020.

As at December 31, 2024, no 2027 Bonds had been converted into new Shares.

On July 14, 2021, Xiaomi Best Time International Limited issued US\$800 million 2.875% senior bonds due 2031 (the “**2031 Bonds**”) and US\$400 million 4.100% senior green bonds due 2051, both of which were unconditionally and irrevocably guaranteed by the Company (the “**Green Bonds**”). For further details of the 2031 Bonds and Green Bonds, please refer to the announcements of the Company published on July 6, 2021, July 8, 2021, July 14, 2021 and July 15, 2021.

Five-Year Financial Summary

A summary of the condensed consolidated results and financial positions of the Group is set out on page 6 of this annual report.

Reserves

As of December 31, 2024, the Company had distributable reserves amounting to RMB63,464.0 million. Details of the movements in the reserves of the Company during the Reporting Period are set out in Note 40 to the consolidated financial statements.

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

During the Reporting Period and up to the Latest Practicable Date, the Company repurchased a total of 256,078,000 Class B Shares of the Company on The Stock Exchange at an aggregate consideration of approximately HK\$3,933,139,175 (the "Share Repurchased") to enhance the shareholder value in the long run. Particulars of the Share Repurchased are as follows:

Month of Repurchase	No. of Class B Shares Repurchased	Price paid per share		Aggregate Consideration (approximately) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
2024				
January	112,100,000	15.54	12.30	1,533,095,902
February	26,000,000	12.78	12.08	324,555,828
March	6,834,400	15.00	14.76	101,929,132
April	18,200,000	15.98	15.42	285,886,401
May	5,600,000	17.74	17.40	98,785,548
June	39,313,800	18.00	16.44	676,465,084
July	39,500,000	17.00	16.08	656,098,520
September	1,700,000	18.50	18.42	31,379,460
2025				
January	6,829,800	33.65	32.60	224,943,300
Total	256,078,000			3,933,139,175

In respect of the Shares Repurchased, the WVR beneficiaries of the Company simultaneously reduced their WVR in the Company proportionately by way of converting their Class A Shares into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of 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.

As at the Latest Practicable Date, the number of Class B Shares in issue (excluding treasury shares) was reduced by 256,078,000 shares as a result of (i) the repurchase of 138,100,000 Class B Shares from January 2024 to February 2024, which were subsequently cancelled on March 14, 2024; (ii) the repurchase of 39,034,400 Class B Shares from March 27, 2024 to June 5, 2024, which were subsequently cancelled on August 15, 2024; (iii) the repurchase of 70,413,800 Class B Shares from June 11, 2024 to July 19, 2024, which were held as treasury shares and were subsequently cancelled on August 15, 2024; (iv) the repurchase of 1,700,000 Class B Shares in September 2024, which were subsequently cancelled on November 12, 2024; and (v) the repurchase of 6,829,800 Class B Shares in

January 2025, which were subsequently cancelled on March 6, 2025. As of December 31, 2024 and as at the Latest Practicable Date, there were no treasury shares held by the Company.

A total of 29,373,916 Class A Shares were converted into Class B Shares on a one-to-one ratio on March 14, 2024, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 26,454,431 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 2,919,485 Class A Shares.

A total of 19,841,058 Class A Shares were converted into Class B Shares on a one-to-one ratio on August 15, 2024, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 17,869,048 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 1,972,010 Class A Shares.

A total of 307,652 Class A Shares were converted into Class B Shares on a one-to-one ratio on November 12, 2024, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 277,074 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 30,578 Class A Shares.

A total of 1,228,325 Class A Shares were converted into Class B Shares on a one-to-one ratio on March 6, 2025, of which Mr. Lei Jun, through Smart Mobile Holdings Limited, converted 1,106,241 Class A Shares and Mr. Lin Bin, through Apex Star LLC, converted 122,084 Class A Shares.

The Company completed a placing of existing shares and top-up subscription of new shares under general mandate in March 2025. For details, please refer to the announcements of the Company dated March 25, 2025 and March 31, 2025.

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 (including sale of treasury Shares) during the Reporting Period and up to the Latest Practicable Date.

Share Schemes

The Company has four existing share schemes, namely the Pre-IPO ESOP, the 2018 Share Option Scheme, the 2018 Share Award Scheme and the 2023 Share Scheme.

A total of 278,267,045 new Shares, representing approximately 1.4% of the weighted average number of the Class B Shares in issue of the Company (excluding any treasury Shares), may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Pre-IPO ESOP, the 2018 Share Option Scheme, the 2018 Share Award Scheme and the 2023 Share Scheme.

Xiaomi HK, a principal subsidiary of the Company as defined in Rule 17.14 of the Listing Rules, has adopted 2024 Xiaomi HK Share Scheme.

A total of 510,335,236 new Xiaomi HK Shares, representing approximately 5.1% of the weighted average number of Xiaomi HK Shares in issue may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the 2024 Xiaomi HK Share Scheme.

1. Pre-IPO ESOP

The following is a summary of principal terms of the Pre-IPO ESOP adopted by the Company on May 5, 2011, superseded on August 24, 2012.

(a) Purpose

The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company, by linking the personal interests of the members of the Board, employees, consultants and other individuals to those of the Shareholders and, by providing such individuals with an incentive for outstanding performance, to generate superior returns to the Shareholders. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of recipients upon whose judgment, interest and special effort the successful conduct of the Company's operation is largely dependent.

(b) Eligible participants

The eligible participants include employees, consultants, all members of the Board, and other individuals, as determined, authorized and approved by the Board or a committee authorized by the Board. Awards in the form of share options, restricted share awards and restricted stock units ("RSU") may be granted to selected participants.

(c) Maximum number of shares available for issue

The overall limit on the number of Shares which may be issued pursuant to the Pre-IPO ESOP is 251,307,455 Class B Shares, which was subsequently adjusted by the Board to 2,512,694,900 Class B Shares (adjusted after taking into account the share subdivision which took place on June 17, 2018). No further Pre-IPO awards would be granted under the Pre-IPO ESOP after listing.

(d) Maximum entitlement of each participant

There is no maximum entitlement of each participant.

(e) Vesting period and exercise period

The share options may not be exercised until vested. The Board shall determine the time or times at which an option may be exercised, provided that the term of any option granted under the Pre-IPO ESOP shall not exceed ten years. Once vested, the vested portion of the option may be exercised in whole or in any part, at any time.

As for the RSUs, at the time of grant, the Board shall specify the date or dates on which the RSUs shall become fully vested and non-forfeitable.

(f) Consideration and purchase price

Pursuant to the Pre-IPO ESOP, there is no amount payable on application or acceptance of the award and no purchase price of Shares awarded.

(g) Exercise price and payment

The exercise price per share subject to a share option under the Pre-IPO ESOP shall be determined by the Board and set out in the award agreement and may be a fixed or variable price related to the fair market value of the Class B Shares.

The Board may set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of RSUs that will be paid out to the selected participants.

(h) Remaining life of the scheme

The term of the Pre-IPO ESOP commenced on August 24, 2012 and has expired on the tenth anniversary of the above starting date. Upon expiry of the Pre-IPO ESOP, any Pre-IPO awards that are outstanding shall remain in force according to the terms of the Pre-IPO ESOP and the applicable award agreement.

Given that no further Pre-IPO awards would be granted under the Pre-IPO ESOP, the outstanding number of options would be equivalent to the maximum number of new Shares available for issue under the Pre-IPO ESOP. As of the Latest Practicable Date, outstanding options representing 167,761,787 underlying Shares, being approximately 0.6% of the issued share capital of the Company, were granted to eligible participants pursuant to the Pre-IPO ESOP.

Details of movements of share options granted under the Pre-IPO ESOP during the Reporting Period are as follows:

Grantees by category	Date of grant	Vesting Period ⁽¹⁾	Exercise price (US\$)	Number of share options					Weighted average closing price of the Share immediately before the date of exercise during the year (HK\$)
				Outstanding as at January 1, 2024	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2024	
Employee Participants	4/1/2010 to 6/14/2018	1-10 years	0-0.344	239,334,344	(45,602,180)	—	(488,320)	193,243,844	21.65
Service Providers	1/1/2012 to 4/1/2018	4-5 years	0-0.344	1,120,070	—	—	—	1,120,070	N/A
Total:				240,454,414	(45,602,180)	—	(488,320)	194,363,914	

(1): The exercise period of the options granted under the Pre-IPO ESOP shall commence from the date on which the relevant options become vested and end on the 10th anniversary of the grant date, subject to the terms of the Pre-IPO ESOP and the share option award agreement signed by the grantee.

Further details of the Pre-IPO ESOP are set out in Note 28 to the consolidated financial statements.

2. 2018 Share Option Scheme

The following is a summary of the principal terms of the 2018 Share Option Scheme adopted by the Company on June 17, 2018. Immediately upon the 2023 Share Scheme taking effect on June 8, 2023, no further share options shall be granted under the 2018 Share Option Scheme.

(a) Purpose

The purpose of the 2018 Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and the Shareholders as a whole. The 2018 Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Eligible participants

Eligible participants under the 2018 Share Option Scheme include any employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Board determines.

(c) Maximum number of shares available for issue

The total number of Class B Shares which may be issued upon exercise of all share options granted under the 2018 Share Option Scheme is 116,100,000 Class B Shares, representing approximately 0.4% of the issued share capital of the Company as at the Latest Practicable Date.

Since the 2023 Share Scheme took effect on June 8, 2023, there were no further share options available for grant under the 2018 Share Option Scheme.

(d) Maximum entitlement of each participant

Unless approved by shareholders of the Company, the total number of Class B Shares issued and to be issued upon exercise of the options granted and to be granted under the 2018 Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Class B Shares in issue. Any further grant of options to a selected participant which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date if such further grant exceeding the individual limit shall be subject to separate approval of shareholders of the Company (with such selected participant and his associates abstaining from voting).

(e) Grant of option and option period

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance

of the offer duly signed by the grantee with the number of Class B Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof, which must be received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrecoverably declined.

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Class B Shares in respect of which it is exercised.

The 2018 Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(f) Exercise price

The exercise price under an option shall be determined by the Board but shall be not less than the greater of:

- (i) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Class B Share on the date of grant.

(g) Remaining life of the scheme

The 2018 Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date. The remaining life of the 2018 Share Option Scheme is approximately over 3 years.

As of December 31, 2024, a total of 233,500,000 options had been granted pursuant to the 2018 Share Option Scheme since its adoption. As at the Latest Practicable Date, there is no further share options available for grant under the 2018 Share Option Scheme.

Details of movements of share options granted under the 2018 Share Option Scheme during the Reporting Period are as follows:

Number of share options												
Grantees by category	Date of grant	Vesting Period	Exercise Period	Outstanding as at January 1, 2024	Granted during the year	Cancelled during the year	Lapsed during the year	Exercised during the year	Outstanding as at December 31, 2024	Exercise Price (HK\$)	Fair value of options at the date of grant during the year and the accounting standard and policy adopted	Weighted average closing price of the Shares immediately before the date of exercise during the year (HK\$)
Employee Participants												
	7/2/2020	4 years	7/2/2021 to 7/1/2030	3,000,000	—	—	—	(3,000,000)	—	13.60	N/A	28.15
	9/4/2020	4–10 years	9/4/2021 to 9/3/2030	105,200,000	—	—	—	—	105,200,000	24.50	N/A	N/A
	10/9/2020	4 years	10/9/2021 to 10/8/2030	6,250,000	—	—	—	—	6,250,000	21.04	N/A	N/A
	1/6/2021	4 years	1/6/2022 to 1/5/2031	6,250,000	—	—	—	—	6,250,000	33.90	N/A	N/A
Total:				120,700,000	—	—	—	(3,000,000)	117,700,000			

Further details of the 2018 Share Option Scheme are set out in Note 28 to the consolidated financial statements.

3. 2018 Share Award Scheme

The following is summary of the principal terms of the 2018 Share Award Scheme adopted by the Company on June 17, 2018. Immediately upon the 2023 Share Scheme taking effect on June 8, 2023, no further awards shall be granted under the 2018 Share Award Scheme.

(a) Purpose

The purpose of the 2018 Share Award Scheme is (1) to align the interests of eligible persons with those of the Group through ownership of Class B Shares, dividends and other distributions paid on Shares and/or the increase in value of the Class B Shares, and (2) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

(b) Eligible participants

The eligible participants include any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Board determines.

(c) Maximum number of shares available for award

The aggregate number of Class B Shares underlying all grants made pursuant to the 2018 Share Award Scheme will not exceed 1,118,806,541 Shares without Shareholders' approval subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

Since the 2023 Share Scheme took effect on June 8, 2023, there were no further awards available for grant under the 2018 Share Award Scheme.

(d) Maximum number of new Shares available for issue

Under the scheme mandate of the 2018 Share Award Scheme, the total number of new Class B Shares issued and may be issued pursuant to the 2018 Share Award Scheme will not exceed 1,118,806,541 Shares.

The total number of Class B Shares which may be issued under the 2018 Share Award Scheme is 307,848,859 Class B Shares, representing approximately 1.2% of the issued share capital of the Company as at the Latest Practicable Date.

(e) Maximum entitlement of each participant

There is no maximum entitlement of each participant.

(f) Restrictions on grants

The Board and its delegate(s) may not grant any award in the form of Class B Shares pursuant to the 2018 Share Award Scheme to any selected participant in any of the following circumstances:

- (i) where any requisite approval from any applicable regulatory authorities has not been granted;
- (ii) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such award or the 2018 Share Award Scheme, unless the Board determines otherwise;
- (iii) where such award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

- (iv) where such grant of award would result in a breach of the 2018 Share Award Scheme limit or would otherwise cause the Company to issue Class B Shares in excess of the permitted amount in the mandate approved by the Shareholders;
- (v) where any Director is in possession of unpublished inside information in relation to the Company or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations;
- (vi) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (vii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

(g) Consideration and purchase price

Pursuant to the 2018 Share Award Scheme, there is no amount payable on application or acceptance of the award and no purchase price of Shares awarded.

(h) Vesting and lapse

The Board or its delegate(s) may from time to time while the 2018 Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award Shares to be vested/lapsed.

(i) Rights attached to the award Shares

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the award Shares be paid to the selected participants even though the award Shares have not yet vested, the selected participant only has a contingent interest in the award Shares underlying an award unless and until such award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the award Shares vest.

No voting rights may be exercised in respect of any award Shares that have not yet vested.

(j) Duration and Termination

The 2018 Share Award Scheme shall terminate on the earlier of:

- (i) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested award Shares granted under the 2018 Share Award Scheme prior to the expiration of the 2018 Share Award Scheme, for the purpose of giving effect to the vesting of such award Shares or otherwise as may be required in accordance with the provisions of the 2018 Share Award Scheme; and
- (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the 2018 Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the award Shares already granted to a selected participant.

(k) Remaining life of the scheme

The remaining life of the 2018 Share Award Scheme is approximately over 3 years.

Details of the award Shares granted under the 2018 Share Award Scheme (to be satisfied by new Shares) and their movements during the Reporting Period are as follows:

Grantees by category	Date of grant	Vesting Period	Purchase price	Number of award Shares							Closing price of Shares immediately before the grant during the year	Fair value of award Shares at the date of grant during the year and the accounting standard adopted	Weighted average closing price of the Share immediately before the date of vesting during the year (HK\$)
				Unvested award Shares as at January 1, 2024	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested award Shares as at December 31, 2024				
Employee Participants													
	4/1/2019	4–10 years	Nil	5,255,724	—	(907,620) ⁽ⁱⁱⁱ⁾	—	—	4,348,104	N/A	N/A	14.94	
	11/28/2019	4 years	Nil	16,232	—	(16,232)	—	—	—	N/A	N/A	14.94	
	1/6/2020	4 years	Nil	7,195,029	—	(7,152,983) ⁽ⁱⁱⁱ⁾	—	(42,046)	—	N/A	N/A	14.94	
	4/1/2020	1–4 years	Nil	2,901,454	—	(2,815,860) ⁽ⁱⁱⁱ⁾	—	(85,594)	—	N/A	N/A	14.94	
	7/2/2020	4–5 years	Nil	3,821,270	—	(3,726,982) ⁽ⁱⁱⁱ⁾	—	(94,288)	—	N/A	N/A	16.29	
	9/4/2020	4–10 years	Nil	8,500,000	—	(1,500,000) ⁽ⁱⁱⁱ⁾	—	(1,000,000)	6,000,000	N/A	N/A	19.18	
	10/10/2020	4–5 years	Nil	953,508	—	(823,551) ⁽ⁱⁱⁱ⁾	—	(123,228)	6,729	N/A	N/A	23.02	
	1/6/2021	4 years	Nil	4,677,683	—	(2,416,807) ⁽ⁱⁱⁱ⁾	—	(273,034)	1,987,842	N/A	N/A	15.65	
	7/2/2021	1–4 years	Nil	23,698,571	—	(11,269,635) ⁽ⁱⁱⁱ⁾	—	(1,815,604)	10,613,332	N/A	N/A	16.25	
	7/5/2021	4–10 years	Nil	83,174,396	—	(27,376,752) ⁽ⁱⁱⁱ⁾	—	(5,697,644)	50,100,000	N/A	N/A	15.13	
	11/24/2021	1–10 years	Nil	20,789,899	—	(8,722,660) ⁽ⁱⁱⁱ⁾	—	(1,956,411)	10,110,828	N/A	N/A	22.46	
	3/23/2022	1–10 years	Nil	110,757,068	—	(27,415,885) ⁽ⁱⁱⁱ⁾	—	(4,829,724)	78,511,459	N/A	N/A	15.05	
	5/20/2022	1–5 years	Nil	30,575,273	—	(9,802,491) ⁽ⁱⁱⁱ⁾	—	(2,767,839)	18,004,943	N/A	N/A	19.16	
	8/21/2022	4 years	Nil	57,244,805	—	(18,115,802)	—	(4,114,529)	35,014,474	N/A	N/A	17.68	
	11/24/2022	4–5 years	Nil	28,726,506	—	(9,123,540)	—	(2,567,361)	17,035,605	N/A	N/A	26.55	
	3/27/2023	1–10 years	Nil	174,313,893	—	(38,716,271) ⁽ⁱⁱⁱ⁾	—	(7,294,131)	128,303,491	N/A	N/A	15.69	
	5/25/2023	2–4 years	Nil	44,653,485	—	(10,757,193)	—	(3,409,129)	30,487,163	N/A	N/A	18.34	
Category subtotal:				607,254,796	—	(180,660,264)	—	(36,070,562)	390,523,970				

Number of award Shares												Weighted average closing price of the Share immediately before the date of vesting during the year (HK\$)
Grantees by category	Date of grant	Vesting Period	Purchase price	Unvested award Shares as at January 1, 2024	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested award Shares as at December 31, 2024	Closing price of Shares immediately before the grant during the year and the accounting standard adopted	Fair value of award Shares at the date of grant during the year and the accounting standard adopted	
Service Providers:												
	1/6/2020	4 years	Nil	5,516	—	(5,516)	—	—	—	N/A	N/A	14.94
	4/1/2020	1-4 years	Nil	2,355	—	(2,355)	—	—	—	N/A	N/A	14.94
	7/2/2020	4 years	Nil	1,041	—	(1,041)	—	—	—	N/A	N/A	14.94
	10/10/2020	4 years	Nil	20,671	—	(20,334)	—	(337)	—	N/A	N/A	22.64
	1/6/2021	4 years	Nil	19,321	—	(9,652)	—	(915)	8,754	N/A	N/A	14.94
	7/2/2021	4 years	Nil	142,887	—	(69,425)	—	(6,520)	66,942	N/A	N/A	15.94
	11/24/2022	4 years	Nil	50,812	—	(22,051)	—	(5,885)	22,876	N/A	N/A	23.30
	3/23/2022	4 years	Nil	491,491	—	(245,544)	—	(29,498)	216,449	N/A	N/A	21.42
	5/20/2022	4 years	Nil	352,181	—	(118,377)	—	(3,713)	230,091	N/A	N/A	17.00
	8/21/2022	4 years	Nil	171,661	—	(51,395)	—	(14,913)	105,353	N/A	N/A	17.95
	11/24/2022	4 years	Nil	26,818	—	(8,939)	—	—	17,879	N/A	N/A	28.55
	3/27/2023	4 years	Nil	602,620	—	(149,778)	—	(34,495)	418,347	N/A	N/A	15.22
	5/25/2023	4 years	Nil	228,255	—	(55,892)	—	(4,679)	167,684	N/A	N/A	18.30
Category subtotal:				2,115,629	—	(760,299)	—	(100,955)	1,254,375			
Total:				609,370,425	—	(181,420,563)	—	(36,171,517)	391,778,345			

(1): Among the total number of awards Shares vested as stated, 15,374,533 award Shares were issued to employee participants who subsequently become connected persons for the purpose of Listing Rules during the Reporting Period by way of existing shares. At the time of grant, these employee participants were not connected persons.

Details of the award Shares granted under the 2018 Share Award Scheme (to be satisfied by existing Shares) and their movements during the Reporting Period are as follows:

Grantees by category	Date of Grant	Vesting Period	Purchase price	Number of award Shares						Closing price of Shares immediately before the grant during the year	Fair value of awards at the date of grant during the year and the accounting standard and policy adopted	Weighted average closing price of the Share immediately before the date of vesting during the year (HK\$)
				Unvested award Shares as of January 1, 2024	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested award Shares as of December 31, 2024			
Grantees in aggregate:												
	1/6/2021	4 years	Nil	8,938	—	(4,468)	—	—	4,470	N/A	N/A	14.94
	11/24/2021	4 years	Nil	5,746	—	(2,873)	—	—	2,873	N/A	N/A	23.30
	3/23/2022	4–10 years	Nil	1,507,964	—	(2,654)	—	—	1,505,310	N/A	N/A	14.80
	5/20/2022	3–4 years	Nil	695,859	—	(342,928)	—	—	352,931	N/A	N/A	20.07
	8/21/2022	4 years	Nil	82,826	—	(27,607)	—	—	55,219	N/A	N/A	19.53
	11/24/2022	4 years	Nil	373,260	—	(124,420)	—	(248,840)	—	N/A	N/A	17.68
	3/27/2023	4–5 years	Nil	2,150,692	—	(462,085)	—	(440,382)	1,248,225	N/A	N/A	15.30
Total:				4,825,285	—	(967,035)	—	(689,222)	3,169,028			

Further details of movements in the 2018 Share Award Scheme are set out in Note 28 to the consolidated financial statements.

4. 2023 Share Scheme

The 2023 Share Scheme was approved at the annual general meeting by the Shareholders on June 8, 2023.

(a) Purpose

The purpose of the 2023 Share Scheme is (1) to provide the Company with a flexible means of attracting, remunerating, incentivising, retaining, rewarding, compensating and/or providing benefits to eligible participants; (2) to align the interests of eligible participants with those of the Company and Shareholders by providing such eligible participants with the opportunity to acquire proprietary interests in the Company and become Shareholders; and (3) to encourage eligible participants to contribute to the long-term growth, performance and profits of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

(b) Eligible participants

Eligible participants are determined by the scheme administrator from time to time to be eligible to participate as grantees under the 2023 Share Scheme, and shall fall under one or more of the below categories:

- (i) **Employee Participant**, being any person who is an employee (whether full-time or part-time or other employment relationship), director or officer of any member of the Group on the grant date.
- (ii) **Related Entity Participant**, being an employee (whether full-time or part-time or other employment relationship), director or officer of the following: a “holding company” of the Company (as defined in the SFO); a “subsidiary” of a holding company of the Company (as defined in the SFO) other than the Group; or an “associate company” of the Company (as defined in the Listing Rules).
- (iii) **Service Provider Participant**, being a person who provides services to the Group on a continuing basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the scheme administrator pursuant to the below criteria:

Category	Eligibility criteria for Service Provider Participant
(1) Service providers	Outsourced staff engaged by the Group that provides services which are material and relevant to the Group’s operations (including but not limited to information technology support, customer services and retails store supports) on a regular or recurring basis.
(2) Consultants	Those that (a) provide consultancy services material and relevant to the Group’s operations (including but not limited to services in recruitment, tax, research and development, market advisory services); (b) engage with the Group on a regular or recurring basis; and (c) have specialties or expertise in areas that supplement the Group or with which the Group would consider important to maintain a close business relationship on an ongoing basis.
(3) Suppliers	Those that supply the Group with goods on a regular or recurring basis, with which the Group would consider important to maintain a close business relationship on an ongoing basis, and in turn, it would be beneficial to the Group’s business relationship to grant such supplier with proprietary ownership in the Company and to encourage the supplier to have a vested shareholding interest in the Group and in the Group’s future development.
(4) Agents and contractors	Those that provide important services to the Group on a regular or recurring basis with which the Group would consider important to maintain a close collaborative relationship on an ongoing basis, that in turn, it would be beneficial to the collaboration between the Group and the agents and/or contractors to grant such agents and/or contractors proprietary ownership in the Company and to encourage the agents and/or contractors to have a vested shareholding interest in the Group and the Group’s future development.

(c) **Award**

An award may take the form of a share option or a share award, and which shall be funded by award Shares.

(d) **Maximum number of award Shares available for grant**

The total number of Class B Shares which may be issued pursuant to all awards to be granted under the 2023 Share Scheme and awards to be granted under any other share schemes of the Company is not more than 2,503,959,565 (the “**2023 Share Scheme Mandate Limit**”). Within the 2023 Share Scheme Mandate Limit, the total number of Shares which may be issued pursuant to awards to be granted to service provider participants under the 2023 Share Scheme is not more than 125,197,978 (the “**2023 Share Scheme Service Provider Sublimit**”).

As at January 1, 2024, 2,358,377,326 Shares were available for grant (including 124,851,426 Shares available for grant to service providers) under the 2023 Share Scheme.

During the Reporting Period, 278,267,045 award Shares were granted to eligible participants (including 839,272 award Shares granted to service providers) pursuant to the 2023 Share Scheme, respectively and 22,761,054 award Shares were forfeited (including 59,975 award Shares forfeited from service providers) pursuant to the 2023 Share Scheme.

It follows that, as of December 31, 2024, 2,102,871,335 Shares and 124,072,129 Shares were available for grant under the 2023 Share Scheme Mandate Limit and the 2023 Share Scheme Service Provider Sublimit, respectively.

(e) **Maximum number of award Shares available for issue**

As at January 1, 2024, no new Shares were issued pursuant to the 2023 Share Scheme. During the Reporting Period, 36,521,599 new Shares were issued pursuant to the 2023 Share Scheme. It follows that, as of December 31, 2024 and the Latest Practicable Date, 2,467,437,966 new Shares (representing approximately 9.5% of the issued share capital (excluding any treasury Shares) of the Company as of the Latest Practicable Date) and 2,430,059,036 new Shares (representing approximately 9.4% of the issued share capital (excluding any treasury Shares) of the Company as of the Latest Practicable Date) were available for issue under the 2023 Share Scheme Mandate Limit, respectively.

(f) **Issue price and exercise price**

The scheme administrator may determine in their absolute discretion the issue price for the exercise of share awards and/or the exercise price for share options for awards in the form of share awards and/or share option (as the case may be) and such prices shall be set out in the award letter. However, the exercise price for share options shall be no less than the higher of: (a) the closing price of the Shares on the grant date; and (b) the average closing price of the Shares for the five business days immediately preceding the grant date.

(g) Maximum entitlement of each eligible participant

There is no specific maximum entitlement for each eligible participant under the 2023 Share Scheme. Grants to individuals that exceed the thresholds set out in the Chapter 17 of the Listing Rules will be subject to additional approval requirements as required under the Chapter 17 of the Listing Rules.

(h) Exercise period

The scheme administrator may determine in its absolute discretion the exercise period for any award of share options and/or share awards and such period shall be set out in the award letter. However, the exercise period for any award of share options shall not be longer than 10 years from the grant date.

(i) Vesting period

The scheme administrator may determine the vesting period and specify such period in the award letter. The vesting period may not be for a period less than 12 months from the grant date, except in limited circumstances set out in the scheme rules. These circumstances may only apply to employee participants and are consistent with the scenarios contemplated in FAQ13 No. 12 issued by the Stock Exchange, including:

- (i) grants of “make whole” awards to a new employee participant to replace the awards that the employee participant forfeited when leaving their previous employer;
- (ii) grants to an employee participant whose employment is terminated due to death or disability or event of force majeure;
- (iii) grants of awards that are subject to the fulfilment of performance targets as determined in the conditions of the grantee’s grant;
- (iv) grants of awards the timing of which is determined by administrative or compliance requirements not connected with the performance of the employee participant, in which case the vesting date may be adjusted to take account of the time from which the award would have been granted if not for such administrative or compliance requirements;
- (v) grants of awards with a mixed vesting schedule such that the award vests evenly over a period of 12 months; or
- (vi) grants of awards with a total vesting and holding period of more than 12 months.

(j) Acceptance

The scheme administrator may determine in their absolute discretion the amount (if any) payable on application or acceptance of an award and the period within which any such payments must be made, and such amounts (if any) and periods shall be set out in the award letter. Unless otherwise specified in the award letter, the grantee shall have 10 business days from the grant date to accept the award, following which, the portion not accepted by the grantee shall automatically lapse.

(k) Termination

The 2023 Share Scheme shall terminate on the earlier of: (a) the 10th anniversary of the adoption date; and (b) such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights in respect of the awards already granted to eligible participants.

(l) Remaining Life of the 2023 Share Scheme

The 2023 Share Scheme is valid and effective for a period of 10 years commencing from the date of adoption and up to June 7, 2033. The remaining life of the 2023 Share Scheme is approximately over 8 years.

Details of the award Shares granted under the 2023 Share Scheme (to be satisfied by new Shares) and their movements during the Reporting Period are as follows:

Grantees by category	Date of grant	Vesting Period	Purchase price	Number of award Shares						Fair value of	Weighted	
				Unvested award Shares as at January 1, 2024	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested award Shares as at December 31, 2024	Closing price of Shares immediately before the grant during the year and the accounting standard and policy adopted ⁽¹⁾	average closing price of the Share immediately before the date of vesting during the year	
										(HK\$)	(HK\$)	
Employee Participants												
	8/30/2023	2-10 years	Nil	98,826,919	—	(23,632,684)	—	(8,154,524)	67,039,711	N/A	N/A	18.67
	11/21/2023	2-10 years	Nil	46,408,768	—	(11,624,396)	—	(2,964,233)	31,820,139	N/A	N/A	25.92
	3/20/2024	1-10 years	Nil	—	153,178,665 ⁽²⁾	(695,427)	—	(6,990,748)	145,492,490	14.86	14.50	21.86
	5/24/2024	1-10 years	Nil	—	33,910,228 ⁽²⁾	(145,873)	—	(2,024,281)	31,740,074	18.94	18.30	24.65
	8/22/2024	1-4 years	Nil	—	40,864,125 ⁽²⁾	(188,692)	—	(2,350,331)	38,325,102	17.52	19.10	21.91
	11/20/2024	1-5 years	Nil	—	49,474,755 ⁽²⁾	(154,133)	—	(216,962)	49,103,660	28.30	28.00	27.70
Category subtotal:				145,235,687	277,427,773	(36,441,205)	—	(22,701,079)	363,521,176			
Service Providers												
	8/30/2023	4 years	Nil	332,152	—	(76,794)	—	(20,642)	234,716	N/A	N/A	18.88
	11/21/2023	4 years	Nil	14,400	—	(3,600)	—	—	10,800	N/A	N/A	28.00
	3/20/2024	4 years	Nil	—	376,232 ⁽²⁾	—	—	(39,333)	336,899	14.86	14.50	N/A
	5/24/2024	4 years	Nil	—	189,141 ⁽²⁾	—	—	—	189,141	18.94	18.30	N/A
	8/22/2024	1-4 years	Nil	—	154,913 ⁽²⁾	—	—	—	154,913	17.52	19.10	N/A
	11/20/2024	1-4 years	Nil	—	118,986 ⁽²⁾	—	—	—	118,986	28.30	28.00	N/A
Category subtotal:				346,552	839,272	(80,394)	—	(59,975)	1,045,455			
Total:				145,582,239	278,267,045	(36,521,599)	—	(22,761,054)	364,566,631			

[1]: The fair value of the award Shares granted during the Reporting Period were determined based on the market value of the Shares at the respective grant dates.

- (2): A time-based vesting schedule is applicable to the award Shares. The number of award Shares to be vested at every anniversary year shall be based on the selected participant's performance rank in the said anniversary year. The performance rank is linked to the performance of the selected participant (and in some cases of the selected participant's department) in the anniversary year as assessed by the Group.

Further details of the 2023 Share Scheme are set out in Note 28 to the consolidated financial statements.

5. 2024 Xiaomi HK Share Scheme

The 2024 Xiaomi HK Share Scheme was approved at the annual general meeting by the Shareholders on June 6, 2024.

(a) Purpose

The purpose of the 2024 Xiaomi HK Share Scheme is (1) to provide Xiaomi HK with a flexible means of retaining, incentivising and rewarding eligible participants by compensating and/or providing benefits to them; (2) to align the interests of eligible participants with those of Xiaomi HK and its shareholders by providing them with the opportunity to acquire interests in Xiaomi HK and become its shareholders, and thereby; (3) to encourage eligible participants to contribute to the business development, long-term growth, performance and profits of Xiaomi HK and to enhance the value of Xiaomi HK and the Company for the benefit of the Company, Xiaomi HK and the Shareholders as a whole.

(b) Eligible participants

Eligible participants are determined by the scheme administrator from time to time to be eligible to participate as grantees under the 2024 Xiaomi HK Share Scheme, and shall fall under one or more of the below categories:

- (i) **Employee Participant**, being any person who is an employee (whether full-time or part-time or other employment relationship), director or officer of any member of the Xiaomi HK Group on the grant date.
- (ii) **Related Entity Participant**, being any person who is an employee (whether full-time or part-time or other employment relationship), director or officer of the following: a "holding company" of Xiaomi HK (as defined in the SFO); a "subsidiary" of a holding company of Xiaomi HK (as defined in the SFO) other than the Xiaomi HK Group; or an "associate company" of Xiaomi HK (as defined in the Listing Rules).

- (iii) **Service Provider Participant**, being a person who provides services to the Xiaomi HK Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Xiaomi HK Group as determined by the scheme administrator pursuant to the below criteria:

Category	Eligibility criteria for Service Provider Participant
(1) Service providers	Outsourced staff engaged by the Xiaomi HK Group that provides services which are material and relevant to the Xiaomi HK Group's operations (including but not limited to information technology support, customer services and retails store supports) on a regular or recurring basis.
(2) Consultants	Those that (a) provide consultancy services material and relevant to the Xiaomi HK Group's operations (including but not limited to services in recruitment, tax, research and development, market advisory services); (b) engage with the Xiaomi HK Group on a regular or recurring basis; and (c) have specialties or expertise in areas that supplement the Xiaomi HK Group or with which the Xiaomi HK Group would consider important to maintain a close business relationship on an ongoing basis.
(3) Suppliers	Those that supply the Xiaomi HK Group with goods on a regular or recurring basis, with which the Xiaomi HK Group would consider important to maintain a close business relationship on an ongoing basis, and in turn, it would be beneficial to the Xiaomi HK Group's business relationship to grant such supplier with proprietary ownership in Xiaomi HK and to encourage the supplier to have a vested shareholding interest in Xiaomi HK and in the Xiaomi HK Group's future development.
(4) Agents and contractors	Those that provide important services to the Xiaomi HK Group on a regular or recurring basis with which the Xiaomi HK Group would consider important to maintain a close collaborative relationship on an ongoing basis, that in turn, it would be beneficial to the collaboration between the Xiaomi HK Group and the agents and/or contractors to grant such agents and/or contractors proprietary ownership in Xiaomi HK and to encourage the agents and/or contractors to have a vested shareholding interest in Xiaomi HK and the Xiaomi HK Group's future development.

(c) Award

An award may take the form of a share option or a share award, and which shall be funded by award Xiaomi HK Shares.

(d) Maximum number of award Xiaomi HK Shares available for grant

The total number of Xiaomi HK Shares which may be issued pursuant to all awards to be granted under the 2024 Xiaomi HK Share Scheme and awards to be granted under any other share schemes of Xiaomi HK is not more than 1,000,000,000 (the “**XMHK Scheme Mandate Limit**”). Within the XMHK Scheme Mandate Limit, the total number of Xiaomi HK Shares which may be issued pursuant to awards to be granted to service provider participants under the 2024 Xiaomi HK Share Scheme is not more than 50,000,000 (the “**XMHK Service Provider Sublimit**”).

During the Reporting Period, 510,335,236 award Xiaomi HK Shares were granted to eligible participants (no award Xiaomi HK Shares granted to service providers) pursuant to the 2024 Xiaomi HK Share Scheme, respectively and 27,299,942 award Xiaomi HK Shares were forfeited (no award Xiaomi HK Shares forfeited from service providers) pursuant to the 2024 Xiaomi HK Share Scheme.

It follows that, as of December 31, 2024, 516,964,706 Xiaomi HK Shares and 50,000,000 Xiaomi HK Shares were available for grant under the XMHK Scheme Mandate Limit and the XMHK Service Provider Sublimit, respectively.

(e) Maximum number of award Xiaomi HK Shares available for issue

Upon adoption of the 2024 Xiaomi HK Share Scheme on June 6, 2024, 1,000,000,000 Xiaomi HK Shares were available for issue under the XMHK Scheme Mandate Limit. During the Reporting Period, no new Xiaomi HK Shares were issued pursuant to the 2024 Xiaomi HK Share Scheme. It follows that, as of December 31, 2024 and the Latest Practicable Date, 1,000,000,000 new Xiaomi HK Shares (representing 10.0% of the issued share capital of Xiaomi HK as of the Latest Practicable Date) and 1,000,000,000 new Xiaomi HK Shares (representing approximately 10.0% of the issued share capital of Xiaomi HK as of the Latest Practicable Date) were available for issue under the XMHK Scheme Mandate Limit, respectively.

(f) Issue price and exercise price

The scheme administrator may determine in their absolute discretion the issue price for the exercise of share awards and/or the exercise price for share options for awards in the form of share awards and/or share option (as the case may be) and such prices shall be set out in the award letter.

(g) Maximum entitlement of each eligible participant

There is no specific maximum entitlement for each eligible participant under the 2024 Xiaomi HK Share Scheme. Grants to individuals that exceed the thresholds set out in the Chapter 17 of the Listing Rules will be subject to additional approval requirements as required under the Chapter 17 of the Listing Rules.

(h) Exercise period

The scheme administrator may determine in its absolute discretion the exercise period for any award of share options and/or share awards and such period shall be set out in the award letter. However, the exercise period for any award of share options shall not be longer than 10 years from the grant date.

(i) Vesting period

The scheme administrator may determine the vesting period and specify such period in the award letter. The vesting period may not be for a period less than 12 months from the grant date, except in limited circumstances set out in the scheme rules. These circumstances may only apply to employee participants and are consistent with the scenarios contemplated in FAQ13 No. 12 issued by the Stock Exchange, including:

- (i) grants of “make whole” awards to a new employee participant to replace the awards that the employee participant forfeited when leaving their previous employer;
- (ii) grants to an employee participant whose employment is terminated due to death or disability or event of force majeure;
- (iii) grants of awards that are subject to the fulfilment of performance targets as determined in the conditions of the grantee’s grant;
- (iv) grants of awards the timing of which is determined by administrative or compliance requirements not connected with the performance of the employee participant, in which case the vesting date may be adjusted to take account of the time from which the award would have been granted if not for such administrative or compliance requirements;
- (v) grants of awards with a mixed vesting schedule such that the award vests evenly over a period of 12 months; or
- (vi) grants of awards with a total vesting and holding period of more than 12 months.

(j) Acceptance

The scheme administrator may determine in their absolute discretion the amount (if any) payable on application or acceptance of an award and the period within which any such payments must be made, and such amounts (if any) and periods shall be set out in the award letter. Unless otherwise specified in the award letter, the grantee shall have until the first vesting date to accept the award, following which, the portion not accepted by the grantee shall automatically lapse.

(k) Termination

The 2024 Xiaomi HK Share Scheme shall terminate on the earlier of: (a) the 10th anniversary of its adoption date; and (b) such date of early termination as determined by the board of Xiaomi HK, provided that such termination shall not affect any subsisting rights in respect of the awards already granted to eligible participants.

(l) Remaining Life of the 2024 Xiaomi HK Share Scheme

The 2024 Xiaomi HK Share Scheme is valid and effective for a period of 10 years commencing from the date of adoption and up to June 5, 2034. The remaining life of the 2024 Xiaomi HK Share Scheme is approximately over 9 years.

Grantees by category	Date of grant	Vesting Period	Exercise period	Number of share options					Outstanding as at December 31, 2024	Exercise price (US\$)	Fair value of options at the date of grant during the year and the accounting standard and policy adopted ⁽¹⁾ (US\$)
				Outstanding as at January 1, 2024	Granted during the year	Cancelled during the year	Lapsed during the year	Exercised during the year			
Employee Participants	11/20/2024	11/21/2024 to 7/2/2032	11/21/2024 to 11/20/2034	—	510,335,236 ⁽²⁾	—	(27,299,942)	—	483,035,294	0.1	0.10–0.75
Total:				—	510,335,236	—	(27,299,942)	—	483,035,294		

(1): Details of the valuation of the award Xiaomi HK Shares granted during the Reporting Period, including the accounting standard and policy adopted, are set out in Note 28 to the consolidated financial statements.

(2): A time-based vesting schedule is applicable to the award Xiaomi HK Shares. The number of award Xiaomi HK Shares to be vested at every anniversary year shall be based on the Xiaomi HK selected participant's performance rank in the said anniversary year. The performance rank is linked to the performance of the Xiaomi HK selected participant (and in some cases of the Xiaomi HK selected participant's department) in the anniversary year as assessed by the Group.

Further details of the 2024 Xiaomi HK Share Scheme are set out in Note 28 to the consolidated financial statements.

Equity-Linked Agreements

Save as disclosed in the sections headed "Share Schemes" and "Issuance of Debt Securities", no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

Directors and Senior Management

The Directors of the Company during the Reporting Period and up to the date of the annual report were:

Executive Directors

Lei Jun
Lin Bin
Liu De

Non-Executive Director

Liu Qin

Independent Non-Executive Directors

Chen Dongsheng
Wong Shun Tak
Tong Wai Cheung Timothy (resigned with effect from January 8, 2024)
Cai Jinqing (appointed with effect from January 8, 2024)

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them independent.

Biographical Details and Other Information of the Directors

The biographical details of the Directors who held office during the Reporting Period and up to the Latest Practicable Date are as out below:

Lei Jun (雷軍), aged 55, is an executive Director, the Founder, the Chairman, the CEO of the Company, and the CEO of the smart electric vehicle business. He is also a member of the Remuneration Committee. Lei Jun is overall responsible for the Company's strategy, company culture and key products. He oversees the senior management team. Lei Jun currently holds directorships in various subsidiaries, Consolidated Affiliated Entities and operating entities of the Group.

In 2000, Lei Jun founded joyo.com, an online retailing platform, which was acquired by Amazon in 2004. Meanwhile, as an angel investor, Lei Jun has also invested in various innovative businesses including JOYY Inc. and UCWeb. Lei Jun is also a renowned technology entrepreneur in mainland China. Lei Jun joined Kingsoft Corporation Limited (HKEx Stock Code: 3888) in 1992 and has held various senior positions in Kingsoft, including as the chairman of the board since July 2011, non-executive director since August 2008 and the chief executive officer between 1998 and December 2007. From December 2011, Lei Jun has served as a director of Beijing Kingsoft Office Software, Inc. (Sci-Tech Innovation Board of the Shanghai Stock Exchange ticker: 688111). From January 2012 and April 2015, Lei Jun has been the non-executive director and the Chairman of Kingsoft Cloud Holdings Limited (HKEx Stock Code: 3896; NASDAQ ticker: KC) respectively.

Lei Jun graduated from Wuhan University (武漢大學) in July 1991 and received a Bachelor of Science in Computer Science.

Lin Bin (林斌), aged 57, is an executive Director, a Co-founder and the Vice Chairman of the Board. He is also a member of the Nomination Committee. Lin Bin currently holds directorships in various subsidiaries of the Group.

Lin Bin co-founded Xiaomi with Lei Jun in 2010. He served as President of Xiaomi until 2019 when he took on the role of Vice Chairman. During the early phase of Xiaomi's development, Lin Bin was responsible for HR recruiting, legal and finance operation, strategic partnerships with key suppliers, and overseas market expansion in countries like India, Indonesia etc. As the Company grew, Lin Bin also oversaw the Company's domestic sales and marketing, after-sales services operations, and Xiaomi's smartphone business. Lin Bin is now in charge of geopolitical relationship and oversees technology and investment related compliance for the Company.

Lin Bin had served as an Engineering Director at Google Inc. between 2006 and 2010. Before this, he had worked at Microsoft Corporation from 1995 to 2006 and served various roles such as Software Design Engineer (SDE), SDE Lead, SDE Manager, and Engineering Director. Prior to this, Lin Bin worked as a Network Engineer at ADP Inc. since May 1993.

Lin Bin has held numerous visiting and adjunct professorships, including visiting professor at Zhejiang University (浙江大學) in 2002, visiting professor at Tongji University (同濟大學) in 2002, adjunct professor at Nankai University (南開大學) from 2002 to 2005 and adjunct professor at Sun Yat-sen University (中山大學) from 2005 to 2008.

Lin Bin received a Bachelor of Science in Radio Electronics from Sun Yat-sen University (中山大學) in July 1990, and a Master of Science from Drexel University in June 1992.

Liu De (劉德), aged 51, is an executive Director, a Co-Founder, Senior Vice President and Minister of the Group Leadership Management Department, is currently responsible for the recruitment, promotion, training and evaluation of the middle and senior management of the Group, as well as the organizational structure design and approval procedures of each department. Mr. Liu is a director of various members of the Group. Mr. Liu is also a director of Viomi Technology Co., Ltd. (NASDAQ ticker: VIOT). Mr. Liu has also served as a director of Ninebot Limited (Shanghai Stock Exchange Stock Code: 689009) from December 2020 to April 2024, Zepp Health Corporation (NYSE ticker: ZEPP) from April 2015 to September 2024 and Shanghai Longcheer Technology Co., Ltd. (Shanghai Stock Exchange Stock Code: 603341) from November 2019 to February 2025. In October 2002, Liu De co-founded Beijing Xinfengrui Industrial Design Co., Ltd. (北京新鋒銳工業設計公司) and served as its executive director until 2007.

Liu De received a Bachelor's degree in Industrial Design in July 1996 and a Master's degree in Mechanical Design and Theory in March 2001, both from the Beijing Institute of Technology (北京理工大學). Liu De received a Master's degree in Industrial Design from Art Center College of Design, Pasadena, California, US, in April 2010.

Liu Qin (劉芹), former name: Liu Ya (劉雅), aged 52, is a non-executive Director and a member of the Audit Committee. Liu Qin became a Director of the Company in May 2010. Liu Qin co-founded and has served as managing partner of 5Y Capital (formerly known as Morningside Venture Capital Limited) since June 2007. The funds under 5Y Capital's management had been the earliest investors of the Group. Before co-founding 5Y Capital, Liu Qin served various roles including as a business development director for investment at Morningside IT Management Services (Shanghai)

Co. Ltd. (晨興信息科技諮詢(上海)有限公司) from July 2000 to November 2008. Since June 2008, Liu Qin has been a director of JOYY Inc. (NASDAQ ticker: YY). Since December 2014, Liu Qin has been a director of Agora, Inc. (NASDAQ ticker: API). Liu Qin also became a director of Horizon Robotics (SEHK stock code: 9660) in October 2015, and he currently serves as a non-executive director of Horizon Robotics. Liu Qin has also served as a non-executive director of XPeng Inc. (NYSE ticker: XPEV, SEHK stock code: 9868) from September 2019 to June 2023.

Liu Qin received a Bachelor's degree in Industrial Electrical Automation from University of Science and Technology Beijing (北京科技大學) in July 1993, and a Master of Business Administration from China Europe International Business School (中歐國際工商學院) on April 22, 2000.

Chen Dongsheng (陳東升), aged 67, has served as an independent non-executive Director since June 2018. He also currently serves the chairman of both the Remuneration Committee and the Corporate Governance Committee, and a member of the Audit Committee. Chen Dongsheng founded Taikang Insurance Group Inc. (泰康保險集團股份有限公司) (formerly known as Taikang Life Insurance Co., Ltd (泰康人壽保險股份有限公司)) ("Taikang") in 1996. He serves the chairman and CEO of Taikang and holds various directorships within the Taikang group. Prior to this, Chen Dongsheng served as the chairman and the general manager of China Guardian Auctions Co., Ltd (中國嘉德國際拍賣有限公司) from May 1993. Prior to this, Chen Dongsheng worked as the deputy editor of the Management World (monthly), published by the Development Research Center of the State Council of China.

Chen Dongsheng has accumulated extensive corporate governance experience during his leadership in the Taikang group, as he oversaw the reform and optimization of the group's corporate governance structure. Key corporate governance initiatives implemented during Chen Dongsheng's tenure include (i) formalizing the structure, functions and accountability of the corporate governance bodies within the Taikang group, (ii) introducing board executive, audit, nomination and remuneration committees, the members of which are selected by election, and (iii) appointing independent directors.

Chen Dongsheng received a Bachelor's degree in Political Economics in July 1983, and a PhD in Political Economics in January 1999, both from Wuhan University (武漢大學).

Wong Shun Tak (王舜德), aged 64, currently serves as an independent non-executive Director, and also the chairman of both the Audit Committee and Nomination Committee, and a member of the Remuneration Committee and Corporate Governance Committee. In 2014, Wong Shun Tak co-founded and had concurrently served as the CFO of Rokid Corporation Ltd. Wong Shun Tak has served as the independent non-executive Director, chairman of the nomination committee, chairman of the remuneration committee and member of the audit committee of Kingsoft Corporation Limited (SEHK Stock Code: 3888) since July 2014. Wong Shun Tak served as an executive director and CFO of Kingsoft Corporation Limited (SEHK Stock Code: 3888) from October 2011 to July 2012, and also acted as an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Kingsoft Corporation Limited (SEHK Stock Code: 3888) from April 2007 to September 2011. In addition, Wong Shun Tak also became an independent non-executive director and chairperson of the audit committee of Goodbaby International Holdings Limited (SEHK Stock Code: 1086) with effect from March 26, 2025. Wong Shun Tak has served as an independent non-executive director and the chairman of the audit committee of the Company since June 2018. He has also been appointed as the chairman of the nomination committee with effect from January 8, 2024. Mr. Wong currently serves as an independent non-executive director of several subsidiaries of the Company.

Wong Shun Tak served as vice president of finance and corporate controller of Alibaba Group Holding Ltd (NYSE ticker: BABA; SEHK Stock Code: 9988) from August 2007 to September 2011. During his service with Alibaba Group, he also acted as the chairman of Group Financial Control Committee of Alibaba Group.

Wong Shun Tak served as the CFO of Goodbaby Children Products Group ("**Goodbaby**") from August 2003 to August 2007, a leading juvenile product manufacturer in China. Before joining Goodbaby, Wong Shun Tak worked as the vice president of finance in IDT International Limited (SEHK Stock Code: 167) from September 2001 to July 2003.

In the past, Wong Shun Tak held key financial management positions in various multi-nationals companies, including as the financial controller of AMF Bowling, Inc. from November 1996 to March 1998 and International Distillers China Ltd. from December 1993 to October 1996. Wong Shun Tak has extensive experience in financial control, operations, strategic planning and implementation, private fund investments and exit strategies.

Wong Shun Tak received a Master's degree in Finance from the University of Lancaster in the United Kingdom and a Master's degree in Accounting from Charles Stuart University in Australia. He is also a fellow CPA member of the Hong Kong Institute of Certified Public Accountants and a fellow CPA member of Australian Society of CPAs.

Cai Jinqing (蔡金青), aged 57, has been appointed as an independent non-executive Director, and a member of the Nomination Committee and the Corporate Governance Committee with effect from January 8, 2024.

Cai Jinqing has served as the president of Kering Greater China since 2018. She is committed to enhancing the reputation of Kering in Greater China, strengthening the relationship between Kering and its partners, propelling the long-term development of Kering in China, and promoting the increasingly significant role of Greater China in the global market.

From 2012 to 2018, she worked for Christie's, a world-leading art auction house. She was appointed as the first managing director, president and chairwoman of Christie's China during her tenure at Christie's. At present, she is a member of Christie's Asia Advisory Council. Cai Jinqing had also been the founding partner of Brunswick Beijing from 2005 to 2012, a world-renowned public relations consulting firm. Prior to that, she founded New Alliance Consulting International Limited and managed the annual conference of Boao Forum for Asia as an exclusive public relations consultant.

Since December 1, 2021, Cai Jinqing has served on the board of Mandarin Oriental International Limited (the shares of which are listed on London Stock Exchange (Stock Code: MDO), the Singapore Exchange Limited (Stock Code: M04) and Bermuda Stock Exchange (Stock Code: MOIBD.BH)) as a non-executive director. She also serves as the vice chairwoman of the board of Teach for China, a leading non-profit organisation in China focusing on educational inequality issues in China.

Cai Jinqing obtained her Bachelor's degree from Wellesley College located in Massachusetts and holds a Master's degree in Public Affairs from Princeton University, School of International and Public Affairs.

Biographical Details of Senior Management

The biographical details of the senior management of the Company who held office as of the Latest Practicable Date are set out below:

Lei Jun (雷軍), aged 55, is the Founder, the CEO of the Company, the Chairman and an executive Director, and the CEO of the smart electric vehicle business. For further details, please see the paragraphs headed “Biographical Details and Other Information of the Directors” in this section.

Lin Bin (林斌), aged 57, is a Co-founder, the Vice Chairman of the Board and an executive Director. For further details, please see the paragraphs headed “Biographical Details and Other Information of the Directors” in this section.

Lu Weibing (盧偉冰), aged 49, is a Partner, President of the Group, and President of the Smartphone Department of the Group. He is responsible the Ecosystem Department, the Major Appliance Department, the China Region and the International Business Department.

Lu Weibing joined the Group in 2019 and has since been in charge of China Region Sales and the International Department, as well as branding, product planning, manufacturing, and sales & marketing of Redmi. Relying on years of marketing experience and profound insights, he led the team and formulated the strategic goals and business directions, and achieved very positive outcomes. Prior to this, Mr. Lu had rich working experience in the telecommunication industry. He participated in the establishment of Shenzhen Chenyee Technology Co., Ltd. (深圳市誠壹科技有限公司) and served as the President of Shenzhen Gionee Communication Equipment Co., Ltd. (深圳市金立通信設備有限公司). He also worked as the General Manager (Overseas Business Department) at Tianyu Communication Equipment Co., Ltd. (北京天宇朗通通信設備有限公司) and General Sales Manager at KONKA Communication Co., Ltd. (康佳通信科技有限公司).

Lu Weibing received a Bachelor of Science in Chemistry from Tsinghua University (清華大學) in 1998 and an Executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in 2009.

Liu De (劉德), aged 51, is a Co-Founder, Senior Vice President and Minister of the Group Leadership Management Department an executive Director. For further details, please see the paragraphs headed “Biographical Details and Other Information of the Directors” in this section.

Zeng Xuezhong (曾學忠), aged 51, is Senior Vice President and President of International Business Department. He also oversees the Internet Business Department. He joined the Group in July 2020, and was responsible for the R&D and manufacturing of smartphone products. Zeng Xuezhong served as senior vice president and president of ZTE Corporation (中興通訊) (SEHK Stock Code: 763; SZSE Stock Code: 000063) in mainland China, executive vice president of ZTE Corporation and chief executive officer of ZTE Terminal. He also held senior management positions such as global executive vice president of Tsinghua Unigroup (紫光集團有限公司), president of Unisplendour Corporation Limited (紫光股份有限公司), chief executive officer of UNISOC (紫光展銳 (上海) 科技有限公司), and chairman and general manager of Hatchip Communications (匯芯通信技術有限公司). As an excellent manager and expert in communications industry, he has rich practical experience in corporate strategy, innovation and transformation.

Zeng Xuezhong received a Bachelor's degree in Physics and an Executive Master of Business Administration from Tsinghua University (清華大學).

Lam Sai Wai Alain (林世偉), aged 51, is a Vice President and the CFO of the Group, and the Chairman of Airstar Digital Technology. Prior to joining the Group in October 2020, Alain served as a Managing Director and Head of Technology, Media and Telecom in the Investment Banking and Capital Markets department of Credit Suisse between January 2016 and October 2020. Between July 1997 and December 2015, Alain worked at Morgan Stanley in various locations including London, New York, Menlo Park and Hong Kong. Alain currently serves as a director of Zepp Health Corporation (NYSE ticker: ZEPP).

Lam Sai Wai Alain received a Master's degree in Engineering from the University of Oxford.

Zhu Dan (朱丹), aged 47, is a Vice President and Vice President of R&D, Smartphone Department. Zhu Dan joined the Group in October 2010 and has been responsible for the Baseband Department, Product Department, Camera Department, and Display Department, all under the Smartphone Department of the Group. From 2016 to 2018, he was responsible for product planning in the Smartphone Product Department. From 2018 to 2021, he was responsible for R&D management and technical roadmap for the Camera Department and led the Camera Department to receive two DXOMARK first places. Prior to joining the Group, Zhu Dan was the R&D director of baseband department of Firebrand Technology Limited (Firebrand 科技有限公司) from May 2008 to October 2010 and an electronics engineer of Motorola North Asia Center (摩托羅拉北亞中心) from October 2003 to May 2008.

Zhu Dan received a Bachelor's degree and a Master's degree in Automatic Control from Beijing Institute of Technology (北京理工大學) in 2000 and 2003 respectively.

Wang Xiaoyan (王曉雁), aged 51, is a Vice President and President of the Group's China Region. Wang Xiaoyan joined the Group in 2019 and has been responsible for the E-Commerce Department, Sales and Operation Department, New Retail Department and Carrier Department of China Region. He has played a decisive role in the stabilization and development of the new retail business of the China Region. Prior to this, he had rich working experience in the telecommunications industry. He participated in the establishment of the mobile phone brand Xiaolajiao (小辣椒) and worked at Tianyu Communication Equipment Co., Ltd. (北京天宇朗通通信設備有限公司) and ZTE Corporation (中興通訊股份有限公司).

Wang Xiaoyan received a bachelor's degree in physics from Beijing Normal University in 1994 and an MBA degree from Renmin University of China (中國人民大學) in 1999.

Qu Heng (屈恒), aged 43, is a Vice President, Chairman of the Group Technology Committee, and Chairman of the Group Information Security and Privacy Committee. He is also responsible for Group Quality Committee and the Group Information Technology Department.

Qu Heng joined the Group in 2010. He is one of the founding team members of the Group and has been in charge of, among others, MIUI, the software development of Mi Talk and router system engineering. Since 2018, he served as the General Manager of the Group's Ecosystem Department. Qu Heng has led the team to work on the smartphone-centred ecosystem layout and the implementation of the Group's "Smartphone × AIoT" strategy. Since 2023, he served as the Chairman of the Group's Technology Committee. Qu Heng took the lead in the development of Xiaomi Corporation's AI strategy, established a specialised large model team, and empowered "Human × Car × Home" ecosystem with AI large model technology to enhance the Group's operational efficiency. Prior to this, Qu Heng had many years of working experience in software development and worked at Beijing Kingsoft Corporation Limited.

Qu Heng graduated from the department of computer science and engineering of Beihang University (北京航空航天大學) in 2003 and received a master's degree in computer science and engineering from Harbin Institute of Technology (哈爾濱工業大學) in 2013.

Xu Fei (許斐), aged 43, currently serves as the Vice President and Chief Marketing Officer (CMO) of the Group, concurrently holding the positions of General Manager of the Group Strategic Marketing Department, overseeing the Group's branding, public relations, and marketing-related initiatives.

Xu Fei joined the Group in 2010 as an early member. She was the product team leader of the MIUI operating system and was deeply involved in the formation of Xiaomi's pioneering "Internet Development Model." In 2021, she served as the Vice President of Xiaomi's China Region and General Manager of the Marketing Department, overseeing the building of Xiaomi's brand, marketing and public relations. Prior to joining the Group, Xu Fei worked as a Product Manager at Google from 2007 to 2010, where she contributed to the launch of several prominent products, including integrated search, Chinese voice search, and mobile maps, laying the foundation for the design paradigms in mobile internet products.

Xu Fei graduated from Tsinghua University with a Bachelor's degree in Automation in 2005 and a Master's degree in Computer Science and Technology in 2007.

Zhang Jianhui (張劍慧), aged 46, is a Vice President and Chairwoman of Group Procurement Committee. She also holds the position of General Manager of the Group Asset and Engineering Management Department, and oversees the Group Administration Department.

Zhang Jianhui joined the Group in 2011 and spearheaded the establishment of after-sales service and New Retail system, garnering numerous industry accolades and laying a solid foundation for the development of the Group's New Retail business. In 2022, she served as the Special Assistant to the Group CEO, overseeing administrative affairs, engineering construction, and asset management within the Group. Prior to joining the Group, Zhang Jianhui worked at Beijing Kingsoft Software from 2002 to 2011, responsible for marketing and channel management, where she accumulated extensive practical experience in marketing and management.

Zhang Jianhui graduated from Henan Agricultural University in 2002 and later received an MBA degree from China Europe International Business School in 2023.

Director's Service Contracts and Appointment Letters

1. Executive Directors

Lei Jun and Lin Bin have each entered into a service contract with our Company on June 19, 2018. Liu De has entered into a service contract with our Company on March 24, 2021. The initial term of their service contracts shall commence from the date of his appointment and continue for a period of three years (subject always to re-election as and when required under the Articles of Association), be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing. No annual director's fees are payable to the executive Directors under the current arrangement.

2. Non-executive Director and independent non-executive Directors

Liu Qin has entered into an appointment letter with our Company on June 10, 2021. The initial term for his appointment letter shall be three years from the date of his appointment and shall be automatically renewed for a successive period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. No annual director's fees are payable to the non-executive Directors under the current arrangement.

Each of Chen Dongsheng and Wong Shun Tak has entered into an appointment letter with our Company on June 10, 2021, and Cai Jinqing has entered into an appointment letter with our Company on January 8, 2024. The initial term for their appointment letters shall be three years from the date of their appointment and shall be automatically renewed for a successive period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of the independent non-executive Directors will receive an annual director's fee of HK\$600,000, which in each case has been recommended by the Remuneration Committee and approved by the Board with reference to the independent non-executive Director's qualifications, experience and responsibilities with the Company.

None of the Directors (including the Directors proposed for re-election at the annual general meeting) have a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations

As of December 31, 2024, the interests and short positions of our Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

1. Interest in Shares

Name of Director or chief executive	Nature of interest ⁽¹⁾	Relevant company	Number and class of securities	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾
Lei Jun ⁽³⁾	Beneficiary, founder and settlor of a Trust(L)	ARK Trust (Hong Kong) Limited	4,068,513,104 Class A Shares	90.06%
			1,985,666,534 Class B Shares	9.65%
	Interest in controlled corporations(L)	Smart Mobile Holdings Limited	4,068,513,104 Class A Shares	90.06%
			1,834,199,862 Class B Shares	8.91%
	Interest in controlled corporations(L)	Smart Player Limited	59,221,630 Class B Shares	0.29%
	Interest in controlled corporations(L)	Team Guide Limited	92,245,042 Class B Shares	0.45%
Lin Bin ⁽⁴⁾	Beneficial owner(L)		30,347,523 Class B Shares	0.15%
	Trustee of a trust(L)	Apex Star FT LLC	93,438,272 Class B Shares	0.45%
	Interest in controlled corporations(L)	Apex Star LLC	448,997,030 Class A Shares	9.94%
			1,706,450,785 Class B Shares	8.29%
	Interest in controlled corporations(L)	Bin Lin and Daisy Liu Family Foundation	50,686,600 Class B Shares	0.25%
Liu Qin ⁽⁵⁾	Interest in controlled corporations(L)	Morningside China TMT Fund I, L.P.	7 Class B Shares	0.00%
	Founder of Trust(L)		184,466,366 Class B Shares	0.90%
Liu De ⁽⁶⁾	Beneficial owner(L)		10,000,000 Class B Shares	0.05%
	Founder of a trust(L)	Lofty Power International Limited	135,871,935 Class B Shares	0.66%

Notes:

- [1] The letter "L" denotes a long position in the shares.
- [2] The calculation is based on the total number of relevant class of Shares in issue as at December 31, 2024.
- [3] Smart Mobile Holdings Limited and Smart Player Limited are both wholly-owned by Sunrise Vision Holdings Limited which is in turn wholly-owned by Parkway Global Holdings Limited. Team Guide Limited is wholly-owned by Techno Frontier Investments Limited. The entire interests in Parkway Global Holdings Limited and Techno Frontier Investments Limited are held by ARK Trust (Hong Kong) Limited as trustee for the trusts established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Accordingly, Lei Jun is deemed to be interested in 1) the 4,068,513,104 Class A Shares and the 1,834,199,862 Class B Shares held by Smart Mobile Holdings Limited; and 2) the 59,221,630 Class B Shares held by Smart Player Limited and 3) the 92,245,042 Class B Shares held by Team Guide Limited under the SFO.
- [4] Lin Bin directly holds 30,347,523 Class B Shares. Apex Star FT LLC is controlled by Bin Lin Family Trust. Accordingly, Lin Bin, as the trustee of Bin Lin Family Trust, is deemed to be interested in 93,438,272 Class B Shares held by Apex Star FT LLC under the SFO. Bin Lin and Daisy Liu Family Foundation is controlled by Lin Bin. Accordingly, Lin Bin is deemed to be interested in 50,686,600 Class B Shares held by Bin Lin and Daisy Liu Family Foundation under the SFO. Apex Star LLC is controlled by Lin Bin. Accordingly, Lin Bin is deemed to be interested in 1,706,450,785 Class B Shares and 448,997,030 Class A Shares held by Apex Star LLC under the SFO.
- [5] Liu Qin is entitled to exercise or control the exercise of one-third of the voting power at general meetings of TMT General Partner Ltd. and is therefore deemed to be interested in 7 Class B Shares in which TMT General Partner Ltd. is interested. TMT General Partner Ltd. controls Morningside China TMT GP, L.P., which controls Morningside China TMT Fund I, L.P. (the "5Y Capital Funds"). Consequently, TMT General Partner Ltd. is deemed to be interested in the Shares in which the 5Y Capital Funds have an interest. Liu Qin is deemed to be interested in 184,466,366 Class B Shares held by an entity controlled by the trustee of a discretionary trust, of which Liu Qin is a founder of the discretionary trust, under the SFO.
- [6] Liu De directly holds 10,000,000 Class B Shares. Lofty Power International Limited is controlled by YYL Trust (formerly known as YYL Family Trust). Accordingly, Liu De, as the settlor and protector of YYL Trust, is deemed to be interested in 135,871,935 Class B Shares held by Lofty Power International Limited under the SFO.

2. Interest in associated corporations

Name of Director or chief executive	Nature of interest	Associated corporations	Approximate percentage of shareholding ⁽¹⁾
Lei Jun	Beneficial owner(L)	Xiaomi Finance ⁽²⁾	42.07%
	Interest in controlled corporations(L)	Parkway Global Holdings Limited ⁽³⁾	100%
	Interest in controlled corporations(L)	Sunrise Vision Holdings Limited ⁽³⁾	100%
	Interest in controlled corporations(L)	Smart Mobile Holdings Limited ⁽³⁾	100%

Notes:

- (1) The calculation is based on the total number of shares of the associated corporations in issue as of December 31, 2024.
- (2) Xiaomi Finance is a subsidiary of the Company and therefore Xiaomi Finance is an associated corporation of the Company. Lei Jun is entitled to receive up to 42,070,000 shares in Xiaomi Finance pursuant to options granted to him under the XMF Share Option Scheme I (subject to the relevant vesting conditions).
- (3) Smart Mobile Holdings Limited, the holding company of the Company, is wholly-owned by Sunrise Vision Holdings Limited which is in turn wholly-owned by Parkway Global Holdings Limited. The entire interest in Parkway Global Holdings Limited is held through a trust which was established by Lei Jun (as the settlor) for the benefit of Lei Jun and his family. Accordingly, Lei Jun is deemed to be interested in the 4,068,513,104 Class A Shares and 1,834,199,862 Class B Shares held by Smart Mobile Holdings Limited under the SFO. Therefore, Smart Mobile Holdings Limited, Sunrise Vision Holdings Limited and Parkway Global Holdings Limited are associated corporations of the Company.

Save as disclosed above, as of December 31, 2024, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

Permitted Indemnity Provision

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

Such permitted indemnity provision has been in force for the Reporting Period. The Company has taken out liability insurance for our Directors for the Reporting Period.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, neither the Company nor its subsidiaries were a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right at any time during the Reporting Period.

Directors' Interests in Competing Business

Lei Jun is a founding partner of Shunwei Capital ("Shunwei"), which operates investment funds specializing in incubation, start-ups, early to mid-stage and growth capital investments in internet and technology industries. While Shunwei may acquire non-controlling interests in certain business that operate in technology and internet sectors similar to those in which our Group operates, Shunwei is a pure financial investment company, and generally has no management or shareholding control over any of its investee companies. We therefore do not believe that Shunwei competes in any material way with our Group. Our Group is capable of carrying on the business independently, and at arm's length from Shunwei.

Save as disclosed in this annual report and except for the interests of the Controlling Shareholders in the Group, during the Reporting Period, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of December 31, 2024, so far as the Directors are aware, the following parties (other than our Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾
Class A Shares			
Smart Mobile Holdings Limited ⁽²⁾	Beneficial interest	4,068,513,104	90.06%
Sunrise Vision Holdings Limited ⁽²⁾	Interest in controlled corporations	4,068,513,104	90.06%
Parkway Global Holdings Limited ⁽²⁾	Interest in controlled corporations	4,068,513,104	90.06%
ARK Trust (Hong Kong) Limited ⁽²⁾	Trustee	4,068,513,104	90.06%
Class B Shares			
Smart Mobile Holdings Limited ⁽²⁾	Beneficial interest	1,834,199,862	8.91%
Sunrise Vision Holdings Limited ⁽²⁾	Interest in controlled corporations	1,893,421,492	9.20%
Parkway Global Holdings Limited ⁽²⁾	Interest in controlled corporations	1,893,421,492	9.20%
ARK Trust (Hong Kong) Limited ⁽²⁾	Trustee	2,170,406,966	10.55%

Notes:

(1) The calculation is based on the total number of relevant class of Shares in issue as of December 31, 2024.

(2) Smart Mobile Holdings Limited and Smart Player Limited are both wholly-owned by Sunrise Vision Holdings Limited which is in turn wholly-owned by Parkway Global Holdings Limited. Team Guide Limited is wholly-owned by Techno Frontier Investments Limited. The entire interests in Parkway Global Holdings Limited and Techno Frontier Investments Limited are held by ARK Trust (Hong Kong) Limited as trustee for the trusts established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Accordingly, Lei Jun is deemed to be interested in 1) the 4,068,513,104 Class A Shares and the 1,834,199,862 Class B Shares held by Smart Mobile Holdings Limited; 2) the 59,221,630 Class B Shares held by Smart Player Limited; and 3) the 92,245,042 Class B Shares held by Team Guide Limited under the SFO. ARK Trust (Hong Kong) Limited is also a trustee for a number of trusts and therefore is deemed to be interested in the 184,740,432 Class B shares held by the trusts.

Save as disclosed above, as of December 31, 2024, no person, other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Contracts with Controlling Shareholders

Save as disclosed in this annual report, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the Reporting Period.

Management Contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

Connected Transactions

On January 12, 2024, Hanxing Venture Capital Co., Ltd. (瀚星創業投資有限公司) (**Hanxing Venture Capital**) (as a limited partner), a subsidiary of the Company, Hangzhou Shuncheng Enterprise Management Partnership (Limited Partnership)* (杭州順承企業管理合夥企業 (有限合夥)) ("**Hangzhou Shuncheng**") (as the General Partner), Wuhan Kingsoft Software Co., Ltd.* (武漢金山軟件有限公司) ("**Kingsoft Wuhan**") (as a limited partner), and other limited partners entered into a partnership agreement in relation to the formation of Hangzhou Shunzhong Venture Capital Partnership (Limited Partnership)* (杭州順眾創業投資合夥企業 (有限合夥)) (the "**Fund**") with the total expected subscription contribution amount of approximately not less than RMB2.4 billion (the "**Partnership Agreement**"). Pursuant to the Partnership Agreement, Hanxing Venture Capital shall participate in the Fund as a limited partner and agreed to make a contribution in the amount of RMB490 million. The Fund is set up to focus on the new-wave of industrial transformation and deep technology innovation venture opportunities.

As the general partner of Hangzhou Shuncheng is controlled by Mr. Lei Jun, an executive Director and Controlling Shareholder of the Company, Hangzhou Shuncheng constitutes an associate of Mr. Lei Jun. As such, Hangzhou Shuncheng constitutes a connected person of the Company. Therefore, the entering into the Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

For further details, please refer to the announcement of the Company dated January 12, 2024.

Continuing Connected Transactions

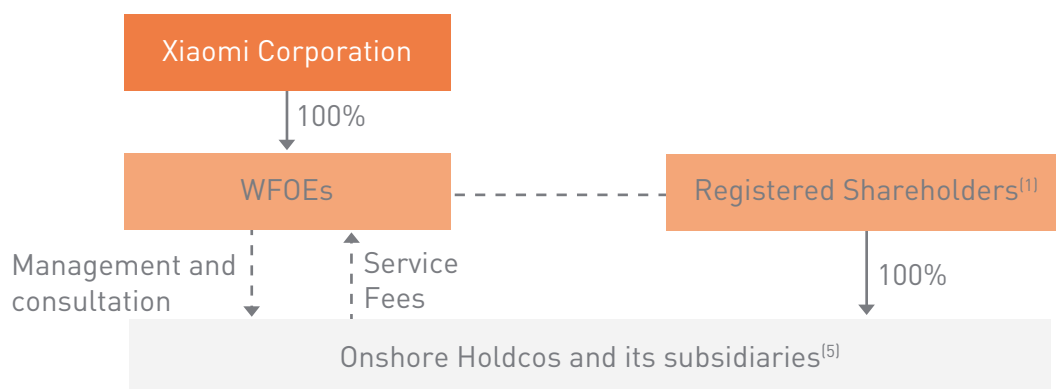
We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for our Group, in compliance with the requirements of Chapter 14A of the Listing Rules.

1. Contractual Arrangements

(1) Contractual Arrangements in Place

The Company has entered into a series of Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which our Company obtained effective control over and had the right to receive all economic benefits from the business and operations of the Consolidated Affiliated Entities. In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries.

The following simplified diagram illustrates the Contractual Arrangements that were in place as of December 31, 2024:



Notes:

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

(i) Xiaomi Inc. is owned by Lei Jun (雷軍) as to 77.80%, Li Wanqiang (黎萬強) as to 10.12%, Hong Feng (洪鋒) as to 10.07% and Liu De (劉德) as to 2.01%.

- (ii) Beijing Wali Internet is owned by Lei Jun (雷軍) as to 10%, Liu Yang (劉決) 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%.
 - (iii) Youpin Information Technology is owned by Lei Jun (雷軍) as to 70%, Hong Feng (洪鋒) as to 10%, Liu De (劉德) as to 10% and Li Wanqiang (黎萬強) as to 10%.
 - (iv) Beijing Electronic Software is owned by Lei Jun (雷軍) as to 90% and Hong Feng (洪鋒) as to 10%.
 - (v) Beijing Duokan is owned by Wang Chuan (王川) as to 61.75% and Lei Jun (雷軍) as to 38.25%.
 - (vi) Rigo Design is owned by Zhu Yin (朱印) as to 61% and Li Jiong (李炯) as to 39%.
 - (vii) Beijing Wali Culture is owned by Lei Jun (雷軍) as to 90% and Shang Jin (尚進) as to 10%.
 - (viii) Xiaomi Pictures is owned by Li Wanqiang (黎萬強) as to 87.92%, Hong Feng (洪鋒) as to 10.07% and Liu De (劉德) as to 2.01%.
- [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 (i) powers of attorney to exercise all shareholders’ rights in the Onshore Holdcos, (ii) exclusive options to acquire all or part of the equity interests in the Onshore Holdcos and (iii) equity pledges over the equity interests in the Onshore Holdcos.
- [5] These include certain companies which do not currently carry out any business operations but are intended to carry out businesses which are subject to foreign investment restrictions in accordance with the Special Administrative Measures on Access to Foreign Investment (Negative List) (2024 Edition) (外商投資准入特別管理措施（負面清單）（2024年版））.

A brief description of each of the specific agreements that comprise the Contractual Arrangements entered into by each of the WFOEs and the Onshore Holdcos is set out as follows:

a) Exclusive Business Cooperation Agreements

Under the exclusive business cooperation agreements dated December 1, 2017, April 11, 2018, April 17, 2018 and June 4, 2018, respectively, between the Onshore Holdcos and the WFOEs (the “**Exclusive Business Cooperation Agreements**”), pursuant to which, in exchange for a monthly service fee, the Onshore Holdcos agreed to engage the WFOEs as its exclusive provider of technical support, consultation and other services, including the following services:

- (i) the use of any relevant software legally owned by the WFOEs;
- (ii) development, maintenance and updating of software in respect of the Onshore Holdcos’ businesses;

- (iii) design, installation, daily management, maintenance and updating of network systems, hardware and database design;
- (iv) providing technical support and staff training services to relevant employers of the Onshore Holdcos;
- (v) providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the laws of mainland China);
- (vi) providing business management consultation;
- (vii) providing marketing and promotional services;
- (viii) providing customer order management and customer services;
- (ix) transfer, leasing and disposal of equipment or properties; and
- (x) other relevant services requested by the Onshore Holdcos from time to time to the extent permitted under the laws of mainland China.

Under the Exclusive Business Cooperation Agreements, the service fee shall consist of 100% of the total consolidated profit of the Onshore Holdcos, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions and subject to any necessary adjustment by the WFOEs of the scope and amount of service fees according to the PRC tax law and practices.

b) Exclusive Option Agreements

Under the exclusive option agreements dated December 1, 2017, April 11, 2018, April 17, 2018 and June 4, 2018, respectively, among the Onshore Holdcos, the WFOEs and the Registered Shareholders (the “**Exclusive Option Agreements**”), pursuant to which the WFOEs have the rights to require the Registered Shareholders to transfer any or all their equity interests in the Onshore Holdcos to the WFOEs and/or a third party designated by it, in whole or in part at any time and from time to time, for considerations equivalent to the respectively outstanding loans owed to the Registered Shareholders (or part of the loan amounts in proportion to the equity interests being transferred) or, if applicable, for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. The Exclusive Option Agreements shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in the Onshore Holdcos have been transferred to the WFOEs or their appointee(s).

c) Equity Pledge Agreements

Under the equity pledge agreements dated December 1, 2017, April 11, 2018, April 17, 2018 and June 4, 2018, respectively, entered into between the WFOEs, the Registered Shareholders and the Onshore Holdcos, pursuant to which the Registered Shareholders agreed to pledge all their respective equity interests in the Onshore Holdcos that they own, including any interest or dividend paid for the shares, to the WFOEs as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts. The pledge in respect of the Onshore Holdcos takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully paid.

d) Powers of attorney

The Registered Shareholders executed powers of attorney on December 1, 2017, April 11, 2018, April 17, 2018 and June 4, 2018, respectively, (the “**Powers of Attorney**”) pursuant to which the Registered Shareholders irrevocably appointed the WFOEs and their designated persons (including but not limited to Directors and their successors and liquidators replacing the Directors but excluding those non-independent or who may give rise to conflict of interests) as their attorneys-in-fact to exercise on their behalf, and agreed and undertook not to exercise without such attorneys-in-fact’s prior written consent, any and all right that they have in respect of their equity interests in the Onshore Holdcos. The Powers of Attorney shall remain effective for so long as each shareholder holds equity interest in the Onshore Holdco.

e) Loan Agreements

In relation to Beijing Wali Culture, Xiaomi Inc., Beijing Electronic Software and Youpin Information Technology only, the relevant WFOEs and their Registered Shareholders entered into loan agreements dated December 1, 2017, April 11, 2018, April 17, 2018 and June 4, 2018, respectively, pursuant to which the relevant WFOEs agreed to provide loans to the Registered Shareholders, to be used exclusively as investment in the relevant Onshore Holdcos. The term of each loan commences from the date of the agreement and ends on the date the lender exercises its exclusive call option under the relevant exclusive option agreement, or when certain defined termination events occur, such as if the lender sends a written notice demanding repayment to the borrower, or upon the default of the borrower, whichever is earlier.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between our Group and our Onshore Holdcos and/or Consolidated Affiliated Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

For the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2024, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue of the Consolidated Affiliated Entities amounted to RMB41.4 billion for the Reporting Period, representing approximately 11.3% of the total revenue of the Group. As of December 31, 2024, the total assets of the Consolidated Affiliated Entities amounted to RMB81.7 billion, representing approximately 20.3% of the total assets of the Group.

(2) Reasons for Adopting the Contractual Arrangements

Our (i) operation of online culture business; (ii) Internet audio-visual program service; (iii) Internet publication business and (iv) internet news information service business conducted by our Consolidated Affiliated Entities are considered as “prohibited” under the Special Administrative Measures on Access to Foreign Investment (Negative List) [2024 Edition] (外商投資准入特別管理措施（負面清單）（2024年版）) (the “**Negative List**”) where foreign investment is strictly prohibited (collectively, the “**Prohibited Business**”). Our (i) e-commerce marketplace business; (ii) cloud storage service and other value-added telecommunication service business; and (iii) resales of mobile communication products operated by our Consolidated Affiliated Entities are considered as “restricted” under the Negative List where foreign investors of the entity engaging in all the three businesses are restricted from holding more than 50% equity interests in companies providing such services or shall meet certain qualification requirements (collectively, the “**Restricted Business**”, together with the Prohibited Business, the “**Relevant Businesses**”). Since investment in the Relevant Businesses in which we currently and may operate are subject to restrictions under current mainland China laws and regulations, as advised by our PRC legal adviser, we determined that it was not viable for our Company to control our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in mainland China subject to foreign investment restrictions, we would gain effective control over, and have the right to receive all the economic benefits generated by the Relevant Businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements between the WFOEs, on the one hand, and our Consolidated Affiliated Entities and the Registered Shareholders, on the other hand.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between the WFOEs and our Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the exclusive business cooperation agreements with the WFOEs, which are mainland China subsidiaries of our Company, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

(3) Risks relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements, including:

- the PRC government may find that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, which may subject us to severe penalties or be forced to relinquish our interests in those operations;
- substantial uncertainties exist with respect to the interpretation and implementation of Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) and how it may impact the viability of our current corporate structure, corporate governance and business operations;
- the Contractual Arrangements may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entities and the Registered Shareholders may fail to perform their obligations under the Contractual Arrangements;
- we may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our Consolidated Affiliated Entities, which could render us unable to conduct some or all of our business operations and constrain our growth;
- the Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and any additional taxes could substantially reduce our consolidated profit and value of your investment;
- the equity holders, directors and executive officers of the Consolidated Affiliated Entities, as well as our employees who execute other strategic initiatives, may have potential conflicts of interest with our Company;
- certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws and regulations; and
- our exercise of the option to acquire equity ownership of our Consolidated Affiliated Entities may subject us to certain limitations and substantial costs.

Further details of these risks are set out in the section headed "Risk Factors — Risks Relating to Our Contractual Arrangement" on pages 86 to 93 of the Prospectus.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities, where necessary, have been submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- our Board has reviewed the overall performance of and compliance with the Contractual Arrangements for the Reporting Period;
- our Company has disclosed the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- our Company has engaged external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our Consolidated Affiliated Entities to deal with specific issues and matters arising from the Contractual Arrangements.

(4) Requirement related to Contractual Arrangements (other than relevant foreign ownership restrictions) as of December 31, 2024

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “FITE Regulations”), which were amended on September 10, 2008, February 6, 2016 and March 26, 2022. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, except as otherwise prescribed by the state.

(5) Listing Rules Implications and Waivers from the Stock Exchange

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the Consolidated Affiliated Entities will be treated as our Company’s wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company’s “connected persons”. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company.

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual

Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

- (a) no change to the Contractual Arrangements without independent non-executive Directors' approval;
- (b) no change to the agreements governing the Contractual Arrangements without independent Shareholders' approval;
- (c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities;
- (d) the Contractual Arrangements may be renewed and/ or reproduced without obtaining the approval of our Shareholders: (i) upon the expiry of the existing arrangements, (ii) in connections with any changes to the Registered Shareholders or directors of the Consolidated Affiliated Entities, or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including branch company), engaging in a business similar or relating to those of our Group when such renewal and/or reproduction is justified by business expediency and on substantially the same terms and conditions as the existing Contractual Arrangements; and
- (e) we will disclose details relating to the Contractual Arrangements on an on-going basis.

(6) Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

- (i) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period; and
- (iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole.

(7) Confirmations from the Company's Independent Auditor

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid Contractual Arrangements:

- (i) nothing has come to their attention that causes the Auditor to believe that the disclosed transactions under the Contractual Arrangements have not been approved by the Board;
- (ii) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and
- (iii) nothing has come to their attention that causes the Auditor to believe that dividends or other distributions had been made by our Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to our Group.

2. Other Continuing Connected Transactions

As disclosed in the Prospectus and the relevant announcements of the Company, the following transaction of the Group constituted continuing connected transactions for the Company for the Reporting Period.

(1) The 2023 XMF Framework Agreement

On December 22, 2023, the Company (for itself and on behalf of the XM Group) and Xiaomi Finance (for itself and on behalf of the Xiaomi Finance Group) agreed to renew the framework agreement entered into between the Company and Xiaomi Finance on December 30, 2020 by entering into a framework agreement in relation to (i) the provision of payment and settlement services by the Xiaomi Finance Group to the XM Group; (ii) the provision of financial services by the XM Group to the Xiaomi Finance Group; and (iii) other transactions under the 2023 XMF Framework Agreement (the “**Other Transactions**”), namely, (a) the supply of products by the XM Group to the Xiaomi Finance Group; (b) the provision of marketing services by the XM Group to the Xiaomi Finance Group; (c) the provision of marketing services by the Xiaomi Finance Group to the XM Group; (d) the provision of comprehensive support services by the XM Group to the Xiaomi Finance Group; (e) the provision of comprehensive support services by the Xiaomi Finance Group to the XM Group; (f) data and sharing collaboration between the XM Group and the Xiaomi Finance Group; (g) intellectual property licensing by the XM Group to the Xiaomi Finance Group; and (h) the provision of financial services by the Xiaomi Finance Group to the XM Group (the “**2023 XMF Framework Agreement**”).

Among all the transactions under the 2023 XMF Framework Agreement, the Other Transactions are fully-exempted continuing connected transactions under Chapter 14A of the Listing Rules.

The annual cap and actual transaction amounts for the non-exempted continuing connected transactions under the 2023 XMF Framework Agreement for the Reporting Period are set out as follows:

No.	Transactions	Annual cap for	Actual transaction
		the year ended December 31, 2024 (RMB million)	amounts for the year ended December 31, 2024 (RMB million)
1.	Provision of payment and settlement services by the Xiaomi Finance Group to the XM Group	260	80
2.	Provision of financial services by the XM Group to the Xiaomi Finance Group	8,943	5,511

The 2023 XMF Framework Agreement is for a term of three years from January 1, 2024 to December 31, 2026 (both days inclusive).

We have agreed to treat each member of the Xiaomi Finance Group as a connected subsidiary (as defined in Rule 14A.16 of the Listing Rules) and thus the intra-group transactions involving the XM Group and the Xiaomi Finance Group under the 2023 XMF Framework Agreement will constitute connected transactions under the Listing Rules.

(2) Confirmation from Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed the continuing connected transactions outlined above, and confirmed that such continuing connected transactions had been entered into:

- (i) in the ordinary and usual course of business of our Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of our Company and our Shareholders as a whole.

During the year ended December 31, 2024, save as disclosed in the section headed "Connected Transactions" of this annual report, no related party transactions disclosed in Note 38 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

(3) Confirmations from the Company's Independent Auditor

The Auditor has performed the relevant procedures regarding the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with Rule 14A.56 of the Listing Rules.

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the Reporting Period:

- (i) nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes the Auditor to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) nothing has come to the Auditor's attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) nothing has come to the Auditor's attention that causes the Auditor to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

Save as disclosed in this annual report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the Reporting Period.

Major Customers and Suppliers

For the Reporting Period, the five largest customers of the Group accounted for approximately 16.5% of the Group's total revenues while the largest customer of the Group accounted for approximately 10.5% of the Group's total revenues. In addition, for the Reporting Period, the five largest suppliers of the Group accounted for approximately 35.9% of the Group's total purchase amounts while the largest supplier for the Reporting Period, accounted for approximately 14.3% of our total purchase amount.

As at December 31, 2024, each of the Company and an entity controlled by Lei Jun indirectly owned approximately 7.95% and 7.13% of the shares of Shanghai Longcheer Technology Co.,Ltd., one of the suppliers mentioned above. Save as disclosed, none of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest customers and suppliers during the Reporting Period.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax Relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

Weighted Voting Rights

The Company is controlled through weighted voting rights. Each Class A Share has 10 votes per share and each Class B Share has one vote per share except with respect to resolutions regarding a limited number of Reserved Matters, where each Share has one vote. The Company's weighted voting rights 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.

Shareholders and prospective investors are advised to be aware of the potential risks of investing in companies with weighted voting rights 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 the Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration.

As of December 31, 2024, the WVR Beneficiaries were Lei Jun and Lin Bin. Lei Jun beneficially owns 4,068,513,104 Class A Shares, representing approximately 61.9% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Smart Mobile Holdings Limited, a company indirectly wholly-owned by a trust established by Lei Jun (as settlor) for the benefit of Lei Jun and his family. Lin Bin beneficially owns 448,997,030 Class A Shares, representing approximately 6.8% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Apex Star LLC, a company controlled by Lin Bin.

Class A Shares may be converted into Class B Shares on a one-to-one ratio. As of December 31, 2024, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 4,517,510,134 Class B Shares, representing 21.9% of the total number of issued and outstanding Class B Shares (excluding any treasury Shares) or 18.0% of the issued share capital (excluding any treasury Shares) of the Company.

The weighted voting rights attached to Class A Shares will cease when none of the WVR Beneficiaries have beneficial ownership of any of the Class A Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rules, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of the Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the Class A Shareholders have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rules;
- (iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rules; or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

Corporate Governance

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 the Shareholders.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 88 to 109 of this annual report.

Environmental Policies and Performance

The Company attaches great importance to environmental protection and efficient use of resources, always adheres to green operations, and integrates the concept of green products throughout the entire product life cycle to minimize the impact on the environment. At the same time, the Company actively promotes greenhouse gas (GHG) emission reduction and advocates partners to create a green value chain together.

For details of the Company's environmental policies and performance, please refer to the Environmental, Social and Governance Report on pages 110 to 221 of this annual report.

Disclosure of Changes in Directors' Information Pursuant to Listing Rule 13.51B(1)

Mr. Wong Shun Tak became an independent non-executive director of Goodbaby International Holdings Limited (SEHK Stock Code: 1086) with effect from March 26, 2025.

Mr. Liu De ceased to be a director of Shanghai Longcheer Technology Co., Ltd. (Shanghai Stock Exchange Stock Code: 603341) in February 2025.

Mr. Liu Qin became a director of Horizon Robotics (SEHK Stock Code: 9660) which became listed on the Stock Exchange in October 2024. Mr. Liu Qin has served as a director of Horizon Robotics since October 2015 and has been re-designated as a non-executive director since March 2024.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Final Dividend

The Board has resolved not to declare any final dividend for the Reporting Period.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Liu Qin, Chen Dongsheng and Wong Shun Tak. Wong Shun Tak is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period. 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 Auditor.

Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of Latest Practicable Date, the Company has maintained the prescribed percentage of public float under the Listing Rules.

Compliance with Relevant Laws and Regulations

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

Auditor

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the annual general meeting.

Acquisition of Zimi International Incorporation in 2020 and 2021

Reference is made to (i) the announcement of the Company dated May 21, 2020 in relation to the acquisition of 27.44% interest in Zimi International Incorporation ("**Zimi**") by the Company (the "**2020 Acquisition**"), upon the completion of which the Company held 49.91% interest in Zimi; and (ii) the announcement of the Company dated March 24, 2021 in relation to the acquisition of the remaining 50.09% interest in Zimi (the "**2021 Acquisition**"), upon the completion of which Zimi became a wholly-owned subsidiary of the Company.

Part of the total consideration of the 2020 Acquisition shall be satisfied by the allotment and issue of consideration Shares by the Company, a portion of which would be issued in four equal installments and subject to certain key performance indicators (the "**Key Performance Indicators**") being reached. The Key Performance Indicators for the years 2020 and 2021 have been satisfied and the relevant consideration Shares have been issued accordingly.

After the completion of the 2021 Acquisition, Zimi became a wholly-owned subsidiary of the Company and was no longer a joint venture company where the Company did not have full control. It is in the ordinary course of the business of the Group to conduct business reorganization from time to time to ensure the business of the Group is run in an effective and cost-efficient manner. Pursuant to an internal business restructuring of the Group completed in 2022, the Group integrated Zimi and its subsidiaries ("Zimi Group") with a business unit of the Group which has similar business with the Zimi Group to maximize the synergy from the acquisition of Zimi Group. As a result of such internal business restructuring, the original business conducted by Zimi Group has primarily been undertaken by other entities of the Group and Zimi Group have been conducting businesses which were different from the business previously conducted by Zimi Group as at the time of the 2020 Acquisition. As a result, the Key Performance Indicators were considered to be no longer applicable to the issuance of the remaining consideration Shares from 2022 onwards and the remaining consideration Shares were issued..

Events after the Reporting Period

On March 27, 2025, the Company completed a placing of a total of 800,000,000 placing shares at HK\$53.25 for each placing share owned by Smart Mobile Holdings Limited to not less than six independent placees and, on March 31, 2025, the Company allotted and issued 800,000,000 subscription shares at HK\$53.25 per subscription share under the general mandate to Smart Mobile Holdings Limited. For further details, please refer to the announcements of the Company dated March 25, 2025 and March 31, 2025.

Save as disclosed above, there have been no other significant events that might affect the Group since the end of the Reporting Period and up to the date of this annual report.

By order of the Board

Lei Jun

Chairman

Hong Kong, March 18, 2025

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2024.

Corporate Governance Practices

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 the Shareholders.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

Save for code provision C.2.1 of the CG Code, the Company has complied with all the code provisions set out in the CG Code contained in Appendix C1 to the Listing Rules during the Reporting Period. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized in the sections below.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all Directors confirmed that they have complied with the provisions of the Model Code throughout the Reporting Period.

To supplement the Model Code, the Company has also put in place a disclosure of information policy for the handling and disclosure of inside information. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Further, control procedures have been implemented to ensure that the unauthorized access and use of inside information is strictly prohibited.

Board of Directors

Board Composition

During the Reporting Period and as at the Latest Practicable Date, the Board comprises the following Directors:

Executive Directors

Lei Jun (*Chairman of the Board and Chief Executive Officer*)

Lin Bin (*Vice Chairman of the Board*)

Liu De

Non-executive Director

Liu Qin

Independent Non-executive Directors

Chen Dongsheng

Wong Shun Tak

Tong Wai Cheung Timothy (resigned with effect from January 8, 2024)

Cai Jinqing (appointed with effect from January 8, 2024)

Cai Jinqing was appointed as an independent non-executive Director with effect from January 8, 2024. Cai Jinqing has confirmed that she has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on January 5, 2024, and she confirmed that she understood her obligations as a director of a listed issuer.

The biographical information of the Directors is set out in the section headed “Biographical Details and Other Information of the Directors” in this annual report. In addition, an up-to-date list of our Directors and their roles and functions is maintained on the Company’s website and the Stock Exchange’s website.

None of the members of the Board are related to one another.

Throughout the Reporting Period, the Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications, or accounting, or related financial management expertise. To provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, the independent non-executive Directors of the Company are clearly identified in all corporate communications containing the names of the Directors.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of their independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors are independent.

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, directing and supervising the Company’s affairs and acting in the best interests of the Company and its shareholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group’s operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information about the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them.

The Board reserves for its discretion on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the chief executive officer and management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and 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 the chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

Appointment and Re-Election of Directors

According to the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A Director appointed by the Board or by ordinary resolutions of the Company, either to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following annual general meeting of the Company. All retiring Directors shall be eligible for re-election.

Each Director (including the non-executive Director and independent non-executive Directors) is engaged for a term of three years, which is automatically renewed for terms of another three years. They are subject to retirement and re-election in accordance with the provisions of the Articles as mentioned above.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction shall be supplemented by meetings with the senior management of the Company.

Pursuant to code provision C.1.4 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Throughout the Reporting Period, the existing and former Directors have participated in continuous professional training as follows:

Name of director	Type of continuous professional development training ⁽¹⁾
Lei Jun	A & B
Lin Bin	A & B
Liu De	A & B
Liu Qin	A & B
Chen Dongsheng	A & B
Wong Shun Tak	A & B
Cai Jinqing ⁽²⁾	A & B
Tong Wai Cheung Timothy ⁽³⁾	N/A

Notes:

(1) A: Attending seminar(s), conference(s), forum(s) and/or training course(s)

B: Reading materials provided by external parties or by the Company including but not limited to updates relating to the Company's business or directors' duties and responsibilities, corporate governance and regulatory update, Chapter 8A of the Listing Rules and knowledge relating to the weighted voting rights, and other applicable regulatory requirements.

(2) Cai Jinqing was appointed as an independent non-executive Director with effect from January 8, 2024.

(3) Tong Wai Cheung Timothy resigned as an independent non-executive Director with effect from January 8, 2024.

Attendance Records of Directors

During the Reporting Period, the Company held four Board meetings, four Audit Committee meetings, two Corporate Governance Committee meetings, one Remuneration Committee meeting and one Nomination Committee meeting. The attendance records of each Director at the above Board and Board committee meetings of the Company are set out in the table below.

Name of Director	Attendance/Number of Meetings					
	Board	Corporate				
		Audit Committee	Governance Committee	Nomination Committee	Remuneration Committee	General Meeting
Lei Jun	4/4	—	—	—	1/1	1/1
Lin Bin	4/4	—	—	1/1	—	1/1
Liu De	4/4	—	—	—	—	1/1
Liu Qin	4/4	4/4	—	—	—	1/1
Chen Dongsheng	4/4	4/4	2/2	—	1/1	1/1
Wong Shun Tak	4/4	4/4	2/2	1/1	1/1	1/1
Cai Jinqing ⁽¹⁾	4/4	—	2/2	1/1	—	1/1
Tong Wai Cheung Timothy ⁽²⁾	—	—	—	—	—	—

(1) Cai Jinqing was appointed as an independent non-executive Director with effect from January 8, 2024.

(2) Tong Wai Cheung Timothy resigned as an independent non-executive Director with effect from January 8, 2024.

Apart from the above meetings, the chairman of the Board has held at least one meeting with independent non-executive Directors during the Reporting Period without the presence of other Directors.

The Board will meet at least four times a year in the future involving active participation of a majority of Directors, at approximately quarterly intervals. Schedules for regular Board meetings are normally agreed with Directors in advance to facilitate their attendance. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors are given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying meeting papers will be sent to all Directors in a timely manner and at least three days in advance of every regular Board meeting.

Board Committees

The Board has established four Board committees, namely, the Audit Committee, the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific written terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. As at the Latest Practicable Date, the Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Liu Qin, Chen Dongsheng and Wong Shun Tak. Wong Shun Tak, who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules, is the chairman of the Audit Committee.

None of the members of the Audit Committee is a former partner of the Company's existing Auditor, PricewaterhouseCoopers.

During the Reporting Period, the Audit Committee has performed the following major tasks:

- Reviewed the 2023 annual report.
- Reviewed the audited annual results of the Group for the year ended December 31, 2023.
- Reviewed the unaudited first quarterly results of the Group for the three months ended March 31, 2024.
- Reviewed the unaudited interim results of the Group for the three and six months ended June 30, 2024.
- Reviewed the unaudited third quarterly results of the Group for the three and nine months ended September 30, 2024.
- Discussed matters with respect to effectiveness of the Company's financial reporting system, the system of internal control in operation, risk management system and associated procedures within the Group with senior management members, internal auditors and the Auditor.
- Reviewed the plans, resources and work of the Company's internal auditors.

- Reviewed the continuing connected transactions of the Group carried out during the Reporting Period.
- Reviewed the risk management and internal control systems of the Group.
- Discussed and made recommendation on the re-appointment of the Auditor.
- Reviewed the independence, terms of engagement and remuneration of PricewaterhouseCoopers for annual audit for the Reporting Period.
- Reviewed the status of compliance with the CG Code, the Listing Rules and relevant laws by the Group.

The Auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor without the presence of the executive Directors. The Audit Committee is satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended its re-appointment.

Corporate Governance Committee

The Company has established the Corporate Governance Committee in compliance with Rule 8A.30 of the Listing Rules and the CG Code. The Corporate Governance Committee is responsible for performing the functions set out in code provision A.2.1 of the CG Code. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders indiscriminately and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company. The Corporate Governance Committee would review the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. As at the Latest Practicable Date, the members of the Corporate Governance Committee are the independent non-executive Directors, namely, Chen Dongsheng, Wong Shun Tak and Cai Jinqing. Chen Dongsheng is the chairman of the Corporate Governance Committee.

The following is a summary of work performed by the Corporate Governance Committee during the Reporting Period and up to the Latest Practicable Date:

- Reviewed and monitored whether the Company is operated and managed for the benefits of all its Shareholders;

- Reviewed the policies and practices of the Company on corporate governance and on compliance with legal and regulatory requirements. The policies reviewed include the Code for Securities Transactions by Directors and Relevant Employees, board diversity policy, director nomination policy, shareholders' communication policy, procedures for nomination of director by shareholders, disclosure of information policy, connected transactions policy, whistle-blowing policy, dividend policy, board remuneration policy, board policy on obtaining independent views and inputs and other corporate governance policies.
- Reviewed the Company's compliance with the CG Code and the deviation(s) from code provision C.2.1 of the CG Code, the Company's disclosure in the Corporate Governance Report and the Company's disclosure for compliance with Chapter 8A of the Listing Rules.
- Reviewed the remuneration, the terms of engagement and the re-appointment of the Company's compliance advisor.
- Reviewed and monitored the management of conflicts of interests between the Group/the Shareholders on one hand and the WVR Beneficiaries on the other.
- Reviewed and monitored all risks related to the weighted voting rights structure, including connected transactions between the Group/the Shareholders on one hand and the WVR Beneficiaries on the other.
- Reviewed the arrangement for the training and continuous professional development of Directors and senior management (in particular, Chapter 8A of the Listing Rules and knowledge in relation to risks relating to the weighted voting rights structure).
- Sought to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.
- Reviewed the Company's compliance with the ESG Reporting Guide and annual management practices on material ESG issues (such as data security and privacy protection, circular economy and business ethics) and disclosure in the Environmental, Social and Governance Report.
- Reviewed the Company's progress in achieving the annual ESG management goals and provide guidance and supervision to the ESG team.
- Reported on the work of the Corporate Governance Committee covering all areas of its terms of reference.

The Corporate Governance Committee has confirmed that (i) the WVR Beneficiaries have been members of the Board throughout the Reporting Period; (ii) no matter under Rule 8A.17 of the Listing Rules has occurred during the Reporting Period; and (iii) the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules during the Reporting Period.

In particular, the Corporate Governance Committee has confirmed to the Board it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Group and the beneficiaries of weighted voting rights in order to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole indiscriminately. These measures include the Corporate Governance Committee (a) reviewing and monitoring each transaction contemplated to be entered into by the Group and making a recommendation to the Board, prior to the transaction being entered into, of any potential conflict of interest between the Group and/or the Shareholders on one hand and any beneficiaries of the weighted voting rights, and (b) ensuring that (i) any connected transactions are disclosed and dealt with in accordance with the requirements of the Listing Rules, (ii) their terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole, (iii) any directors who have a conflict of interest abstain from voting on the relevant board resolution, and (iv) the Compliance Advisor is consulted on any matters related to transactions involving the beneficiaries of weighted voting rights or a potential conflict of interest between the Group and these beneficiaries. The Corporate Governance Committee recommended the Board to continue the implementation of these measures and to periodically review their efficacy towards these objectives.

Having reviewed the remuneration and terms of engagement of the Compliance Advisor, the Corporate Governance Committee confirmed to the Board that it was not aware of any factors that would require it to consider either the removal of the current Compliance Advisor or the appointment of a new compliance advisor. As a result, the Corporate Governance Committee recommended that the Board retain the services of the Compliance Advisor.

Independent Input Mechanism

The Company recognizes that Board independence is key to good corporate governance and to increase board efficiency. As part of the established governance framework, the Group has adopted the Policy on Obtaining Independent Views and Inputs (the “**Independent Input Mechanism**”) on November 23, 2022, which demonstrates the Company’s commitment to high standards of corporate governance, board efficiency and making good governance integral to the Company’s culture.

According to the Independent Input Mechanism, the Board, Board committees or individual Directors may seek such independent professional advice, views and input as considered necessary to fulfil their responsibilities and in exercising independent judgement when making decisions in furtherance of their director’s duties at the Company’s expense (the “**Mechanism**”). Independent professional advice shall include legal advice and the advice of accountants and other professional financial advisers on matters of law, accounting, tax and other regulatory matters.

In the event that independent professional advice, views and input are considered necessary, the Board, Board committees or individual Directors shall communicate with the company secretary to start the Mechanism, providing background and details of the relevant incidents and/or transactions, and the issues involved which would require independent views and input. They may direct any questions, queries, concerns or specific advice to be sought to the company secretary who will then contact the Company's professional advisers (including legal advisers, accountants, independent auditor, internal control adviser) or other independent professional parties to obtain such independent professional advice within a reasonable period of time. Any advice obtained through the Mechanism shall be duly documented and made available to other members of the Board.

Despite having obtained any information or advice from the chairperson of the Board and/ or any independent professional advisers through the Mechanism, the Directors are expected to exercise independent judgement in forming their decisions. During the year ended December 31, 2024, the Board has reviewed the Independent Input Mechanism and considered that the implementation of the mechanisms was effective.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 8A.27 of the Listing Rules and the CG code. The primary duties of the Nomination Committee are to review the Board composition, make recommendations to the Board regarding the rotation and appointment of Directors and Board succession, and assess the independence of independent non-executive Directors of the Company. As at the Latest Practicable Date, the Nomination Committee comprises one executive Director and two independent non-executive Directors, namely, Lin Bin, Wong Shun Tak and Cai Jinqing. Wong Shun Tak is the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee has performed the following major tasks:

- Reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group.
- Considered and recommended to the Board the appointment of Cai Jinqing as an independent non-executive Director, and a member of the Nomination Committee and the Corporate Governance Committee.
- Assessed the independence of all the independent non-executive Directors.
- Recommended the re-election of the retiring Directors at the 2024 annual general meeting of the Company.

Board Diversity Policy

The Company has adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in relation to reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the Board Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

On January 8, 2024, Tong Wai Cheung Timothy resigned as an independent non-executive Director and Cai Jinqing was appointed as an independent non-executive Director. To further ensure gender diversity of the Board in the long run, the Nomination Committee will periodically review the Board Diversity Policy and monitor its continued effectiveness. The Group will also continue to take opportunities to increase the proportion of female board members workforce over time as and when suitable candidates are identified. For further details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 110 to 221 of this annual report.

During the Reporting Period, the Board has reviewed and considered the implementation of the Board Diversity Policy to be on track. The implementation of the Board Diversity Policy is evidenced by the fact that our Directors are from a diverse age group with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of computer science, engineering, business administration, human resources, finance, and corporate governance. They obtained degrees in various areas including computer science, engineering, electronics, industrial design, business administration, finance, and political economics. The Board is characterized by significant diversity in terms of age, education background and professional experience.

The Company is also committed to ensure that recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered. The Nomination Committee shall report its findings and make recommendation to the Board to complement the Company’s corporate strategy and to ensure that the Board maintains a balanced diverse profile.

Director Nomination Policy

The Company has also adopted a nomination policy for the election of Directors in accordance with mandatory disclosure requirement E(d)(iii) of the CG Code. Such policy, devising the criteria and procedures of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors of the Company. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing Board effectiveness and diversity.

The Nomination Committee and the Board may nominate candidates for directorship. In assessing the suitability and the potential contribution to the Board of a proposed candidate, the Nomination Committee may make reference to certain selection criteria, such as reputation for integrity, professional qualifications and skills, accomplishment and experience in the internet and technology markets, commitment and relevant contribution, diversity in all aspects. The Nomination Committee shall report its findings and make recommendation to the Board on the appointment of appropriate candidate for directorship for decision and succession planning. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely, Lei Jun, Chen Dongsheng and Wong Shun Tak. Chen Dongsheng is the chairman of the Remuneration Committee.

During the Reporting Period, the Remuneration Committee has performed the following major tasks:

- Reviewed the remuneration policy and the remuneration packages of the Directors and senior management of the Company.
- Reviewed and recommended to the Board the remuneration package of Cai Jinqing upon her appointment as director of the Company.
- Reviewed and approved the terms of and/or matters relating to incentive schemes (including share schemes) under Chapter 17 of the Listing Rules.
- Reviewed and recommended to the Board the grant of share awards to certain senior management of the Company and grantees. While considering the grant of share awards, the Remuneration Committee had evaluated the remuneration of the grantee in comparable market peer and the value of grant to the grantee. After considering those factors, the Remuneration Committee recommended the proposed grant of share awards to the grantee to the Board for approval to appreciate the grantee's devotion and commitment to the Company which align with the purposes of the respective share schemes.

Directors' Remuneration Policy

The purpose of the Director's Remuneration Policy is to ensure that the Company can attract and retain its Directors to meet the business needs of the Company. The Remuneration Committee is to make recommendations on the Directors' remuneration policies and structure, establish formal and transparent procedures to evaluate the performance of Directors, review and make recommendations on incentive plans and the terms of Directors' service contracts, and make recommendations on the Directors' remuneration packages.

In making recommendations on the remuneration packages of Directors, the Remuneration Committee shall have regard to:

- any corporate policies or goals as resolved by the Board from time to time;
- factors such as the level of remuneration paid by comparable companies, the time committed by the Directors and their responsibilities, and the employment conditions elsewhere in the Group; and
- the level of remuneration necessary to attract and retain directors for successful management of the Company.

In addition, the Remuneration Committee shall:

- review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- ensure that no director or any of their associates is involved in determining their own remuneration. In general, no performance-related equity-based remuneration (such as options or share awards) should be given to independent non-executive directors as it may impede their objectivity and independence.

Remuneration of Senior Management

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration (including share-based compensation) of the members of senior management⁽¹⁾, including those members of senior management who are also the executive Directors, by band for the Reporting Period is set out below:

Annual Remuneration	Number of individuals
HK\$0 to HK\$10,000,000	3
HK\$10,000,001 to HK\$30,000,000	4
HK\$30,000,001 to HK\$100,000,000	3
HK\$100,000,001 to HK\$300,000,000	—
HK\$300,000,001 to HK\$400,000,000	1

Note:

(1) Senior management as of December 31, 2024.

Further details of the remuneration for the Reporting Period are set out in Note 9 to the consolidated financial statements contained in this annual report.

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems and for reviewing their effectiveness.

The Board takes the overall responsibility for evaluating and determining the nature and extent of the risk of failure to achieve the Company's strategic objectives, as well as establishing and maintaining effective risk management and internal control systems. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

The Audit Committee assists the Board in leading the management team to oversee the design, implementation and monitoring of the risk management and internal control systems.

The management considers it important to establish and to improve its risk management and internal control systems continuously, and has strengthened internal control and internal audit functions of the Company during the Reporting Period. The Company's risk management and internal control systems have been developed with the following principles and processes:

Organization principles:

In accordance with COSO framework⁽¹⁾, the Three Lines of Defense Model has been implemented:

The First Line of Defense — Business Management and Operation:

The First Line of Defense is mainly formed by the business departments of the Company which are responsible for the day-to-day operations, and designing and implementing control measures to address the risks.

Note:

(1) the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations.

The Second Line of Defense — Risk Management, Internal Control and Other Functions:

The Second Line of Defense is mainly implemented by the Internal Control team and other functions, which are responsible for formulating policies, designing and implementing integrated risk management and internal control systems. To ensure effective implementation of such systems, this line of defense also assists and supervises the First Line of Defense in the establishment and improvement of control measures.

The Third Line of Defense — Internal Audit and Safety Investigation:

The Third Line of Defense is mainly implemented by the Internal Audit team and the Safety Investigation team, which hold a high degree of independence. They provide an evaluation of the effectiveness of the Company's risk management and internal control systems and monitor management's continuous improvement over these areas.

The Internal Audit team directly reports to the Audit Committee.

Risk Management Process:

Internal control risk assessments are conducted regularly to identify risks that potentially impact the business of the Group.

The Internal Audit team is responsible for performing independent reviews of the adequacy and effectiveness of the risk management and internal control systems. These reviews are performed annually. The Internal Audit team examines key issues in relation to the accounting practices and all key internal controls and provides its findings and recommendations to the Audit Committee.

The Board, supported by the Audit Committee and management, reviewed the management reports and the internal audit reports. For the Reporting Period, the Board considered the risk management and internal control systems of the Company effective and adequate.

The Company has developed its disclosure policies which provide a general guidance to the directors, officers, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and the use of insider information are strictly prohibited.

Significant risks of the Company:

During the Reporting Period, through the risk management evaluation process, the Company identified certain significant risks, which were reported to the Audit Committee. The Company designed and implemented measures to address these risks accordingly:

1. Geopolitical risks

Given geopolitical uncertainty globally, the Company could face supply chain risks and tariff impacts, which may restrict the performance and market competitiveness of the Company's smartphones and other products, and may in turn impact the business of the Company. In addition, compliance reviews or claims in some countries could result in the Company being subject to asset freezing, large fines and could adversely impact the Company's operations. The Company closely monitors the global political and policy situations, continuously promotes the diversification of its supply chain to dilute its concentration risk, accelerates the expansion of emerging markets, deepens its local production and marketing capabilities, and increases in-house R&D investment on core technologies, to minimize the geopolitical impact on the Company's business.

2. AI technology risks

The continuous breakthroughs in global AI technology may cause tremendous changes in the competitive landscape of many industries the Company operates. For the Company, opportunities and risks coexist. Selecting the wrong AI technology development path may lead to resource misallocation; uncertainties with respect to the effective applications of AI technology on terminal products may affect the implementation of the Company's "Human × Car × Home" strategy; more stringent compliance supervisions of AI-generated content may lead to increased violation risks; supply shortage of high-end computing chips may delay the AI R&D progress and drive up operating costs. The Company closely monitors the development of AI technology, continues to promote the integration and innovation of AI, IoT, cloud computing and other technologies into our core products and services, sets up special talent recruitment programs and establishes a cross-field expert team, and builds a full life cycle content review system embedded with AI ethics principles, to ensure the compliant development of the Xiaomi AI and efficient implementation of the "Human × Car × Home" strategy.

3. Competition risks

The global smartphone market size continues to rise slightly with stable top players. However, AI may reshape the smartphone market landscape. Apple's price reduction strategy may impact the market share of Xiaomi. The smart EV business faces challenges of technology iterations and acceleration, technical route diversification and price war escalation. If the Company's new products fail to meet market expectations, the Company's share price may fluctuate. The Company continues to implement a "product premiumization" strategy, promotes technological innovation and product differentiation, shortens the commercialization cycle of technology, optimizes the overseas distribution channels, especially in the emerging markets, and builds a flexible manufacturing system to dynamically allocate production capacity, to ensure the ever-increasing global competitiveness of the smartphone business and maintains the good momentum of the smart EV business.

4. Compliance risks of overseas operations

With the accelerated globalization expansion, the Company encounters more overseas compliance requirements that are evolving in various perspectives, such as data sovereignty legislation, tax audit intensification, and labor standards differentiation. To what extent the business operations are localized is determined by the compliance costs. The Company sets up a team of multinational compliance experts to update the compliance database in real time, establishes a "3D market-entry assessment model" (policy/culture/law), builds a quantitative risk alert platform and formulates response plans for routine risk events, encourages cultural integration and bridges the cognitive gaps through local training, to ensure the operation compliance to the laws and regulations of various countries.

5. Public opinion and crisis response risks

The Company's new successful product launches have attracted continuous attentions from all walks of life. Negative public opinions rapidly spread and ferment through social media, which presents challenges to the Company's crisis management capabilities. If not addressed appropriately, it may significantly impact the Company's brand reputation. The Company continues to improve the public opinion monitoring system, establishes emergency plans for public opinion crisis events and conducts simulation drills, actively operates in various media channels to maintain the Company's brand image, and continues to improve the quality control system to prevent actual negative events, and to ensure public opinion crises are effectively addressed.

Anti-Corruption and Whistleblowing Policies

The Company has adopted the Whistleblowing Management Rules and the Whistleblower Protection and Reward Rules as the Company's whistle-blowing policies in accordance with code provision D.2.6 of the CG Code, as well as the Code of Honesty and Integrity, Gifts, Hospitality and Travel Policy, and the Conflicts of Interest Management Rules, as the Company's anti-corruption policies, in accordance with code provision D.2.7 of the CG Code. The outlined principles and guidelines intend to enhance the compliance to the anti-corruption laws and regulations by establishing a whistleblowing system for employees and business partners to raise concerns, in confidence and with anonymity, with the internal audit department that will then report to the Audit Committee any material improprieties related to the Company. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

Directors' Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Reporting Period.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board necessary explanation and information to enable the Board to make an informed assessment of the financial information and position of the Company, which are put forward to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the Auditor about their reporting responsibilities on the Company's consolidated financial statements for the Reporting Period is set out under the section headed "Independent Auditor's Report" in this annual report.

Auditor's Remuneration

The fees paid/payable to the Auditor in respect of audit services and non-audit services for the Reporting Period are analyzed below. The amount of audit service fee also included statutory audits and reviews of the Group and certain subsidiaries. The non-audit services conducted by the Auditor mainly include professional services on tax advisory and internal control consultation services.

Type of services provided by the Auditor	Fees paid/payable (RMB'000)
Audit services	54,674
Non-audit services	14,895
Total	69,569

Joint Company Secretaries

Liu Hao, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. Liu Hao joined our Group in August 2018 and is the Company's legal director overseeing the legal and compliance affairs in relation to the Company's corporate governance, capital markets, mergers and acquisitions and corporate finance activities. Before joining our Group, he worked at Jingtian & Gongcheng Law Firm in Beijing where he accumulated extensive working experience in corporate governance, capital markets, mergers and acquisitions and corporate finance. He has previously also worked at another company listed on the Main Board of The Stock Exchange of Hong Kong Limited, where he was responsible for legal compliance. Liu Hao holds a bachelor's degree in law and a master's degree in civil and commercial law, as well as a PRC legal professional qualification. Liu Hao has been appointed as joint company secretary with effect from March 25, 2022.

So Ka Man of Tricor Services Limited, an external service provider, has been acted as the company secretary of the Company during the Reporting Period. The primary contact person at the Company is Liu Hao.

During the Reporting Period, each of Liu Hao and So Ka Man has taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communications with Shareholders and Investor Relations

The Board believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables the Shareholders and investors to make the best investment decision. In this respect, the terms of reference of the Company's Corporate Governance Committee include, among others, seeking to ensure effective and on-going communication between the Company and the Shareholders.

General meetings of the Company provide an opportunity for communication between the directors, senior management and the Shareholders. The Board welcomes views of the Shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior management of the Company are available at such meetings to respond to enquiries raised by the Shareholders. To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings.

During the Reporting Period, the Company held an annual general meeting on June 6, 2024. Notice of the meeting was sent to the Shareholders on May 14, 2024, not less than 21 days before the date of the annual general meeting. The chairman of the Board and the chairmen of each of the Audit Committee, the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee attended the annual general meeting and were available to answer any questions raised by the Shareholders. A representative of the Auditor also attended to answer any questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Company publishes in a timely manner both English and Chinese versions of (i) any corporate communication (as defined in the Listing Rules) of the Company that requires shareholder attention or action, and (ii) announcements relating to matters to be disclosed under the Listing Rules (including but not limited to those involving insider information, corporate actions and corporate transactions).

The Company maintains a website at "www.mi.com" as a communication platform with the Shareholders and investors, where information on the Company's announcement, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company, for the attention of the Board of Directors, as follows:

Address: Room 1928, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Email: ir@xiaomi.com

The Company continues to enhance communications and relationships with Shareholders and investors. Designated

senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from shareholders and investors are dealt with in an informative and timely manner.

The Company ensures that the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, maintains the most up-to-date information relating to the Company's shares at all times so that it can respond effectively to shareholder enquiries.

Shareholders' Communication Policy

The Company has established a shareholders' communication policy with the objective of promoting effective and on-going communication between the Company and the Shareholders so that they can exercise their rights in an informed manner. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. Directors (or their delegates as appropriate), appropriate management executives and external auditor will use all reasonable endeavors to attend annual general meetings and answer enquiries from Shareholders.

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

During the Reporting Period, the Corporate Governance Committee reviewed the shareholders' communication policy and ensure its implementation and effectiveness, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.

Dividend Policy

With respect to code provision F.1.1 of the CG Code, the Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

Shareholders' Rights

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at the Shareholders' meetings on each substantial issue, including the election of individual directors, for the Shareholders' consideration and voting. All resolutions put forward at the Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.mi.com) and the Stock Exchange after each Shareholders' meeting.

Pursuant to the Articles of the Company, extraordinary general meetings shall be convened on the written requisition of any one or more Shareholders holding, as of the date of deposit of the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. A written requisition shall be deposited at the principal office of the Company in Hong Kong to the Board or the joint company secretaries for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

There is no provision allowing the Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

Constitutional Documents

During the Reporting Period, the Company has amended its Memorandum and Articles of Association by way of a special resolution passed on June 6, 2024. Details of the amendments are set out in the circular dated May 14, 2024.

The up-to-date version of the Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Events after the Reporting Period

Save as disclosed in this Corporate Governance Report, there has been no other significant event subsequent to the Reporting Period and up to the Latest Practicable Date that might affect the Group.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

About this Report

This is the seventh environmental, social, and governance (ESG) report published by Xiaomi Corporation (“the Group,” or “we/us”), with an aim to present, on an objective and impartial basis, the ESG strategy, management, and implementation progress of Xiaomi Corporation and its subsidiaries included in the Annual Report in 2024.

The Report was prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Code to the Listing Rules of the Stock Exchange of Hong Kong Limited (HKEx), with reference to disclosure frameworks such as the GRI Standards issued by the Global Reporting Initiative (GRI), the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and the IFRS S2 Climate-related Disclosures (IFRS S2) issued by the International Sustainability Standards Board (ISSB), Sustainability Accounting Standards Board (SASB) Standards, as well as the United Nations Sustainable Development Goals (UN SDGs).

In preparation for the Report, we adhered to the reporting principles of Materiality, Quantitative, Balance, and Consistency, while taking into account Accuracy, Clarity, Comparability, Completeness, Timeliness, Verifiability, and Sustainability Context to define our reporting boundary and ensuring proper presentation of our reported information.

For selected ESG KPIs, the Group entrusted TÜV Rheinland (Shanghai) Co., Ltd. to perform high-level (reasonable) assurance on some performance indicators and moderate-level (limited) assurance on some indicator performance in accordance with the international assurance standards, AA1000 Assurance Standard V3. For more detailed assurance procedures and assurance report conclusions, please refer to the attachment “Independent Assurance Statement.”

This Report covers the period from January 1, 2024, to December 31, 2024 (“2024,” “this year,” or “the reporting period”) and presents information over a wider time frame spanning before or after 2024 to enhance reporting comparability and completeness as well as data continuity.

The information and cases within the Report are primarily cited from the Group’s statistical reports, official documents, and financial statements in 2024. Unless otherwise specified, all currencies and amounts mentioned in this report are measured in RMB.

The Group undertakes that there are no false records or misleading statements in this Report, and takes responsibility for the authenticity, accuracy, and completeness of the information in this Report.

It is recommended to read this Report in conjunction with the section titled “Corporate Governance Report” as contained in the Annual Report, as well as the ESG and Sustainability page (<https://www.mi.com/csr>) of the Group’s official website and Xiaomi Corporation’s TCFD Report 2024.

This Report is published in both Chinese and English in April 2025. In the event of discrepancies between the Chinese and English versions, the Chinese version shall prevail.

If you have any suggestions or comments about this report, please contact us by the following means:

E-mail: mi-esg@xiaomi.com

Board Statement

Xiaomi Corporation has established an ESG strategy driven by its foundational core technologies, aiming to make artificial intelligence (AI) accessible to everyone, pursue sustainable development across its ecosystem, and take responsibility for its foundational core technologies. This aligns with the Group's "Human × Car × Home" ecosystem strategy, which aims to provide consumers with a sustainable, smart lifestyle via its foundational core technologies and AI innovation.

The Board of Directors (the "Board") believes that establishing a sound ESG governance system is the cornerstone of the Group's ongoing efforts to deepen and implement an effective ESG strategy. The Board has appointed its Corporate Governance Committee (CGC), which, with the support of the Group's Sustainability Committee (SC), oversees and drives the orderly progress of the Group's ESG initiatives. Moreover, the Group continuously refines its policies, systems, and work procedures for material ESG issues to provide effective guidance. As global regulations, initiatives, guidelines, and standards evolve, the Board will regularly review them to ensure compliance with stakeholders' requirements in the Group's ESG matters.

Xiaomi Corporation has fully integrated key ESG risk management into the Group's overall risk management system, ensuring that the Group minimizes risks and seizes opportunities in its long-term development. Senior management and heads of operating departments play an active role in identifying and assessing key ESG risks, and based on the likelihood, impact, and trends of these risks, they develop practical risk response measures. The Board will continue to regularly review ESG-related activities, evaluate core risks, and propose targeted strategies, as well as fully capitalize on ESG opportunities to drive sustainable business growth.

During the reporting period, with the official launch of Xiaomi's smart EV business, the Group's "Human × Car × Home" ecosystem strategy formed a closed loop. With sufficient consideration given to the potential impact of the Group's material ESG issues, the Board guided and urged new business to quickly establish ESG norms to ensure alignment with the Group's overall sustainable development goals. At the same time, the Board comprehensively assessed the need for the Group's global business to develop in parallel and rapidly, with a focus on key ESG risk areas such as sustainable supply chain management, product and service quality, AI development, and the circular economy. Every six months, the Board reviewed ESG priorities, discussed and examined ESG indicators and data performance, evaluated the impact of the ESG strategy on the Group's overall operations and financial performance, and continuously drove strategic optimization and adjustments. Additionally, the Board reviewed and assessed the Group's carbon reduction targets and the progress in the year, as detailed in the "Climate Metrics and Targets" section of this Report.

The Board, following the principle of double materiality, engages stakeholders in active dialogues to understand the ESG issues of high concern to them. This enables the Group to prioritize the material issues and appropriately allocate resources to ensure effective management, as detailed in the "Stakeholder Engagement" and "Materiality Assessment" sections of this Report.

This Report was reviewed and approved by the Board on March 18, 2025.

Technology for Practicality and AI for Good

At Xiaomi Corporation, we center our efforts on technological innovation, advancing the research and development (R&D) as well as industrial applications of cutting-edge technology. We focus on key areas such as quality and safety, information security, and the accessibility of technology, where we embody the “Technology for practicality” philosophy and drive industry progress through technological innovation for “AI-for-good” win-win outcomes in both business and social value.

Leadership of Foundational Core Technologies

“Technology-orientation” is an unchanging principle for us, and the Engineer Culture is an essential component of our DNA. We always position technological innovation as the core driving force for sustainable business development, which motivates us to rapidly advance toward independent technological innovation and make large-scale investments in foundational core technologies to gain mastery and leadership over key technical segments. By the end of the reporting period, our annual R&D investment reached RMB24.1 billion, and our patents filed globally exceeded 42,000. Our R&D team of 21,190 employees made up 48.5% of the total workforce. Over the first five years in the decade of 2020–2030, our cumulative R&D investment is expected to exceed RMB100 billion, propelling us to become a global leader in the evolving realm of cutting-edge technologies.

We established the Xiaomi Corporation Technology Committee, which oversees the development of the Group’s technology strategy, organization, talent, partnership, culture, and other technology systems. The committee aims to enhance R&D capabilities, promote technological innovation, foster a culture of innovation across the organization, and continuously improve the Group’s technological capacity. Under the Group’s Technology Committee, there are teams such as the Office of the Technology Committee and the Planning Department, which coordinate the management of the whole process of R&D teams’ capacity building and new technology research. There are also teams for large models (LMs) and the AI Assistant, as well as the AI Laboratory and the foundational technology platform. They focus on the contribution to and sharing of public technology platforms for cutting-edge AI technologies and the cloud, as well as big data and security, thus driving the Group’s capacity building for foundational core technologies and enabling the application of such technologies in the “Human × Car × Home” ecosystem.

Our evolving and expanding technology system has strongly propelled our product innovation. In 2024, we launched *Xiaomi SU7 Series (Xiaomi SU7)*, which completed a closed loop for the “Human × Car × Home” ecosystem strategy, and we released the universal “connected system” Xiaomi HyperOS 2 and the AI assistant “Xiaomi Hyper XiaoAi.” Three key technological innovations — HyperCore, HyperConnect, and HyperAI — have elevated the user experience to new heights. Meanwhile, our user ecosystem continued to expand. By the end of the reporting period, our global monthly active users reached a new high of 702.3 million, a year-on-year increase of 9.5%, and the number of globally connected smart devices (excluding smartphones, tablets, and laptops) surpassed 904.6 million, a 22.3% year-on-year growth.

This year, Xiaomi Smart Factory¹ and Xiaomi EV Factory were completed and put into production. They feature a high proportion of self-developed manufacturing equipment, 100% automation of key processes, and 100% digitalization of industrial production, showcasing our extensive technological expertise and strong innovation capabilities.

We consistently promote open partnerships among the industry, universities, and research institutes. Moreover, we collaborate with global partners to drive the exploration of cutting-edge technologies and the steady development of the industry chain. We work closely with organizations such as the National Technical Committee 28 on Information Technology of the Standardization Administration of China, the Big Data Technology and Standard Committee, the Intelligent Connectivity Security Professional Committee, and the China Internet Cybersecurity Governance Alliance to contribute to the development of national and industry standards. By the end of the reporting period, we had participated in a total of 48 national standard projects, 98 national standards, and 75 industry standards.

¹ Refers to Xiaomi’s smartphone factory in Changping, Beijing.

AI-Driven “Human × Car × Home” Ecosystem Integration

Guided by the “Human × Car × Home” ecosystem strategy, we are accelerating the development of an AI-driven ecosystem, aiming to achieve seamless synergy between humans and devices as well as between devices. Through continuous iterations of Xiaomi HyperOS 2, we have not only equipped our smartphones, smart EVs, and smart home appliances with cutting-edge AI capabilities but also enhanced cross-scenario interactions between products, thus providing global users with a smarter and more convenient service experience across the ecosystem.

Internet of Everything

The “Human × Car × Home” ecosystem enables devices to dynamically network in real-time, with all devices working in unison as a cohesive whole, delivering a groundbreaking interconnected experience.

Xiaomi HyperOS 2, the Connected System

Xiaomi HyperOS 2 is a solid step toward an AI ecosystem. Centered around people and fully empowered by AI, it is an operating system for the “Human × Car × Home” ecosystem.

At the foundational experience level, Xiaomi HyperOS 2 features the system core HyperCore. A dedicated team has been established to categorize and identify over 25,000 scenarios, reconstruct high-pressure test models, and tackle them one by one, resulting in enhancements in four core areas: performance, graphics, networking, and security. Additionally, Xiaomi HyperOS 2, in conjunction with the new Xiaomi Dynamic Memory Technology and Xiaomi File-Based Optimization 2.0, has achieved a comprehensive upgrade of three underlying technologies: scheduler, memory management, and storage management. This ensures that the new *Xiaomi 15 Series* smartphones, powered by HyperCore, deliver the fastest app startup, the lowest power consumption per game frame, and the smoothest product experience in ultra-heavy complicated scenarios.

HyperConnect, the self-developed cross-device connectivity framework of Xiaomi HyperOS, builds three major network connectivity capabilities: Core-device Network, Multi-cloud Network, and IoT Network, which enable real-time networking of devices within the “Human × Car × Home” ecosystem. In Xiaomi HyperOS 2, HyperConnect has been further enhanced, completely atomizing device capabilities and equipping individual devices with ecosystem-wide capabilities. This facilitates seamless integration between devices across the whole ecosystem and supports cross-device calling capabilities.

Besides, our upgraded HyperAI released in 2024 has enabled system-level intelligence, perception, memory, and operational capabilities by deeply integrating Xiaomi Hyper XiaoAi with the system, significantly enhancing the convenience and proactive intelligence of search queries and controls. Additionally, HyperAI has reshaped system applications and revolutionized the efficiency experience with AI LM technology. It enables the “cinematic” dynamic depth-of-field effect for lock screen wallpapers, as well as a variety of vibrant and user-friendly features such as AI photo albums, AI writing, AI speech recognition, AI search, AI subtitles, All-new AI Art, and AI gesture reactions.

Xiaomi HyperOS, since its launch, has received numerous accolades. This year, Xiaomi HyperOS was awarded “Outstanding Technological Achievement” at the China International Big Data Industry Expo 2024 in recognition of its exceptional performance.

Xiaomi Hyper XiaoAi, the AI Assistant

Xiaomi Hyper XiaoAi is a whole-ecosystem AI assistant launched in Xiaomi HyperOS 2 and is an upgraded version following the full integration of AI Assistant with LLM. Supported by the HyperAI system, it utilizes system-level LLM capabilities to provide users with more proactive, human-like, and convenient intelligent services. Xiaomi Hyper XiaoAi integrates our device-cloud LLM matrix, multi-device perception, and cross-device execution functions, enabling global multimodal interaction. It can sense screen content and the external environment to offer users a more natural interaction experience.

In terms of technical architecture upgrades, Xiaomi Hyper XiaoAi has transitioned to an LLM paradigm, which has led to a leap in its core functionalities. Leveraging natural language processing (NLP) and optical character recognition (OCR) technologies, especially the application of AI LM, Xiaomi Hyper XiaoAi boasts rich semantic understanding and contextual reasoning capabilities. It learns user habits and preferences from massive data to provide personalized responses and services. Furthermore, by building a new Action framework, Xiaomi Hyper XiaoAi is deeply integrated with HyperOS and features memory and reasoning capabilities for more efficient and convenient global task management.

In application, Xiaomi Hyper XiaoAi can control multiple smart devices within our ecosystem, including smartphones, tablets, smart speakers, smart TVs, and smart EVs. Users can execute tasks such as switching home appliances on and off or querying information through voice commands, thus significantly improving operational convenience and efficiency. In addition, Xiaomi Hyper XiaoAi has also expanded into specific-domain AI assistants such as the Xiaomi Product Assistant and Car Q&A Assistant to offer users more accurate and specialized services.

Beyond operational assistance, Xiaomi Hyper XiaoAi also provides emotional care for users in everyday life. Integrated with advanced emotion recognition technology, optimized algorithms, and multi-modal interaction capabilities, Xiaomi Hyper XiaoAi has upgraded its original one-time response feature and developed a continuous conversation strategy, significantly enhancing empathy and continuity in interactions. It provides a human-centered intelligent solution in various scenarios such as AI character chit-chat and counseling.

Xiaomi Vela, the Open-Source Developer Platform

We contribute to a thriving global IoT ecosystem through sustained open-source collaboration. Based on the open-source, real-time operating system NuttX, we have built the IoT embedded software platform Xiaomi Vela, which is fully open-sourced on GitHub and Gitee. Xiaomi Vela features high compatibility and flexibility. It offers a one-stop solution to global chip manufacturers, device manufacturers, and application developers, assisting them in creating high-experience smart products with low cost and high efficiency. By the end of 2024, Xiaomi Vela had been applied on a large scale across 10 major core device categories, with over 1,000 products and more than 80 million smart devices launched.

We have been active in the Apache NuttX community for eight consecutive years. By the end of 2024, we had contributed over 50% of the code changes annually for three years in a row, with three Project Management Committee (PMC) members and four Committers, making us the largest contributor and de facto leader of the NuttX community. At the Open Source Operating System Annual Technical Conference (OS2ATC) 2024, Xiaomi Vela was awarded the Most Influential IoT Operating System, highlighting our outstanding contributions to IoT open-source co-creation. Furthermore, in 2024, the Group launched the All-Ecosystem Developer Incentive Program, aiming to assist global developers in making breakthroughs in the fields of all-ecosystem applications, all-ecosystem connectivity, and all-ecosystem intelligence by providing financial resources, traffic support, and technical empowerment.

AI Ecosystem

We are deeply committed to the underlying technology and invest heavily in promoting the deep integration of software and hardware. By introducing the formula (software × hardware)^{AI}, we aim to embed intelligent technology into every aspect of people's lives and firmly advance toward an AI ecosystem.

MiLM2, Xiaomi's LLM

Our self-developed LLMs are highlighted by "lightweight and on-premises deployment" and focused on enhancing the model's capabilities and the practical synergy between the "device" and "cloud." This year, our LLM team achieved significant progress with MiLM2 and built a more extensive parameter matrix based on the latest generation of the MiLM2 model, which fully adapts to the diverse scenarios of the "Human × Car × Home" ecosystem.

As our second-generation LLM, MiLM2 surpasses its predecessor in both technical capabilities and model performance. We assessed MiLM2 across all scenarios, covering 10 key capability dimensions: generation, brainstorming, dialogue, Q&A, rewriting, summarization, classification, extraction, code processing, and secure responses, with a total of 170 detailed test items. Compared to the first generation, MiLM2 showed an average improvement of over 45% in these 10 capabilities. Notably, in critical capabilities such as instruction following, translation, and chit-chat, the model's performance ranks among the industry's best.

Through in-depth research on MiLM2, we have achieved several technological innovations. In 2024, we published several papers on LLMs, including 11 papers at top AI conferences (NeurIPS², ACL³, EMNLP⁴, COLING⁵, and ECAI⁶), covering technologies for model training and applications.

To adapt to diverse business scenarios and tap more practical possibilities for our ecosystem, the MiLM2 model matrix has been upgraded in both parameter scale and model structure. Our self-developed second-generation LLM scales down the parameter size on the device side to 0.3B by enriching the model matrix and introduces a 4B model to enable lightweight model deployment, thus making edge computing possible. On the cloud side, the parameter size has been scaled up to 30B to meet high-performance computing needs and integrate the cloud, edge, and the device.

In addition, for model structure optimization, MiLM2 incorporates two MoE⁷ structure models: MiLM2-0.7B×8 and MiLM2-2B×8. Taking MiLM2-2B×8 as an example, according to assessment results, this model's overall performance is comparable to that of MiLM2-6B, while its decoding is 50% faster, significantly improving operational efficiency.

The advancements and achievements of MiLM2 have found their way into real business scenarios and user needs. It not only helps the Group address diverse internal business requirements and improve work efficiency but is also applied across various scenarios within the "Human × Car × Home" ecosystem.

2 NeurIPS: Neural Information Processing Systems, a leading conference in machine learning and AI.

3 ACL: Annual Meeting of the Association for Computational Linguistics, a leading conference in natural language processing (NLP).

4 EMNLP: Conference on Empirical Methods in Natural Language Processing, a key NLP conference of the ACL, focusing on data-driven and experimental methods.

5 COLING: International Conference on Computational Linguistics, one of the top conferences in computational linguistics and NLP.

6 ECAI: European Conference on Artificial Intelligence, a flagship conference on AI research in Europe focused on various AI topics.

7 MoE: Mixture of Experts, which performs parallel processing of multiple "expert" models, each responsible for a specific function, and then combines the outputs of these models to improve the overall prediction accuracy and efficiency.

Personal Devices

We continuously execute our premiumization strategy and enhance brand competitiveness on every front through technological innovation and product iteration. In 2024, we comprehensively upgraded the hardware and software capabilities of our flagship smartphones, leveraging the underlying HyperAI technology to unleash the hardware's ultimate performance and improve the user interaction experience.

Case: AI-Powered Signal: Seamless Network Connectivity across All Scenarios

To address the issue of smooth performance under device overload and weak-signal conditions, we have developed a proprietary "5G Full-Link Perception Prediction Engine." Embedded with Modem AI, the engine combines 5G signal coverage maps and weak signal prediction technology. It preloads content in advance to significantly alleviate video buffering issues in weak-signal conditions like subways. At the same time, its underlying system is deeply integrated with AI to intelligently adjust channels and classify application traffic based on network quality and task priority in weak-signal scenarios, enhancing the user's full-link signal experience.

Case: AI-Powered Imaging: Real and Layered Computational Photography

We have fully integrated Xiaomi AISP, the world's first AI LM computational photography platform, into the HyperOS AI subsystem, bringing disruptive technological innovation to mobile imaging. Equipped with the Fusion LM, the Xiaomi AISP platform analyzes the raw light intensity information of each pixel in a RAW image to generate a RAW image with a data volume of up to 21Bit. This surpasses the capacity of traditional algorithms and makes the color gradations in photos more natural.

With powerful computing power and advanced algorithms, Xiaomi AISP introduces three industry-leading upgraded imaging capabilities:

- **Ultra RAW:** It directly extracts massive raw data from the Xiaomi AISP pipeline to deliver the RAW-format photos with the largest data volume in the mobile field to date. During post-processing, even if the original image is underexposed or overexposed by two stops, it can be corrected to the proper exposure.
- **Ultra Snap:** The super strong computing power of Xiaomi AISP enables up to 150 full-algorithm, high-quality continuous shots.
- **Ultra Zoom:** It is the industry's first AI LM-powered ultra-zoom feature. When shooting at over 30× magnification, the AI LM is used to precisely reconstruct raw optical data to significantly enhance image clarity.

Additionally, the "Master Portrait" mode introduced with *Xiaomi 15 Series* leverages our proprietary Portrait LM. It utilizes three core technologies — portrait semantics, portrait blur, and HD smart beautification — to elevate portrait photography to new heights, achieving a perfect blend of technology and art.

Mobility Devices

Our first smart EV product, the *Xiaomi SU7*, was officially delivered in 2024, marking our transition from exploration to practice in smart mobility. We have fully integrated AI capabilities into Xiaomi EV, aiming to provide users with a smoother, safer, and smarter driving experience.

- “Xiaomi HAD”
“Xiaomi HAD” is our full-stack self-developed technology that combines advanced AI technologies and perception algorithms and integrates three major modules: driving assistance, parking assistance, safety assistance. It is designed to provide users with an assisted driving experience adaptive to all scenarios.

We have introduced Adaptive BEV Technology, which adjusts to different environmental precision requirements and provides dynamic perception capabilities for complex driving scenarios. At the same time, we are expanding large models to all driving tasks, facilitating safer and more stable driving decision-making by dynamically generating multiple trajectories and selecting the optimal driving route. With the introduction of the Visual-Language Model (VLM), we have unveiled a new form of smart driving, the vehicle-cloud collaborative architecture, which further strengthens scenario comprehension capabilities of “Xiaomi HAD”. During driving, the VLM enables the vehicle to recognize road conditions more intelligently and provide early recognition and voice alerts when encountering obstacles like snow or potholes. In parking scenarios, the vehicle can effectively identify various irregular obstacles, such as fire hydrants and carts, and provide timely voice alerts.

Case: End-to-end Mechanical Space Parking

Xiaomi EV’s “mechanical space parking” function innovatively integrates perception and decision-making algorithm modules. The end-to-end algorithm innovation enables the vehicle to process image data from 11 cameras in real time, dynamically adjust its posture, and maintain a precise 1-centimeter warning to prevent collisions and scratches, making possible precise parking with just a 5-centimeter margin on one side. When facing I-beam pillars at the entrance of the mechanical parking space, our zoom BEV technology dynamically adjusts the algorithm resolution to generate a high-precision 3D bird’s-eye view. This provides the vehicle with a comprehensive and intuitive environmental comprehension. Together with the I-beam Recognition and Detection Model developed through deep learning training based on over 200,000 frames of annotated data, the vehicle has seen significant enhancement in recognition accuracy, helping it successfully overcome the obstacle avoidance challenge posed by the I-beam pillars.

- Smart Cabin

In 2024, the R&D of Xiaomi EV's Smart Cabin continued to focus on four key areas: interconnectivity, the interaction system, the Vehicle-Mounted AI Assistant, and system stability.

Leveraging our self-developed, model-oriented cross-domain connectivity platform, Xiaomi EV's Smart Cabin enables seamless connectivity and control between multiple devices, fully supporting scenarios such as controlling the vehicle with a smartphone and vice versa. This allows users to effortlessly experience advanced connectivity features such as Home screen+ and Cross-device Camera Collaboration between smartphones and vehicles. Additionally, Xiaomi EV takes the lead in the industry to launch a multitasking flexible framework and offer an interactive experience with multi-desktop containers and multi-split screens. Users can easily switch between different applications on the in-car system and even customize their layout to meet diverse needs. Besides, combining AI LM technology with the Full-range Vehicle Perception System, the Vehicle-Mounted AI Assistant offers contextual solutions such as car-related Q&A, front vehicle recognition, and external wake-up defense. It also incorporates our self-developed five-zone audio pickup algorithm to create a personalized voice space for each passenger, thus providing an intelligent interaction experience in multi-passenger scenarios.

For system stability, we adopt HyperOS to deeply optimize the underlying kernel and ensure smooth system operation even in complex and high-pressure scenarios. From map browsing to app launching, Xiaomi EV's Smart Cabin provides quick response times and a seamless response experience. Additionally, each in-car system undergoes rigorous long-duration stress testing to ensure stable and secure system operation for users. It leads the industry with its annual time between failures.

Case: Xiaomi SU7's Sentry Mode

Xiaomi SU7's Sentry Mode is equipped with our self-developed Sentry algorithm. When a vehicle is parked, it uses six high-definition wide-angle cameras to perceive the surrounding environment. They are combined with our self-developed multi-branch single-stage detection model to accurately identify human presence and proximity to potential danger. If a person is detected within a dangerous range or abnormal vibrations are detected, the alert mode will be activated, with immediate notification sent to the car owner. To minimize false alarms, we have self-developed and designed an optimized post-processing strategy based on similar frame judgment. The optimized model achieves zero false alarms and a recall rate of up to 90%. Regarding privacy, our Sentry Mode employs an advanced desensitization algorithm to ensure that sensitive data, such as faces and license plates, are blurred when viewed remotely, thereby protecting user privacy.

Home Devices

AI technology is always an essential component of the core functions and ecosystem of our smart home appliances. We have built the Mijia Lingyun Intelligent Control Engine based on AI algorithms to dynamically optimize the operation of home appliance products. Additionally, with the support of HyperConnect, it can seamlessly connect multiple devices and enable remote control, remote intelligent diagnostics, and other purposes, thus facilitating intelligent interconnection and efficient management of home devices.

Case: AI-Powered Home — A Personalized Air Conditioning Experience

We empower the Mijia air conditioner with self-developed AI algorithms and LM technology to offer users a more comfortable and energy-efficient experience.

- **Personalized Comfortable Experience**

The Mijia Lingyun Intelligent Control Engine uses a deep learning algorithm, based on historical behavior data (such as temperature settings and active time periods) and external environmental factors (such as weather and location), to precisely predict the user's comfort needs. It generates a personalized temperature control curve and dynamically adjusts the operation mode for the optimal balance between comfort and energy efficiency.

- **Energy-Efficient Operations**

The Mijia Lingyun Intelligent Control Engine significantly improves operational efficiency with pre-calibrated expansion valves and our self-developed electronic control algorithm. In particular for variable frequency control, the Mijia air conditioner achieves a rapid compressor frequency increase of 10 Hz per second, cooling the room in just 30 seconds and heating it in 60 seconds. Moreover, it models room temperature change trends accurately using the Long Short-Term Memory (LSTM) model and optimizes the air conditioning system's control strategy with the Deep Deterministic Policy Gradient (DDPG) algorithm, thus ensuring the best temperature control effect in different environments. With the AI energy-saving algorithms, the Mijia air conditioner can achieve up to 40% energy savings overall and save 786 kWh⁸ of electricity annually, which makes it an eco-friendly and cost-effective choice for users.

- **Intelligent Diagnostics and OTA Updates**

Built on the visual foundation model (VFM), the Mijia air conditioner can not only check the indoor unit's installation standards but also detect common issues such as clogged filters and refrigerant shortages using AI big data models. Powered by AI technologies like ResNet, Segment Anything Model (SAM), Vision Transformer (ViT), and Transformer, it can diagnose air conditioning issues with an accuracy rate of over 90%. Furthermore, our pioneering full-link OTA technology allows the air conditioner to evolve continuously so that users can enjoy the latest technological and functional updates when using the device.

Smart Manufacturing

We continuously push advance smart manufacturing. We have our own factories and leverage precise product operation management, advanced automation technologies, and big data-driven decision-making to continuously improve production efficiency and product quality while reducing resource consumption and operational risks. In 2024, Xiaomi Smart Factory and Xiaomi EV Factory were officially completed and put into operation, and construction of Xiaomi Smart Home Appliance Factory also commenced. All three factories extensively use industrial internet and AI technologies and achieve efficient, environmentally friendly, and sustainable production models through smart manufacturing processes.

In addition, as a “model for new quality productive forces in China,” we consistently empower our business partners within the industry chain and provide solutions for digital management systems across the chain for the manufacturing industry.

Xiaomi Smart Factory

This year, Xiaomi Smart Factory officially began production. It fully showcases our exceptional capabilities in smart manufacturing across four key areas: self-developed equipment, digitalization, automation, and intelligence.

High Proportion of Self-Developed Software and Hardware

Xiaomi Smart Factory adopts a high proportion of self-developed hardware and software. In terms of hardware, the factory deploys a total of 3,064 devices, with the proportion of self-developed equipment reaching as high as 96.8% in all sections except for SMT⁹. This covers all core processes from mainboard testing to final assembly and packaging. In terms of software, the factory utilizes a 100% self-developed digital management platform, the Xiaomi Hyper Smart Manufacturing Platform. It is a complete technology platform integrated with core factory-level applications built on the Group’s infrastructure, which completes the integration with the Group’s information systems.

Digital Production Ecosystem

Xiaomi Smart Factory takes the lead in completing the industry’s pioneering “full-link industrial big data” infrastructure. All equipment in the factory is based on a unified communication protocol and F5G¹⁰ technology, which enable the integration of multi-source heterogeneous data while interconnecting with the factory’s IT system, together forming a comprehensive digital production ecosystem. The factory is equipped with 64,000 data collection points, which collect 1.7 billion pieces of data daily. Additionally, with the use of AR smart inspections, the internal operating conditions of equipment are monitored in real-time without stopping production, achieving continuous monitoring across all processes.

Full Automation of Key Processes

Built on a high proportion of self-developed hardware and software as well as digitalized production, Xiaomi Smart Factory achieves full automation of key processes. By applying technologies such as flexible production lines, automated logistics, and cloud-edge-device automation control, the factory reaches an automation rate of 81% in its production lines, far surpassing the industry average. In terms of automated logistics management, Xiaomi Smart Factory integrates logistics equipment with the Xiaomi Hyper Smart Manufacturing Platform and enables automated functions such as automatic material calling for equipment, moving task allocation, and inventory alerts.

9 SMT: Surface-mount Technology, an assembly and production method that directly applies electronic components to the surface of printed circuit boards (PCBs).

10 F5G: The 5th Generation Fixed Networks.

Intelligence Deployment for Multiple Scenarios

Intelligence is another core competitive edge of Xiaomi Smart Factory. Relying on the Xiaomi Hyper Smart Manufacturing Platform, the factory leverages technologies such as AI, digital twin, and big data analytics to build a smart manufacturing operation system for multiple scenarios. It enables the application of ten intelligence scenarios, ranging from intelligent lean operations and intelligent equipment maintenance to intelligent dynamic optimization, which underpin a comprehensive upgrade of manufacturing intelligence.

Case: VFM-Based AOI¹¹ Intelligent Re-inspection Detection Technology

To address issues in manual re-inspection of Automated Optical Inspection that involve strong subjectivity, inconsistent re-inspection accuracy, and low transferability of experience, Xiaomi Smart Factory has deployed AI VFM-based intelligent re-inspection technology. This technology, built on the AI VFM re-inspection algorithm and combined with deep learning and traditional machine vision techniques, establishes a model for secondary inspection and judgment of AOI results. It applies to appearance inspections for core components such as smartphone screens and cameras, as well as process inspections for middle frame glue dispensing and surface mount machines. The technology achieves re-inspection accuracy of over 95%, reduces the average re-inspection time by 0.1 seconds, and increases judgment speed by 17.56 times compared to manual processes. Additionally, the smartphone screen AOI high-precision defect detection technology reaches an industry-leading position in detection accuracy, with a defect detection rate as low as 0.001%.

The advanced smart manufacturing capabilities have significantly improved the production efficiency of Xiaomi Smart Factory. By optimizing equipment cycle time, increasing line balance, and reducing downtime, we have increased the unit per hour (UPH) by 70% compared to the highest levels at subcontracted factories, thus enhancing production efficiency and shortening product delivery times. Additionally, the flexible process changeover technology has drastically reduced changeover time to just 10 hours, an 86% improvement over the highest levels at subcontracted factories. It enables flexible production while elevating the modular production capacity of Xiaomi Smart Factory to a globally leading level.

Xiaomi Smart Factory has been widely recognized for its technological achievements and innovation capabilities. In 2024, we received the highest title in smart factory construction — the National-Level Smart Manufacturing Benchmark Enterprise certification. We also won several prestigious awards, including the Digital Twin Innovation Application Award in DigiTwin 2024, the Good Product Design Award in the 5th Goldreed Industrial Design Award (GIDA), and the Honorable Mention in the Design Intelligence Award (DIA).

Drawing on our experience in smart factory construction, we actively empower our industry chain partners to enhance their intelligent production capabilities for common progress. In 2024, Xiaomi Smart Factory assisted an OEM Factory in Egypt in deploying the Xiaomi Hyper Smart Manufacturing Platform Manufacturing Execution System (MES) for television assembly production, with the process completed in just four months. The Xiaomi Hyper Smart Manufacturing Platform MES, fully demonstrating the advantages of intelligence, offers traceable monitoring throughout the production process and standardizes production by organizing business workflows. It facilitates the smooth mass production of Xiaomi TVs in Egypt.

11 AOI: Automated Optical Inspection. A detection technology based on optical imaging and computer vision.

Xiaomi EV Factory

Xiaomi EV Factory, inspired by smart manufacturing, integrates intelligent production and modular layout and achieves 100% automation in key processes such as HyperCasting, stamping, body assembly, painting, and final assembly. The factory is capable of producing a *Xiaomi SU7* model every 76 seconds, demonstrating exceptional efficiency and quality in smart manufacturing. In January 2025, Xiaomi EV Factory was included in the first batch of excellence-level smart factories recognized by the Ministry of Industry and Information Technology (MIIT), consolidating its position as a leading benchmark for smart manufacturing in the industry.

To create the “smart hub” of the factory, we independently developed Manufacturing Operations System (MiMOS), an automobile smart operations platform. With advanced technologies and algorithms, we closely align business processes and data with user needs and have established a dual-flywheel mechanism where “business drives model iteration and optimization, and the model feeds back to improve business.” The mechanism significantly enhances cross-departmental collaboration and operational efficiency, thereby driving the continuous growth of Xiaomi EV’s mass production capabilities. Additionally, the MiMOS features full data sensing and flexible orchestration of rule and decision models and supports a low-code, highly flexible “enterprise-level + factory-level” deployment model, which enable rapid adaptation to the diverse needs of Xiaomi EV’s intelligent production.

Supported by MiMOS, Xiaomi EV Factory has achieved closed-loop management across the process from data collection to intelligent applications. It has created several industry-leading smart manufacturing scenarios and set a benchmark for intelligence transformation:

- **Injection Takt Warning for HyperCasting:** With real-time automatic timing of the casting machine’s injection process and AI-assisted X-ray inspections, the MiMOScan intelligently analyze and identify suspicious processes, where it proactively alerts quality control personnel and highlights specific die-cast parts for focused inspections. This practice significantly saves quality inspection time and effectively mitigates quality risks in a timely manner.
- **Tightening Process Curve Hidden Damage Warning:** By automatically collecting data, modeling, and analyzing the tightening process curve, Xiaomi EV Factory makes hidden damage in the tightening process visible and timely warns production personnel. This helps ensure that products meet high-quality standards.
- **Optimization of the Smart Production Scheduling System¹²:** The Smart Production Scheduling System at Xiaomi EV Factory leverages advanced algorithms for automatic scheduling and data analysis for forecasting. This has resulted in a 20% improvement in production efficiency, significantly enhancing the market adaptability of Xiaomi’s smart EVs and maximizing economic benefits.

¹² Smart Production Scheduling System: Using smart algorithms for multi-objective collaborative optimization decisions, the system can generate detailed production plans and automatically create work orders to guide efficient production scheduling across workshops.

Additionally, Xiaomi EV Factory actively leverages AI LM capabilities to empower industrial applications across multiple manufacturing stages, further enhancing production efficiency and quality standards. It demonstrates the effective integration of smart manufacturing and innovative technology in the intelligent era and sets a model for efficient, high-quality, green, and sustainable factories.

Case: Xiaomi LM Practices in Intelligent Optimization and Industrial Production

In the field of industrial design, we have built a multi-expert prediction model based on AutoML technology for accurate prediction of durability performance such as stiffness, as well as NVH performance such as modal characteristics. Using reduced-order models, the model can quickly generate optimal solutions that meet design constraints and help engineers strike a balance between vehicle performance and lightweight requirements. In the body in white (BIW) design of *Xiaomi SU7* at a certain stage, leveraging the LM multi-objective optimization algorithm, we achieved an optimization effect of reducing weight by 14 kg while ensuring the stability of *Xiaomi SU7*'s stiffness and modal performance.

In industrial quality inspection, we use VFM technology for millimeter-level industrial defect detection and transform from sampling to full inspection. The Xiaomi LM enhances model generalization with semi-supervised fine-tuning, reduces manual interaction with automating prompt generation, and resolves edge segmentation issues with optimized fine segmentation structures. In this way, it has improved defect detection accuracy to 99.9%, making industrial quality inspection more intelligent and setting a quality benchmark for Xiaomi.

Xiaomi Smart Home Appliance Factory

In 2024, we expanded our footprint in smart manufacturing to smart home appliances. During the reporting period, we officially broke ground on our first smart home appliance factory in Wuhan. Xiaomi Smart Home Appliance Factory follows the planning principles of "mass delivery, mass logistics, and fine production" and adheres to the design principles of "focusing on logistics planning and operations, oriented by efficient factory operations." In this way, we facilitate efficient connectivity between sub-assembly and final assembly and create a seamless manufacturing value chain.

Technological Innovation Culture

We consistently uphold an Engineer Culture, with incentive and empowerment mechanisms at multiple levels. Through diverse activities such as internal technology competitions, cross-disciplinary exchanges, and talent cultivation, we continuously drive product innovation, meet industry and user needs, and create limitless possibilities.

This year, we held the Xiaomi Ten Million Dollar Technology Award 2024, the Xiaomi Hackathon 2024, the Xiaomi Technology Carnival 2024, and the 9th AI Data Mining Competition. These events inspired engineers to further push technological boundaries through collaboration and competition and foster solutions for the future. Moreover, on internal sharing platforms and at open technology salons, we integrate an innovation culture into the daily work of our technical teams and create a complete closed loop from inspiration to implementation. Our initiatives include launching *I Work on Technology in Xiaomi*, an interview series focusing on outstanding young engineers and discovering our diverse engineering culture; establishing the Tech Circle, a platform for technical exchange and sharing of cutting-edge technologies among the Group's engineers; and hosting the Xiaomi Fans Tech Salon, a co-creation space for users and engineers to continuously drive product innovation and iteration.

Case: Xiaomi Corporation Hosts the 5th Xiaomi Hackathon

In 2024, we held the 5th Xiaomi Hackathon with the theme "Boundless Creativity, Endless Life," encouraging participants to deeply integrate cutting-edge technologies such as AI, 5G, and IoT with the "Human × Car × Home" ecosystem and public welfare scenarios and foster solutions that present both innovation with social value. This year's Xiaomi Hackathon brought together 319 Xiaomi engineers from 11 departments across Beijing, Wuhan, Nanjing, Shanghai, and Shenzhen and resulted in 63 creative new technological works and 37 patent applications. These outcomes spanned the entire ecosystem, including smart EVs, smartphones, system software, smart hardware, and AIoT.

Case: Hyper with AI at Xiaomi Technology Carnival

This year, we hosted the Xiaomi Technology Carnival with the theme "Hyper with AI," which featured five major technology sessions and over 40 technology sharing events. Among these, we introduced an open day and hands-on workshop for our self-developed LMs, where we offered attendees immersive experiences in language, image, and audio fields and fully showcased the practical application value of LMs across various scenarios. Additionally, we held the 2nd Automobile Simulator Challenge, where participants explored new possibilities in smart driving and human-machine collaboration through a highly realistic simulated driving environment. The upgraded Xiaomi AI Data Mining Competition 2024 incorporated cutting-edge AI LM topics and encouraged participants to maximize the commercial value of data and models. It received over 1,000 registrations, with 482 teams and 901 participants submitting valid results, a significant 94.4% increase in the number of participating teams compared to last year.

Product and Service Quality and Safety

High-quality products are the foundation of consumer trust. We strictly control the product design and production processes to ensure high-quality manufacturing and delivery to high standards. Moreover, we continuously optimize our comprehensive service system and consistently provide consumers with a reliable and thoughtful service experience, staying true to our commitment, “Make friends with users.”

Quality Management System

Building on total quality control and striving for performance excellence, we have established a robust quality management system aligned with the ISO 9000 Quality Management System standard and tailored to our business to achieve high quality and sustainable development. The Group has set up a Quality Committee to oversee quality management across the organization and formulate quality strategies, policies, management mechanisms, and requirements. Each business segment has its own Business Quality Committee to implement the Group’s directives and carry out quality-related initiatives. Additionally, an independent quality organization has been established to ensure end-to-end quality assurance for hardware products.

Our quality management efforts, based on the Group Quality Manual and guided by the *Group Business Quality Management White Paper*, cover hardware and the internet, as well as sales, delivery, and after-sales service. This framework ensures that all employees uphold the “Quality First” principle and guarantees high-quality product delivery and continuous improvement in user experience. Each business tailors its own quality management white paper to address specific management needs and effectively guide quality management. Additionally, we have developed quality management maturity assessment models for different business attributes and development stages. Departments conduct regular self-assessments and undergo an annual review by the Group’s Quality Committee to enhance their quality management through continuous evaluations and improvements.

Following the business of smartphones, tablets, laptops, smart home appliances, smart TVs, and IoT products, our smart EV business obtained the ISO 9001 Quality Management System certification this year.

Quality Management across the Process

We advocate for “full participation and closed-loop management across the lifecycle” in quality management. For hardware, we have introduced the Integrated Product Development (IPD) process and established Mi-IPD, an IPD management system tailored to Xiaomi for quality control across multiple stages, including product development, testing, and manufacturing. For software, based on the Capability Maturity Model Integration (CMMI) and Information Technology Service Standards (ITSS), we integrate quality management into the whole software lifecycle, application developer ecosystem, service-side O&M, and system integration process. For services, we adopt the Integrated Product Marketing and Sales (IPMS) process for quality management across the lifecycle from demand planning to product retirement.

Aligned with the development strategy of the “Human x Car x Home” ecosystem, we have formulated a three-year quality reform plan with defined objectives and tasks, aiming for a comprehensive upgrade in business quality management, an industry-leading high-quality product delivery system, and an assurance system for high user experiences. In 2024, we broke down and implemented multiple key tasks to contribute to the Group’s quality reform objectives. With a customer-centric approach, we established the Issue to Resolved (ITR) service process, advanced the third phase of the ITR system built on the existing framework, and released the MI-ITR System Guide V1.0. In this way, we enabled the online transfer and processing of user issues and further enriched our R&D and service knowledge base. Additionally, we promoted the Voice of the Customer (VOC) initiative and formulated the *VOC Linkage Improvement Management Measures* to enhance user experience. We have upgraded our quality management system and sought an integrated quality management model for our “Human x Car x Home” ecosystem, thus elevating our quality management.

We are attentive to preventing and intercepting quality incidents and committed to identifying quality issues, optimizing quality standards, and refining quality management processes through quality inspections. In 2024, we launched a comprehensive safety and compliance inspection, leading to a continuous reduction in quality anomalies. Each department promptly analyzed the root causes of identified issues and effectively mitigated associated risks.

As we keep advancing quality management across the process, the quality of our products has steadily improved and been recognized by more people. This year, our new products achieved a positive review rate of over 98% on e-commerce platforms.

Quality Culture Promotion

To practice the management philosophy that “Quality Is the Lifeline of Xiaomi,” we actively promote a quality culture across the Group by organizing various quality initiatives, such as quality policies, principles and behavioral guidelines to all employees, as well as through initiatives like Xiaomi Quality Month, quality learning check-in, all-staff quality quizzes, the Listening Program, Directors Online, Xiaomi Fans seminars, the selection of Quality Stars and Quality Awards. Furthermore, we coordinate with business segments to continuously identify and summarize replicable and promotable exemplary quality management cases. Drawing on leading quality management philosophy and practical experiences, we implement tailored pathways and methodologies that align with the Group’s quality management efforts, thereby consistently elevating our capabilities of quality management.

This year, we actively developed new quality training courses and updated existing courses. Notably, we updated the *Introduction to Quality Culture* and *Total Quality Control* series and introduced the *Quality System Audits*, *Six Sigma*, and *ITSS* series. In total, we provided training for over 4,000 employees in quality-related roles. In 2024, another 121 employees obtained professional certifications from the China Association for Quality, including Six Sigma Black Belt, Green Belt, and Performance Excellence Self-Assessor certifications.

Case: Xiaomi Corporation’s Quality Month Campaign

In 2024, we collaborated with 10 operating departments and engaged four major office locations — Nanjing, Wuhan, Shanghai, and Baoding — to launch the Quality Month campaign under the theme “Deepening Quality Reform, Aiming at an Industry Benchmark.” Through over 100 events, including training sessions, quizzes, user seminars, exchanges on cases of excellence, and quality improvement programs with external partners, we fostered a culture where everyone values, engages in, and safeguards quality. This year’s Quality Month events attracted nearly 100,000 participants and over 200 partner companies.

Case: Quality Culture Promotion at Xiaomi EV Factory

To instill the principles of “Quality First” and “Zero Defects” in employees’ minds and actions, Xiaomi EV Factory regularly organizes various quality training programs, campaigns, and awards, with a total participation of 3,500 this year. Additionally, we share quality information via our WeChat official account to help employees gain a comprehensive understanding of quality efforts. Furthermore, we host a monthly Quality Star selection within the factory to recognize outstanding quality role models across departments, with 51 employees awarded this year.

Product Quality and Safety

Aligned with the “Human × Car × Home” ecosystem strategy, our business continuously raises product quality standards and strengthen process quality control. Committed to delivering amazing products with honest prices, we strive to enhance users’ quality of life in every aspect.

Personal Devices

Product Quality

Following the overarching Group Quality Manual and the ISO 9001 Quality Management System standard, our smartphone segment implements quality control across all stages, including project initiation, planning, development, validation, and launch. This approach ensures the steady establishment of a mature and efficient quality management system.

This year, we launched a Six Sigma improvement initiative, where we implemented 15 key projects and introduced 263 targeted improvement measures, effectively optimizing and upgrading the quality management process in the smartphone business. Additionally, we actively promoted special initiatives for optimizing the technical review process and indicators. These efforts were aimed at establishing a more rigorous and efficient review system and laying a solid foundation for the timely identification and resolution of potential quality issues.

To enhance product quality, we have launched management initiatives for both hardware and software. On the hardware side, we have launched specialized projects targeting mid- to long-term failure and reliability to organize and consolidate our quality database and summarize successful quality management and engineering practices. Additionally, we have set key hardware quality improvement targets for smartphones, striving for continuous quality enhancement in smartphone products. On the software side, we have further refined development standards and guidelines, focusing on the optimization of R&D processes, advancements of fault-tolerance technologies, issue interception efficiency, and enhancements in the issue early warning system. These efforts have driven upgrades in software development management.

In 2024, we conducted an on-going net promoter score (NPS) survey for our smartphone products and achieved an overall improvement of over 20% compared to the previous year. Additionally, our smartphones and key non-smartphone categories performed well in overseas markets, with the overall smartphone fault feedback ratio (FFR) further decreasing from the 2023 level. The monthly FFR for products such as smartwatches, smart bands, and earphones also showed year-over-year improvement.

Product Safety

The Group places great importance on product safety and compliance. In 2024, we obtained Customer Testing Facility (CTF) certification from the International Electrotechnical Commission System of Conformity Assessment Schemes for Electrotechnical Equipment and Components (IECEE), demonstrating that our laboratory management and testing are safe and compliant. Our series of rigorous tests is aimed at safeguarding consumer health and safety.

We are committed to strict adherence to Xiaomi Product Environmental Hazardous Substance Management Guidelines and proactively reducing the use of substances harmful to human health and the environment, such as antimony, beryllium, cobalt, and their compounds. We also manage and control material composition at the whole-device level to ensure product safety and compliance. This year, we progressively adopted new processes, replaced antimony-containing substances, and introduced management and control on three substances: perfluoro carboxylic acids (PFCAs), French mineral oils, and volatile organic compounds (VOCs). By the end of the reporting period, our smartphones, tablets, laptops, wearables, and smart TVs had completed testing reports for domestic and international regulations or standards, including GB/T 26572-2011 Requirements of Concentration Limits for Certain Restricted Substances in Electrical and Electronic Products (China RoHS), the EU Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (EU RoHS), the EU Registration, Evaluation, Authorization and Restriction of Chemicals (EU REACH), and the EU Persistent Organic Pollutants (EU POPs) Regulation.

This year, the national battery standard that we participated in drafting, GB 31241-2022 Lithium Ion Cells and Batteries Used in Portable Electronic Equipment — Safety Technical Specification, officially came into effect on January 1, 2024. Additionally, we play an active role in drafting the new China RoHS national standard, Requirements for Restricted Use of Hazardous Substances in Electrical and Electronic Products (Draft for Public Consultation). Leveraging our years of experience in the electrical appliance and electronics sector, we are driving the industry toward greater safety and environmental sustainability.

Mobility Devices

Product Quality

For Xiaomi EV, we have established a quality management framework based on the ISO 9001 Quality Management System standard and digitalized quality. The framework covers the entire value chain, from R&D to production, supply, and sales. Following the Group Quality Manual, we have also defined the quality system framework, policies, and objectives for Xiaomi's smart EV business to ensure effective quality management operations.

On the R&D side, we have compiled key documents such as the Vehicle Design and Development Control Procedure and the Vehicle R&D Project Management Procedure. Standardizing internal language with the MIVDP model, we support the achievement of vehicle and component reliability and durability goals in the aspect of systematic planning, standard setting, test implementation, and result validation. To ensure quality objectives are met, we have implemented multi-tiered quality checkpoints in critical stages such as data release, prototype vehicle trial production, and production ramp-up. Additionally, with simulation analysis, cross-departmental data reviews, and comprehensive testing, we rigorously assess each critical component and the entire vehicle for safety, performance, durability, and reliability. This approach ensures early identification and resolution of issues, thus mitigating significant quality risks in later stages.

On the manufacturing side, we adhere to an integrated management objective encompassing systems, processes, and products. By continuously enhancing management maturity on the manufacturing side, we ensure the effective implementation of management standards. For software, we employ a diverse range of methods, including high-intensity bench tests, vehicle tests, and generalization tests. In this way, we ensure excellent quality of each software version in every detail and significantly enhance its stability, reliability, and functionality. For hardware, we conduct vehicle inspections and comprehensive functionality reviews. By closely monitoring the key indicator of repair frequency per thousand vehicles, we deeply integrate six core systems — interior and exterior, chassis architecture, vehicle foundational software, advanced powertrain, cabin, and autonomous driving — and improve overall vehicle quality in multiple dimensions.

On the supply side, we have introduced innovative management methods such as component maturity and manufacturing maturity. With a look-through approach, we identify potential production issues in advance, ensuring quality control from the very source.

Product Safety

For Xiaomi EV, we continuously innovate and enhance vehicle safety technologies for passive safety, active safety, and high-voltage safety. Prioritizing user safety above all, we are committed to ensuring comprehensive driving safety.

- **Passive Safety:** All Xiaomi EV models maintain equal standards for passive safety. Full consideration is given to the use of high-strength materials and a well-engineered body structure. We have designed an armor-cage steel-aluminum hybrid body to ensure cabin stability in collisions. Built on that, our models are equipped with a safety restraint system encompassing seven airbags and a pre-tensioned structure, designed to minimize injuries to occupants in the event of an accident.

- **Active Safety:** Xiaomi EV leverage full-stack self-developed underlying algorithms and multi-sensor fusion perception technology to build “Xiaomi HAD”, an active safety protection system for “end-to-end full-scenario,” which features driving assistance functions (NOA/LCC/ACC) and parking assistance functions (APA/AVP/RPA). In 2024, we expanded our active safety alerts and comprehensive collision alert for pedestrian crossing scenarios, extreme conditions, and extreme weather. We also introduced features such as unintended acceleration suppression and forward collision prevention assistance in icy and snowy road conditions under “Snow Mode.” These advancements aim to further reduce accident occurrence.
- **High-Voltage Safety:** Xiaomi EV have achieved industry-leading levels in high-voltage safety, collision safety, high-voltage battery safety, high-voltage pre-alarm systems, and thermal runaway safety. They also surpass industry standards in high-voltage insulation, high-voltage interlock, waterproof sealing, human contact protection, charging high-voltage safety, and high-voltage maintenance switch design. The high-voltage safety design measures are comprehensive.

In terms of batteries, Xiaomi EV’s battery adopts a 14-layer robust physical protection system and boasts the industry’s first Inverted Cell Technology, the industry’s leading active cooling technology, and the world’s most stringent thermal failure design standards. Together, they ensure comprehensive, all-encompassing protection for battery thermal and electrical safety. Additionally, our vehicle-cloud collaborative safety warning system enables real-time monitoring and 24/7 precise alerts on battery status. As of the end of the reporting period, our battery had passed the world’s most stringent battery safety tests, including over 1,050 safety verifications, far exceeding national standard requirements.

In addition, we focus on ensuring users’ health during driving. We have developed a corporate standard of Xiaomi, Requirements for Prohibited and Restricted Substances on Automobiles, in compliance with the national Requirements for Hazardous Substances on Automobiles and Recyclability Management and Requirements for Prohibited Substances on Automobiles, as well as the EU Circularity Requirements for Vehicle Design and Management of End-of-Life Vehicles, Regulation on Batteries and Waste Batteries, Global Automotive Declarable Substance List, EU REACH, and EU POPs, among other regulations and standards. We have also incorporated the allergen substance indicators from the five-star health requirements of the China Green Car Assessment Programme (C-GCAP) and China Automobile Health Index (C-AHI) into our development management and control, ensuring that vehicle materials meet globally leading health standards. For soft materials in frequently contacted areas of the cabin, we have also conducted OEKO-TEX® STANDARD 100 certification to ensure they meet baby-level health contact standards.

To safeguard users’ health during travel, we implement VOCs control for the whole vehicle, ensuring that every vehicle has extremely low VOCs emissions, with some substances even being a hundred times lower than national standards. In terms of material selection, we have created a 100% eco-friendly adhesive application system for all vehicle interiors, while also incorporating low-VOCs materials such as ultra-low-emission PP polypropylene, PVC/PU fabrics, and LASD liquid damping pads, which effectively reduce VOCs emissions within the vehicle.

For the electromagnetic compatibility of the vehicle, we strictly adhere to national standards such as GB 34660-2017 Road Vehicles — Requirements and Test Methods of Electromagnetic Compatibility and GB/T 18387-2017 Limits and Test Methods of Magnetic and Electric Field Strength from Electric Vehicles. We implement multi-level coordinated control across the vehicle, systems, components, and chips and have developed a special management and control plan for human body magnetic field protection. Our rigorous control of the vehicle’s electromagnetic emissions enhances its anti-interference capabilities and ensures overall electromagnetic safety.

This year, *Xiaomi SU7* attained the following third-party testing and verification in areas of product quality, safety, and health:

- First place in the New Energy Vehicle China Automotive Customer Satisfaction Index (NEV-CACSI) 2024.
- China’s Top 10 Body Award and Best Body Structure Award 2024.
- “Excellent +” score in all items of the China Insurance Automobile Safety Index (C-IASI) safety tests 2024.
- Five-star certification in the China Automobile Health Index (C-AHI) 2024.

Product Recall

We have developed the Xiaomi EV Product Recall Management Measures in accordance with regulations such as the Regulation on the Administration of Recall of Defective Auto Products and the Measures for the Implementation of the Regulation on the Administration of Recall of Defective Auto Products. We have also established a Group-level Product Quality and Safety Committee as the decision-making and execution body for major recall matters due to product quality and safety. This aims to prevent recall incidents and optimize the market recall response mechanism. Every month, we collect and analyze product recall cases from both domestic and international markets and produce typical recall case analyses and monthly recall reports, which allow us to implement preventive measures during the project development and mass production phases. Furthermore, we frequently invite third-party professional institutions to conduct offline specialized training on recall operations, recall systems, and domestic and international recall cases to enhance employee awareness of quality and their professional capabilities to mitigate recall risks.

Home Devices

For Xiaomi smart home appliances, we remain committed to delivering “high-quality, technology-driven home appliances” and continuously enhancing user experience, aiming to build the most reputable home appliance ecosystem. We have established a Smart Home Appliances Quality Committee, which strives for “high-quality delivery” and meets monthly to drive improvements in quality performance across all products in an orderly manner.

We continuously upgrade and optimize our R&D, supply chain, and quality management systems, strengthen our “end-to-end” problem-solving mechanism, and refine the Mi-IPD, Mi-ITR, and Integrated Supply Chain (ISC) management systems. This year, 100% of our major appliance factories obtained the ISO 9001 Quality Management System certification, and all materials complied with EU RoHS, EU REACH, and EU POPs requirements. We have also established a comprehensive testing and verification mechanism, including laboratory testing, environmental testing, and long-term operation testing, to validate product performance, stability, and durability. Additionally, we actively leverage big data and AI technology to monitor production data in real-time, thus enhancing early identification and correction of quality issues to ensure high product quality. In 2024, for Xiaomi washing machines, we focused on targeted improvements, for which we assembled a dedicated team to systematically address failures. As a result, failure rates significantly decreased, and user experience improved substantially compared to the previous year.

In terms of product safety, we have established multiple safety protection mechanisms for Xiaomi major home appliances to ensure comprehensive safety and health protection for users, for example, the high-temperature sterilization and condensate rinse functions in Xiaomi air conditioners, as well as electric leakage protection and healthy washing features in Xiaomi washing machines. Additionally, many of our home appliances incorporate greener and healthier industrial designs. For instance, the *Mijia Smart Combi Microwave Steam Oven P2* replaces the traditional non-conductive vacuum metallization (NCVM) technique with hot stamping to simulate a metallic texture, significantly reducing VOCs emissions and environmental pollution. We are also careful in selecting materials for wearable products, particularly for children’s items. For example, the *MiTu Kids Smartwatch S1* uses food-grade liquid silicone, which is not only safe and non-toxic but also offers excellent hypoallergenic properties, ensuring children’s health and comfort.

Service Quality

We are committed to “making friends with users and being the coolest company in their hearts” and providing comprehensive, high-quality products and services to users worldwide. From pre-sales consultation to after-sales support, we continuously optimize service processes, enhance service efficiency, and actively listen to customer feedback to drive ongoing improvements in service quality. With sincerity and professionalism, we strive to earn the trust of our customers.

Responsible Marketing

We strictly adhere to the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Product Quality Law of the People's Republic of China, the Advertising Law of the People's Republic of China, and other pertinent laws, regulations, and normative documents. Through responsible communication and service, we build trust with consumers.

To practice responsible marketing principles, we have established the New Retail Store Operations and Management Guidelines, which outline penalties for violations across three key areas, namely store operations standards, service standards, and integrity, aiming to ensure professionalism and integrity in store services. We require our sales and service personnel to provide truthful information to users regarding product details, highlights and features, after-sales benefits, and brand culture while avoiding false advertising or excessive marketing. This year, we provided training for all Mi Home store managers and staff on sales compliance, operational compliance, safety compliance, and product knowledge, with a total of 12,053 participants completing the training. Additionally, in 2024, we leveraged AI capabilities to empower sales scenarios, where model capabilities were used to assist store sales staff in real time in accurately delivering marketing content, thereby enhancing service quality.

Additionally, we strictly regulate all marketing content published on new media platforms, striving to disseminate the right values and build a positive brand image. In accordance with the Store New Media Communication and Operation Guidelines and the Store Live Streaming Content Management Requirements, we mandate all content posted by the new media accounts of our stores align with our brand consistency requirements. The publication of vulgar, low-quality, infringing, or confidential materials is strictly prohibited. Furthermore, we have established clear guidelines and restraints regarding promotional content, equipment usage, and the attire of on-camera personnel to ensure that the brand promotion process adheres to responsibility principles.

To enhance external supervision and collaboration, we have established a robust marketing complaint handling process to ensure timely investigations and effective responses. In 2024, we did not experience any lawsuits, penalties, or public opinion incidents related to false advertising or excessive marketing.

Customer Service

We emphasize understanding real user needs and expectations in the service process. In 2024, we hosted a series of offline activities, which revealed various operations management and user experience issues related to service policies and fees, service processes, app systems, service delivery, and knowledge bases. To address the identified issues, we prioritized them and implemented special follow-up actions for high-priority ones. By the end of 2024, we had completed over 160 special resolution tasks, significantly improving the user experience. Beyond regular VOC analysis, we launched the Listening Program, allowing product developers to directly listen to users for feedback. In 2024, 65 VOC listening sessions were organized under this program.

To further enhance the user experience, we pioneered the All in One Order service model this year. It coordinates all systems involved in the process from user request initiation to conclusion, including logistics, after-sales service, customer support, and e-commerce platforms. With this model, we achieved the goal of "one user, one product, one issue, one order, and one journey." Our after-sales net satisfaction score (NSS) steadily increased throughout the year, reaching 92.27%.

Case: "Delivery, Uninstallation, and Installation" Integrated Service for Major Appliances

When replacing old appliances with new ones, users often face the inconvenience of multiple service visits for uninstallation, delivery, and installation, which lead to a longer service cycle and a poor experience. In 2024, we introduced an innovative "Delivery, Uninstallation, and Installation" integrated service for six major appliance categories (air conditioners, refrigerators, washing machines, TVs, electric water heaters, and gas water heaters), completing delivery, uninstallation of the old appliance, and installation of the new one in a single visit. It set us apart as the first brand to fully launch this integrated service and received widespread praise from Xiaomi Fans, the industry, and society. By the end of 2024, we had provided the "Delivery, Uninstallation, and Installation" integrated service for 105,000 users, covering nearly 80% of the country's districts and counties..

In 2024, we actively expanded our overseas service network, continuously increasing and optimizing overseas service outlets to provide more convenient and efficient services for overseas users and meet their diverse needs. This year, we established ten new Exclusive Service Centers (ESC) and eight new self-operated new retail service outlets. As a result, our service penetration rate rose to 85.4%, a 7.3% increase compared to the previous year. From April 2024, we began conducting monthly satisfaction follow-ups with users across 21 global markets through email, phone calls, and instant messaging to gather comprehensive feedback from users worldwide.

In March 2024, the Xiaomi EV was officially launched. Given the unique nature of automobile product services, we have reshaped the sales, delivery, and after-sales service processes with the core mission of “providing cordial, transparent, smart, and efficient one-stop services” and continuously enhancing the consumer experience. To ensure a smooth and efficient vehicle delivery process, we have meticulously planned and arranged various stages, including pre-delivery procedures, pickup appointments, and on-site handover. Additionally, before official delivery, we conduct a strict 389-item pre-delivery inspection (PDI) to ensure that every vehicle meets the highest standards.

Repair and Maintenance Services

To enhance frontline repair capabilities, increase local repair rates, and improve user experience, we have implemented several initiatives, including staff training and upskilling, upgrades of repair equipment and tools, repair standardization, and management advancement. As a result, our store service capabilities have evolved from basic part replacements primarily for smartphones to comprehensive advanced repairs across all product categories. In 2024, we established over 200 new local repair outlets across the Chinese Mainland. With the introduction of advanced repair capabilities, the local repair rate for premium devices has exceeded 70%.

We are also focused on expanding and enhancing advanced repair networks in international markets. By the end of 2024, our overseas repair and maintenance services covered 82 markets. In 2024, we expanded the scope and offerings of Xiaomi Care to Southeast Asian countries such as Malaysia and Thailand. The service now covers six countries and regions and provides an insurance package that includes screen damage, accidental damage, theft, water damage, and extended warranties.

We require every repair engineer to undergo the headquarters’ training and certification to ensure service quality. In 2024, we implemented level certification¹³ programs for domestic and international repair engineers. By the end of the reporting period, we had 100% certified repair engineers.

Case: 2nd Xiaomi “Craftsman Star Cup” Smartphone Skills Competition in 2024

To continuously enhance service skills, we spurred training with competitions and organized the second “Craftsman Star Cup” Engineer Skills Competition. This event featured two specialized tracks: smart door lock skills and smartphone repair skills. The competition combined theoretical knowledge exams with practical skill assessments and examined competitors’ mastery of skills and knowledge in various challenge formats such as quizzes, one-on-one elimination rounds, and time-based challenges. The competition identified 10 outstanding individual winners and 3 outstanding team winners, showcasing the exceptional professionalism and technical expertise of frontline engineers.

¹³ Level certification: The Group’s Repair Engineer Level Certification is classified into three levels: junior, intermediate, and senior. The junior level covers fundamental knowledge, software operation, and general fault diagnosis. The intermediate level covers multimeter applications, circuit diagram analysis, basic soldering, and serial port log capturing. The senior level covers fault diagnosis through logical analysis and board-level repairs.

Automobile After-Sales Support

With the official launch of our smart EV business, we have established a Xiaomi EV after-sales service system for online and offline scenarios. In the mobile app, users can access 24/7 one-stop exclusive services, including remote diagnostics, roadside assistance, mobile services, and maintenance appointments. The system ensures open and transparent repair items and pricing while addressing users' repair and maintenance needs. In 2024, we established 118 automobile service centers across 69 cities in 27 provinces nationwide, aiming to provide users with efficient and convenient repair services.

For Xiaomi EV, we have established multi-dimensional user feedback channels. For example, we listen to the voice of users on the 400 hotline and in app exclusive service groups and ensure that their reasonable requests are addressed promptly. For user complaints, we respond immediately. With the 24-hour response rate and the 72-hour resolution rate as core metrics, we continuously optimize the complaint handling process. In 2024, we achieved a 100% resolution rate for all customer complaints concerning Xiaomi EV, with 99.7% of users expressing satisfaction with the service.

To ensure the quality of after-sales service, we have established an online vehicle Early Warning Platform and Technical Diagnosis Team and an offline three-tier technical support system comprising "city technical experts, regional technical support, and headquarters technical response." This enables round-the-clock service coverage for all scenarios via multiple channels, from remote diagnostics to in-store service. In 2024, we implemented stringent quality control for vehicle repairs and established a three-tier inspection mechanism comprising "self-inspection by early warning repair engineers, cross-inspection by quality experts, and final inspection by technical supervisors" to reduce quality risks in the repair and maintenance process.

At the same time, we gather efforts to establish an internal training management mechanism for service centers, provide customized training programs for different levels and positions, and launch online and offline position certification courses. In 2024, the Xiaomi smart EV business conducted a total of 154 service training sessions, covering automobile service skills such as high-voltage, smart driving, electronics and electric appliances, remote diagnostics, chassis maintenance, and body and paint repair. A total of 1,173 trainees participated in the training, with a cumulative training duration of 46,920 hours. These sessions comprehensively covered repair personnel's service awareness and professional competency.

In addition to maintenance and repair upon user feedback, we also organize car owner care events in response to major holidays, weather changes, and other circumstances. These events include free in-store vehicle inspections, prize-winning discussions in communities, and the sharing of heartwarming service stories. In 2024, we held two major user care events in autumn and winter, reaching an audience of over 20,000.

Information Security and Privacy Protection

User information security and privacy protection are always fundamental and essential to Xiaomi Corporation. Upholding the core values of "security, privacy, compliance, and transparency," we are committed to establishing a globally leading system of information security and privacy protection practices.

We comply with the core principles of global privacy frameworks, information and data protection laws, ISO international standards, and regional industry guidelines. By establishing comprehensive systems, stringent policies, and efficient processes, we implement multi-leveled security measures for the entire data lifecycle, covering collection, transmission, storage, processing, exchange, and destruction.

Our privacy protection capabilities and measures have passed authoritative privacy certifications and tests in the industry, including the ISO 27001 Information Security Management Systems certification (covering 100% of our technical operations facilities), the ISO 27701 Privacy Information Management System certification, and the Data Security Management certification from the China Cybersecurity Review, Certification and Market Regulation Big Data Center (CCRC).

Every year, we publish security white papers to disclose the processes, mechanisms, and specific practices we have established for data security in our electronic products. In 2024, we released the *Consumer IoT Security White Paper*, the *Consumer IoT Privacy White Paper*, and the *Consumer IoT Security Baseline 5.0*.

For more information on the Group's data security and privacy management, practices, reports, and policies, please refer to:

Xiaomi Trust Center	https://trust.mi.com/
Xiaomi Security Center	https://trust.mi.com/misrc
Xiaomi Privacy	https://privacy.miui.com/en/#/

Management System and Policy Safeguards

To fully protect user privacy, we have established a sound information security and privacy protection management system. With a robust governance framework and policy safeguards, we ensure a systematic, standardized, and transparent approach to information security and privacy protection so that we can provide users with trustworthy products and services.

Governance System

Xiaomi Corporation's Board of Directors holds the highest responsibility for information security and privacy protection and has authorized the Information Security and Privacy Committee (the "Security Privacy Committee") to oversee daily governance. The committee establishes, maintains, and continuously improves the Group's information security and privacy management systems and process standards, formulates annual strategic plans and objectives, and conducts internal audits on the Group's security and privacy performance and risk management. It regularly reports to the Board to ensure the security of the Group's operations, products, and data. Additionally, we have established three lines of defense, namely, Business, Management and Control, and Audit, to ensure a structured deployment and efficient execution of the Group's security and privacy initiatives.

In 2024, the Security Privacy Committee underwent an election and reorganization to maintain professionalism and dynamism. This optimization move met its annual assessment objectives and increased the Group's security and privacy maturity score. The new committee effectively strengthened capabilities across multiple security domains, including data security, product security, workplace security, and automotive security.

Policy System

We publicly disclose the Xiaomi Privacy Policy, which applies to all business, products, and services of Xiaomi Corporation and its affiliates. Grounded in compliance and centered on risk management and control, we have established a high-standard information protection ecosystem that covers the entire data lifecycle, including generation, storage, transmission, usage, and destruction. This year, we updated and introduced a series of management documents across multiple dimensions, including data security, information security incident management, development security, employee information security, operational security, and privacy compliance. Key guidelines include the Xiaomi Corporation Personal Information Protection System, the Data Security Incident Emergency Response SOP, and the Privacy Policy Management System. Additionally, privacy policy requirements have been integrated into the Group's overall risk management.

We maintain a zero-tolerance policy toward violations of the Group's privacy requirements. In the event of an information security or privacy breach, we will immediately initiate an internal investigation and impose corresponding penalties based on the findings and disciplinary rules. This year, the Group did not experience any confirmed complaints about data security and privacy protection or data breach incidents.

Security and Privacy Practices across All Business Scenarios

In 2024, we continued to progress innovation and optimization in information security and privacy protection practices across all business scenarios. By building capacity across a wide range of security domains and achieving key technological breakthroughs, we have established a security model for the whole process and ecosystem that ensures the full protection of user data and privacy.

We have established a data breach response mechanism that integrates both active and passive measures. On the active front, we implement a coordinated approach across governance, development, and operations and launch targeted security enhancement initiatives for core business scenarios such as office operations, production, manufacturing, cloud services, data, and products. Additionally, we conduct independent third-party audits on information security systems at least once every two years to comprehensively strengthen our information security capacity. Furthermore, we conduct security inspections for the whole process (including design, development, and deployment) across key areas such as the service side, mobile devices, IoT products, smartphones, and smart EVs. They are supplemented by multiple attack-and-defend drills and vulnerability scans to comprehensively enhance disaster tolerance. On the passive front, we have established a contingency plan for security incidents. It ensures that, in the event of a security breach, we can promptly detect anomalies, isolate risks, and remediate vulnerabilities. We will also conduct forensic analysis to minimize losses and prevent recurrence.

Case: Compliance Audit on Personal Information Protection in the Wearable Business

In 2024, we conducted a compliance audit on personal information protection within the wearable product business for a thorough review of personal data protection compliance for these products. The audit covered personal data processing activities and the development of the personal information protection governance system for this business, with a total of 89 compliance review items. For the four medium-risk issues and one improvement recommendation identified in the audit, we swiftly implemented targeted rectification measures. Later, to reinforce the improvements and enhance employees' awareness of personal information protection in products, we organized specialized compliance training for key personnel in the wearable product business. The training effectively strengthened the team's expertise in user privacy protection.

In terms of privacy management, we always verify all access to data and dynamically adjust access permissions. We ensure that data is encrypted during storage and leverage technologies such as differential privacy, edge computing, and our self-developed mobile deep learning framework, MACE¹⁴, to enhance localized privacy processing in the AI era, thereby reducing the risk of data breaches. Additionally, we commit to neither renting nor selling user data and do not provide personal data to third parties unless it is necessary to fulfill a service.

In 2024, aiming to establish a top-tier security system, we introduced hardware-based chip-level security technology and achieved breakthroughs in both data security and device-side security.

14 MACE: Mobile AI Compute Engine.

- ***Data Security: First-in-Class End-to-End Encryption Technology in China***

In Xiaomi HyperOS 2, we introduced end-to-end encryption technology, which stores encryption keys locally on user devices. It fundamentally redefines data ownership, providing the highest level of protection in the industry. The technology covers 13 categories of cloud-synced user data and establishes a robust security barrier throughout the data lifecycle by deeply integrating a trusted execution environment (TEE) with a cloud encryption architecture. Additionally, users are empowered with flexible data recovery. They are allowed to decrypt data with lock screen passwords, trusted device verification codes, or recovery keys, which balance security and convenience.

- ***Device-Side Security: Self-Developed Hardware-Level Underlying Security System***

Our self-developed TEE operating system, MiTEE, is isolated from the main system with an independent operating environment. In this way, it provides the highest level of security for storing users' biometric authentication data and executing confidential processes, thus effectively mitigating the risk of personal information leaks. MiTEE supports multiple isolation architectures, including Trustzone¹⁵ and Hypervisor¹⁶ for high-performance devices and TrustZone for lightweight devices. This feature not only supports flexible deployment but also enhances security in identity authentication and facial-recognition payment scenarios, ensuring the safe collection of facial data. As of the end of the reporting period, our self-developed MiTEE system has received China's first TEEOS EAL5+ certification, the highest-level security certification issued by the China Cybersecurity Review, Certification and Market Regulation Big Data Center (CCRC).

Case: Memory Privacy Protection of Xiaomi Hyper XiaoAi

With MiTEE technology, we enable device-side encrypted storage for memory data and commit to strict compliance with our privacy policy in the actual collection of personal information. For sensitive personal information, we adopt tiered encryption measures, storing biometric data summaries separately from identity information while strictly controlling access and permission modification. We also make the following commitments: 1) When users first launch the application or register, we expressly inform users of our privacy policy with pop-up notifications and proceed with data collection only upon explicit user consent. 2) When transmitting data in third-party collaborations, we always comply with the Data Processing Addendum (DPA) and proceed with data sharing only upon user authorization. 3) During data storage, we set minimum necessary storage durations for data and delete the data after the defined period. Additionally, users have the right to access, modify, and delete their data at any time.

Case: Privacy Protection Practices of Xiaomi EV

We are committed to safeguarding user privacy through technology, for which we establish a privacy protection system for all scenarios by means of physical disconnection and data isolation. On the *Xiaomi SU7*, the One-Click Privacy Mode allows car owners to cut off external sensors' power via a physical button or the central control screen, ensuring absolute privacy in sensitive areas. This year, due to our physical disconnection technology, we were invited to be a key contributor to the Practice Guide for Cybersecurity Standards — Guidelines on One-Click Suspension of External Data Collection (Draft for Comments), where we shared our experience in one-click privacy protection. Additionally, we introduced a Guest Mode to protect drivers personal information. It utilizes an account system for independent data management, which separates data from different drivers to prevent the sharing of vehicle history and enables effective isolation or hiding of personal privacy data across various driving scenarios.

15 Trustzone: A hardware architecture designed for consumer electronics, aimed at establishing a security framework to defend against various potential attacks for consumer electronics.

16 Hypervisor: System software that acts as an intermediary between computer hardware and virtual machines, which efficiently allocates and utilizes hardware resources used by different virtual machines.

Security and Privacy Culture Promotion

Through systematic capacity building for information security and privacy, we have established a multi-dimensional practice system that covers all employees and business operations. By combining internal training with external collaboration, we continuously advance a comprehensive security and privacy ecosystem.

Under the Xiaomi Information Security and Privacy Awareness Promotion Framework, we have established a well-structured and comprehensive training system. In 2024, we held our annual Security and Privacy Awareness Month, requiring all employees to participate in security awareness training and meet assessment standards. For security and privacy leaders across departments and members of the Security Privacy Committee, we launched a Security and Privacy Training Camp comprised of ten courses covering eight key topics. Additionally, for R&D teams, and sales, delivery, and after-sales service roles, we designed customized training modules. For new employees, we also provided regular security and privacy training.

Additionally, we uphold an open and pragmatic approach in global information security and privacy protection and remain active in collaborating with industry partners. We have launched the Xiaomi Bug Bounty Program, which covers all of our product lines and services. In this program, we receive and swiftly respond to security vulnerability reports from white hats¹⁷ to continuously enhance our product security.

In 2024, we attended multiple industry exchange events, including the CCS Chengdu Cybersecurity Conference, where we shared insights into cutting-edge technologies and practical experiences. We also won awards in prestigious competitions such as the “Tianwang Cup” Intelligent Connected Vehicle Challenge. Due to our outstanding performance in information security, we received several honorary certificates this year, including the Case of Excellence in Vulnerability Management from the China National APP Vulnerability Database [CAPPVD].

Accessibility of Technology

We are committed to the mission to “let everyone in the world enjoy a better life through innovative technology.” Focusing on the needs of every user group, we transform the real voice of customers into inspiration for innovation and practice accessibility of technology, building a bridge to the digital future for digitally marginalized groups.

Internal Impetus for Tech for Good

We have established a system spanning the whole process of “induction, advanced training, and business exploration” to instill the Tech for Good awareness in employees. From their very first day at the Group, employees undergo structured training and hands-on projects that embed this philosophy into every stage of their professional growth, fostering a strong sense of mission among engineers to leverage technology in service of society.

In our Starry Program¹⁸ for fresh graduates and Integration Program¹⁹ for experienced hires, we have incorporated accessibility cases to help new employees develop a deeper understanding of digital inclusion. In employee technology competitions, we have introduced Tech for Good practical courses to encourage key technicians to align with our strategy and seek diverse applications of technology in addressing societal challenges. Furthermore, we consistently conduct quarterly special events on accessibility and elderly friendliness within our core business, such as user interaction sessions, immersive scenario simulations, and inspiring thematic workshops. These events empower engineers to build more inclusive technological frameworks from a more inclusive perspective. In 2024, our Tech for Good events received widespread acclaim, with an average satisfaction score exceeding 9.5 out of 10.

¹⁷ White hats: Computer security professionals who use their technical expertise and knowledge to safeguard computer systems and networks from hacker attacks and other malicious activities.

¹⁸ Starry Program: The Starry Program aims to help fresh graduates quickly complete the transition from students to employees, master the necessary workplace and job skills, integrate into working life.

¹⁹ Integration Program: The Integration Program aims to help trainees familiarize themselves with the Group’s history, rules, and regulations; identify with the cultural values; enhance the sense of belonging to the team; and quickly integrate into the Group.

Case: “Non-Visual Assembly” Experience at the Accessibility Workshop in Nanjing

On China’s National Day for Assisting Disabled Persons 2024, we organized an accessibility workshop at Xiaomi’s Nanjing Science and Technology Park, where we invited visually impaired instructors to provide an immersive experience for our developers working on accessibility features and contribute to vision of “technology bridging barriers.” During the event, developers completed “non-visual assembly” using text instructions. This experience of trying to complete complex tasks without visual information allowed them to deeply understand the challenges visually impaired users face in accessing information so that they can better align technological innovations with these users’ real-world needs.

Comprehensive Accessibility Support

We are committed to creating an equal and inclusive digital experience for every user and ensuring that individuals with disabilities can also enjoy the benefits of technology. In 2024, we continued to enhance our comprehensive accessibility support. Focusing on key user groups such as individuals with visual impairments, hearing impairments, and physical disabilities, we introduced text extraction, real-time subtitles, and gesture-based controls, among other accessibility solutions, to meet the diverse needs of different groups with impairments.

- ***Text Extraction***

Leveraging the OCR capability of the AI subsystem in Xiaomi HyperOS, we have further enhanced the TalkBack feature²⁰ and streamlined its operation path. This enables accurate recognition and real-time narration of text in images and provides users with a seamless “reading” experience.

- ***Real-time Subtitles***

In the latest Xiaomi HyperOS, we have seamlessly integrated the AI Assistant’s real-time subtitle function with the Xiaomi Sound Recognition Function, which marks that our voice-to-text and text-to-voice conversion capabilities are 100% self-developed. Thanks to HyperOS optimization, our real-time subtitle function has achieved a high transcription accuracy rate of 93%. Covering various scenarios such as daily communication, work meetings, and online calls, it has become an important tool for users with hearing impairments to freely communicate. To further enhance communication for users with hearing impairments, we have also combined real-time subtitles with TTS²¹ technology, which enables a “voice out” function by automatically converting text input by the user into speech.

- ***Gesture Control***

The Snap Your Fingers feature introduced in Xiaomi HyperOS, with an impressive activation accuracy rate of 96%, provides a more convenient interaction method for users with physical and speech impairments. As an industry first, this technology breaks the limitations of traditional voice activation with a motion-based wake-up and trigger mechanism. *Xiaomi Watch S4*, launched this year, serves as a new vehicle for gesture control. Operational gestures such as wrist flipping, wrist shaking, and finger snapping go beyond voice commands and offer users an additional way, besides calling on the AI Assistant to control the Xiaomi Smart Home.

20 Talkback feature: A voice assistance feature specifically designed for blind and visually impaired individuals.

21 TTS: Text To Speech. It analyzes the input text, extracts speech information, converts it into corresponding speech waveform signals, and outputs speech.

Furthermore, we continue to focus on the communication needs of individuals with speech impairments. By developing personalized acoustic models and speech synthesis functions, we enable users to have their own unique voices and help them overcome communication barriers. In 2024, the Xiaomi AI Lab's Acoustic Language Team won the championship in the Low-Resource Dysarthria Wake-Up Word Spotting Challenge of IEEE SLT 2024.

Elderly Friendly Ecosystem

In creating a super intelligent ecosystem that is “people-centered and proactive in serving people,” we take into account the needs of the elderly and go all out to promote elderly friendly retrofitting and bridge the digital divide with deep interconnectivity between devices and simplified operations. In 2024, we partnered with multiple institutions to launch the initiative Care for the Health and Safety of the Elderly and Progress Elderly Friendly Retrofitting. Additionally, we established a regular professional discussion mechanism that engages all relevant sectors and integrates the industry, academia, and research institutions. This initiative aims to continuously explore and develop new standards, products, applications, and designs to enhance the living safety of the elderly.

On our smartphones, the minimalist mode, characterized by a simple interface and enlarged fonts and icons, provides straightforward and user-friendly operations for elderly users. Features such as one-click calling, high-volume mode, and on-demand text-to-speech help address common challenges like difficulties in hearing or seeing or accidental touch inputs. Combined with anti-fraud protection and remote monitoring by children, the mode offers elderly users a reassuring experience.

In our smart home, we make every scenario of elderly users' daily lives more convenient, safer, and more intelligent with a highly interconnected ecosystem centered around voice control. Our system supports over 200 smart devices in elderly-friendly interconnected scenarios, including multi-mode unlocking and the elder-friendly mode on smart TVs at the smart entrance, automatic sensor lighting and connected temperature control in the smart bathroom, as well as nightlight sensing and environmental monitoring alarms in the smart bedroom. All these features create a home that better meets the needs of the elderly.

Case: Elder-Friendly Blood Pressure Manager

The Xiaomi Blood Pressure Watch integrates voice guidance with advanced sensor technology. It detects wrist angles and movement in real time utilizing intelligent sensing, precisely guides users to adjust postures, and optimizes the measurement process. Moreover, the whole process of measurement is voice-guided. In the Mi Fitness app, we provide users with a blood pressure measurement reminder and display blood pressure data in curve charts to help elderly users and their families monitor health status in a straightforward manner. Users can also authorize family members to access health data via the app. In case of abnormalities, the system promptly sends alerts, offering technological support for remote care.

Growth and Protection of Minors

The healthy growth needs of minors are a priority in our products and services. To this end, we continuously enhance product features and optimize content to support children's development. We strictly comply with the Law of the People's Republic of China on the Protection of Minors, the Cybersecurity Law of the People's Republic of China, and the Personal Information Protection Law of the People's Republic of China, among other pertinent laws and regulations. Based on these, we have established the Xiaomi Children's Information Protection Rules, which set out compliance requirements for the collection, use, transfer, and disclosure of minors' information. In our information protection practices, we have embedded privacy protection features into products such as smartphones, smart TVs, and speakers. Additionally, we mandate that any operation involving minors' personal information must first obtain explicit consent from their guardians and expressly inform them of how and for what purpose the information will be used. This ensures that the collection and processing of such data remain transparent and controllable.

We recognize the impact of high-quality digital content on minors. Therefore, we have developed a dual-screening mechanism for children's content on Xiaomi TVs, tablets, and smart speakers. Under the mechanism, high-quality, age-appropriate programs are selected based on developmental objectives and content ratings before being made available and undergo regular reviews. This approach supports the well-rounded development of children.

Case: Growth Safeguards and Health Control

The Xiaomi Education Center, launched on Xiaomi tablets in 2024, is designed to provide an "Early Learning + Education" integrated service system tailored for minors. For educational content, we have prepared over 2,000 multi-version, K-12 curriculum-aligned courses across all subjects covering preschool to high school, along with more than 1,000 specialized training courses focusing on key areas such as pinyin and literacy. Additionally, we offer a wide range of educational and developmental content, including picture books, encyclopedias, audio stories, and skill-building programs. The Xiaomi Education Center also provides an intelligent health safeguard feature to actively monitor user activity and provide proactive health reminders such as eye protection mode and posture monitoring. This year, the *Redmi Pad Pro* equipped with the Xiaomi Education Center was certified as a minor protection product.

For safety management, we have developed the Xiaomi Parental Assistant mini-program. After linking their WeChat accounts with TVs or other devices, parents can remotely set device usage time, manage content visibility, and browse the view history, thus overcoming spatial limitations to safeguard their children's well-being. This mini-program marks the first cross-device collaboration of our child safety management and control capabilities. By the end of 2024, the total number of connected users exceeded 200,000.

Supply Chain for Green Growth and Ecosystem for Synergy

At Xiaomi Corporation, we drive green development through technological innovation. Focusing on climate action, waste management, and natural resource conservation, we pursue the “supply chain for green growth” development pathway and fulfill our responsibility in the “ecosystem for synergy”.

Climate Mitigation and Adaptation

Dedicated to the mission to “let everyone in the world enjoy a better life through innovative technology,” we introduced the zero-carbon philosophy for the first time in 2022 and pledge to enhance users’ low-carbon satisfaction through technological innovation.

On November 12, 2024, during the 29th Conference of the Parties (COP29) to the UN Framework Convention on Climate Change (UNFCCC), we released our latest sustainability strategy driven by Xiaomi’s foundational core technologies and showcased our latest advancements in carbon management within the “Human x Car x Home” ecosystem. Leveraging this ecosystem, we are committed to providing consumers with a sustainable smart lifestyle with foundational core technologies and AI innovation.

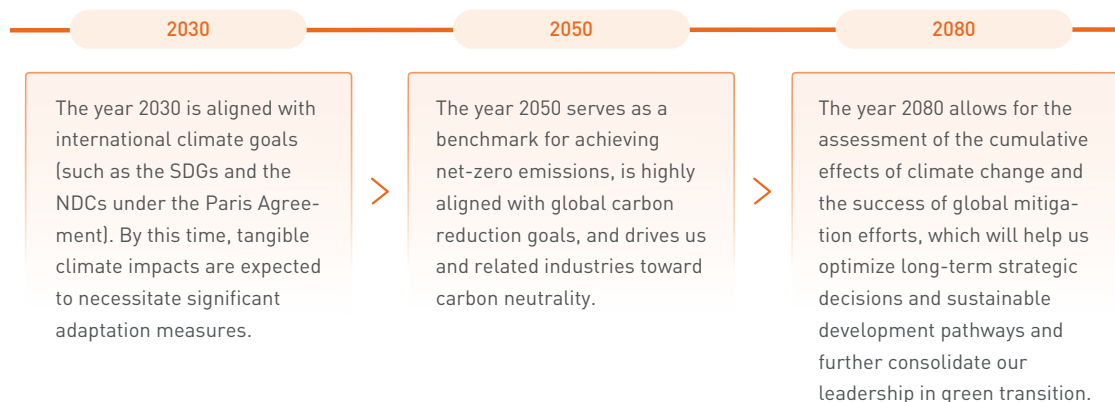
Climate-Related Risk Management

We always uphold the principles of “prompt action, practicability, steady progress, and continuous improvement” and an active approach to addressing climate change. This year, based on a comprehensive assessment of climate-related risks and opportunities, we further enhanced our financial impact analysis and improved our risk management. Thorough evaluations of potential cost pressures, market opportunities, and asset value fluctuations caused by climate change provided data support for us to develop more scientific carbon reduction strategies and resource allocation. For more information about the Group’s strategy to address climate change and risk management, please refer to *Xiaomi Corporation’s TCFD Report 2024*.

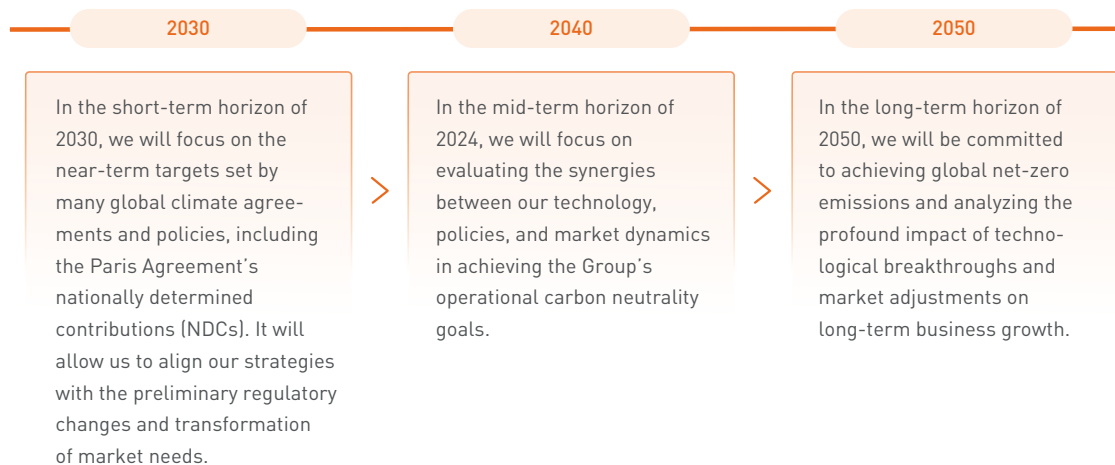
Climate Strategy

Our climate strategy integrates a variety of scenario assessment tools, including climate scenario analysis models from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). Taking into account multiple possible trajectories for future global climate change, we have developed a detailed sustainability roadmap. This methodology aligns with the principles of the Task Force on Climate-related Financial Disclosures (TCFD) and ensures that the Group’s strategic planning is grounded in the latest climate science and global socio-economic projections.

Our physical climate risk assessment is based on strategic and scientific considerations for three distinct time horizons: 2030, 2050, and 2080.



We adopt a phased approach to assess transition climate risks, focusing on the time horizons of 2030, 2040, and 2050.



Climate-Related Risk Management

We have established a comprehensive and systematic risk management process and continuously refined it to effectively identify, assess, and manage risks that may impact our business. Climate-related risk management is an integral part of our overall risk management, and we classify and assess such risks based on the TCFD framework. To address these risks effectively, we have developed an integrated management process that includes regular internal control assessments to identify and quantify the impact of potential risks.

We emphasize financial impact evaluations in refining our climate-related risk management strategy. By conducting in-depth analyses of the financial impact of climate-related risks, from baseline financial impact assessment to cost-benefit analyses of mitigation strategies, we have established a comprehensive climate-related risk management system.

Climate Metrics and Targets

GHG²² Emissions Measurement

Accurately accounting for, assessing, and tracking Scopes 1, 2, and 3 greenhouse gas (GHG) emissions data is fundamental to achieving emission reduction targets. We have established carbon data standards and models aligned with the requirements of our operating regions, based on The GHG Protocol: Corporate Accounting and Reporting Standard, ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals, as well as pertinent national, local, and industry regulations and standards. For four consecutive years, we have conducted rigorous GHG emissions measurement, with specific results as follows:

Scope (Mt CO ₂ e)	2024			2023	2022	2021
	Total	Smartphone × AIOT	EV and Other New Initiatives			
Direct GHG emissions [Scope 1] ²³	31,295.64	11,804.78	19,490.86	12,252.52	7,122.60	9,096.95
Indirect GHG emissions [Scope 2] ²⁴	178,419.13	100,022.36	78,396.77	104,470.04	78,620.01	73,723.21
Other indirect GHG emissions from the value chain [Scope 3] ²⁵	To be disclosed in September 2025			9,888,747.85	10,075,225.54	12,368,223.29

GHG Emission Reduction Targets

We keenly understand that GHG emission reduction requires a comprehensive approach, considering factors such as business scale, energy mix, and supply chain management. We remain committed to driving the application of clean technologies in operations and products while regularly reviewing the dynamic relationship between GHG emission metrics and business growth to ensure transparency and sustainability in our emission reduction efforts.

- 22 GHG: The Group's GHG emissions mainly include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and hydrofluorocarbons (HFCs). The total GHG emissions are reported in terms of carbon dioxide equivalent. We calculated the GHG emissions from facilities and operations owned by the Group, as well as those from the upstream and downstream of Xiaomi's value chain.
- 23 Direct GHG emissions [Scope 1]: GHG emissions directly generated from the use of natural gas and gasoline for the Group's operations and fugitive emissions from refrigeration, fire suppression equipment, and fugitive emissions of GHG from the wastewater treatment process.
- 24 Indirect GHG emissions [Scope 2]: GHG emissions generated from consumed electricity and consumed heat for the Group's operations.
- 25 Indirect GHG emissions [Scope 3] from the value chain: All of our products are sold directly to customers without further downstream processing activities. We take the operational control approach to consolidate our GHG emission data, therefore, our GHG emissions from the value chain include those from the purchased goods and services, capital goods, fuel, and energy-related activities (which are not included in Scope and Scope 2), upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets and franchises.

We pledge to:

- By no later than 2030, reduce GHG emissions²⁶ from our existing business segments²⁷ to 30% of the base year²⁸ level.
- By 2035, use 100% renewable electricity in our own operations.
- By 2040, achieve carbon neutrality in our own operations of existing business segments, use 100% clean heat in our own operations, and use 100% renewable energy.

Furthermore, we are motivating our supply chain partners toward a green transition, requiring key suppliers to establish GHG reduction targets and renewable energy usage plans that align with or exceed our own targets, thereby continuously reducing Scope 3 emissions.

We require that:

- By 2030, suppliers in the smartphone business achieve an annual average carbon reduction²⁹ of no less than 5% and a renewable electricity usage rate of no less than 25%.
- By 2050, suppliers in the smartphone business reach 100% renewable electricity usage.

Product Carbon Footprints

We have established a carbon neutrality MARC management model for the lifecycle of our products. This model encompasses a management system, carbon footprint accounting, offset emission reduction, and ongoing external communication, enabling us to manage the carbon footprint of our products and contribute to green practices in our products.

Carbon Neutrality MARC Model for the Whole Life Cycle



²⁶ GHG emissions: Refers to the Company's GHG emissions (absolute value) calculated in accordance with standards such as Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard, ISO 14064-1:2018 — Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

²⁷ Existing business segments: Smartphone, IoT and Lifestyle products, Internet Services, and others, as the scope of revenue business in Xiaomi Corporation's 2023 Annual Report. The Group is re-evaluating the GHG reduction targets for smart EV and other new initiatives and will update relevant commitments as soon as possible based on business developments.

²⁸ Base year: 2021.

²⁹ The base year for suppliers' carbon targets is 2024.

This year, we launched carbon footprint accounting projects for multiple new product categories. As of the end of 2024, we had completed lifecycle carbon footprint measurements for 18 representative products (13 smartphone and tablet devices, 1 wearable device, and 4 smart home appliances products)³⁰. We also collaborated with independent GHG accounting and certification organizations to establish a sound carbon footprint assessment process and methodological model for smartphone products. Our calculation methods comply with the Code of Good Practice for Product Greenhouse Gas Emissions and Reduction Claims and PAS 2050:2011 The Standard for Specification for the Assessment of the Life Cycle Greenhouse Gas Emissions of Goods and Services.

As a key practice for the “Human × Car × Home” ecosystem strategy, we have conducted a lifecycle carbon footprint assessment for the *Xiaomi SU7*. Thanks to its outstanding low-carbon performance, the *Xiaomi SU7* was recognized as the 2024 China Low-Carbon Car Top Runner: C-Class BEV Sedan No. 1 at the Automotive Industry Low-Carbon Action Plan Development Forum 2024, demonstrating industry-leading sustainability strengths.

Product	Product Carbon Footprint per Unit of Mileage (gCO ₂ e/km)
<i>Xiaomi SU7 2024</i>	175.54
<i>Xiaomi SU7 Pro 2024</i>	188.22
<i>Xiaomi SU7 Max 2024</i>	225.84

This year, The Construction of Carbon Management Systems for “Human x Car x Home” Ecosystem, a group standard for which we served as the lead drafting organization, was officially released. This standard provides enterprises with innovative carbon management solutions tailored to the “Human x Car x Home” ecosystem. Focusing on lifecycle carbon management (including carbon emissions, carbon reduction, and carbon trading), it aims to help enterprises apply AI, big data, and other cutting-edge technologies in their carbon management, drive decarbonization across the entire value chain, and accelerate the green transition. Additionally, we have developed carbon emission accounting and product carbon footprint analysis tools on digital platforms to provide technical support for the creation of a green supply chain. Our “Xiaomi AIoT + Digital Native Green Product Value Chain” system was included in the “Beautiful China, I am an Actor” 2024 Business Climate Action Cases. This system integrates resources from multiple sectors to reduce the carbon footprint of electronic products, provide energy-saving recommendations, and offer sustainable development models for the industry.

Climate Response Measures

We are committed to green and low-carbon development, for which we continuously enhance energy management in our operations and product energy efficiency. By integrating energy management into multiple aspects of our business development, we are steadily increasing the share of renewable energy, improving energy efficiency, and optimizing energy management techniques. With technological innovation and the application of AI algorithms, we enhance product energy efficiency and provide users with a smart, efficient, and low-carbon lifestyle. At the same time, we are expanding investments in energy storage to drive breakthroughs and applications in energy storage technology and contribute to the development of green energy and intelligent technologies.

³⁰ For more information about the carbon footprint of our products, please refer to the ESG and Sustainability page (<https://www.mi.com/csr>) of the Group's official website.

Carbon Reduction in Operations

Upholding the green and low-carbon development philosophy, we continuously advance the establishment and improvement of our energy management system. We integrate energy management across the entire business operations chain, covering office work, production and manufacturing, logistics and transportation, store operations, and the supply chain. As of the end of the reporting period, 100% of Xiaomi Corporation's business operations within its operational boundary had obtained ISO 50001 Energy Management System certification and passed the annual surveillance audit.

Office Work Scenario

In offices, we implement intelligent and refined management measures to enhance energy management, reduce our operational energy consumption, and establish a green and low-carbon office model. In 2024, building on existing energy-saving measures, we further improved the execution efficiency of smart devices and optimized lighting and air conditioning management strategies, which resulted in significant reduction of unnecessary energy consumption. Our initiatives include:

- Intelligent Lighting Management:
 - o Increasing the equipment usage and availability of the Green Mi Office Lighting System, enhancing the execution of the "lights off when unoccupied" strategy, and optimizing lighting circuits and operation strategies, which saved a total of 20,000 kWh.
 - o Installing smart sensor lighting systems in underground parking lots, achieving "lights on when detecting vehicles and lights off when vehicles leave," which saved a total of 50,000 kWh.
 - o Utilizing photovoltaic power generation on the Nanjing campus for its lighting system, which generated approximately 150,000 kWh annually.
- Office Equipment Energy Efficiency Optimization:
 - o Installing timers on water dispensers and vending machines to automatically cut power during nights and holidays, which saved a total of 10,000 kWh.
 - o Dynamically adjusting the air conditioning supply water temperature to reduce the activation time of cooling and heating equipment, which saved a total of 20,000 kWh.
 - o Using energy-efficient elevators across the Nanjing campus.

In terms of office buildings, we consistently focus on energy efficiency and continuously tap energy-saving potential in existing buildings. At the same time, we incorporate energy efficiency requirements during the design phase of new constructions and develop green construction plans based on local conditions and building purposes. As of the end of 2024, our office spaces obtained the following certifications:

Beijing Xiaomi Science and Technology Campus	<ul style="list-style-type: none"> • Leadership in Energy and Environmental Design (LEED) Platinum Certificate • 2-star Certificate of the China Green Building Design Label (CGBL)
Wuhan Xiaomi Science and Technology Campus	<ul style="list-style-type: none"> • 1-star Certificate of the China Green Building Design Label (CGBL)
Nanjing Xiaomi Science and Technology Campus	<ul style="list-style-type: none"> • 3-star Certificate of the China Green Building Design Label (CGBL)
Tokyo Office, Japan	<ul style="list-style-type: none"> • Rank-S Certification for CASBEE³¹ for Real Estate

31 CASBEE: Comprehensive Assessment System for Built Environment Efficiency, Japan's green building certification standard.

Production and Manufacturing Scenario

In the factory production process, we actively promote the green and low-carbon transition and achieve efficient and low-carbon factory operations by optimizing energy management and utilizing renewable energy. This year, we:

- Xiaomi Smart Factory:
 - o Applied capacitor power compensation technology to maintain the power factor between 0.99 and 1.0, thus reducing energy loss.
 - o Adopted new Class-1 energy efficiency transformers, each of which saves 4,300 kW annually compared to conventional transformers, resulting in a total annual savings of 38,000 kW.
 - o Utilized the waste heat recovery equipment for medium-temperature chiller cooling water for heating. During the 2024 heating season, the equipment operated at over 60% load, maintaining a waste heat recovery temperature of 32– 36°C, reducing total natural gas consumption in winter by 43.9% compared to 2023.
- Xiaomi EV Factory:
 - o Installed a 16.2-MW distributed PV power plant covering a total area of 154,579 square meters, with an annual power generation of approximately 16.4 million kWh, reducing carbon emissions by about 9,905 tonnes per year.
 - o Increased the share of green electricity in our energy consumption to 30%, placing us at the forefront of the domestic industry.
 - o Implemented energy-saving measures such as smart lighting technology, the thin-film process, and the HyperCasting process to reduce energy consumption and carbon emissions in production.

Xiaomi Smart Home Appliances Factory has just commenced construction, will also advance its energy management system. The plan is to further optimize energy efficiency by deploying an intelligent energy control system and PV power generation facilities. Additionally, by introducing a vacuum degreasing process alongside traditional drying techniques, we aim to replace natural gas with electricity to achieve low-carbon production and zero pollutant emissions.

Logistics and Transportation Scenario

Establishing a green and efficient logistics system is a key aspect of our commitment to low-carbon development. By introducing advanced automated equipment, promoting green transportation solutions, and upgrading environmentally friendly packaging materials, we have optimized our carbon footprint in logistics. This year, we achieved the following milestones in green logistics:

- **Application of automated warehousing equipment.** In 2024, we introduced tote-to-person automated equipment and intelligent sorting equipment in our warehouses in Beijing's Yizhuang, Wuhan, and Shenyang to optimize warehouse operation efficiency. In the sealing process, we deployed automated sealing machines to optimize stretch film usage, reduce plastic consumption, and advance our goal of minimizing plastic use in warehousing.
- **Eco-Friendly Use of Logistics Packaging.** This year, we continued to promote the reuse of logistics boxes by repurposing delivery transit boxes from packaging plants as logistics boxes for manufacturers' finished product deliveries. Additionally, we expanded the reuse of old boxes to cover ecosystem products and both B-end and C-end logistics. As a result, the reuse rate of old boxes increased from 7.74% to 8.94% over the year, saving a total of 5.26 million logistics boxes. Furthermore, we upgraded the materials used for in-store delivery order boxes to reduce single-use packaging waste.
- **Selection of low-carbon transportation methods.** This year, we implemented carbon reduction measures across our entire overseas logistics chain. For long-distance cross-border transportation, we have promoted sea and rail transport as alternatives to air freight. In 2024, we transitioned the cross-border transportation mode of approximately 5.63 million products, resulting in a carbon reduction of 3,378 tonnes. For medium-distance intercity transportation, we adopted the Road-part Load model for deliveries from our warehouses in Belgium and Spain to destinations across Europe, significantly improving loading efficiency. By the end of 2024, a total of 1,226 tonnes of goods benefited from this model, greatly reducing GHG emissions. For short-distance intracity deliveries, we have advocated for the use of EVs and other low-carbon transportation methods in the European market. Throughout the year, a total of 669 tonnes of parcels were transported using these options, continuously driving up the share of low-carbon transport solutions.

Case: Partnership with DHL Express Reduces Carbon Emissions in the Group's International Air Shipments

In November 2024, we reached a partnership with DHL Express. With DHL Express's GoGreen Plus service, we utilize sustainable aviation fuel (SAF) solutions to lower emissions from our international air shipments in a "carbon insetting" approach. Compared to conventional fuels, SAF can reduce carbon emissions by approximately 80% over its lifecycle.

Supplier Management Scenario

In supplier management, we implement a tiered approach with comprehensive consideration given to suppliers' procurement share, total carbon emissions, and emission reduction targets. We prioritize high-emitting and high-impact suppliers for carbon reduction measures, including but not limited to requiring partner suppliers to develop and implement plans for progressively increasing their use of green electricity and thus accelerate the overall transition of our supply chain toward low-carbon operations.

In 2024, we closely collaborated with nearly 300 Tier-1 suppliers³² for smartphone products, supporting them in verifying GHG emissions data and setting climate targets. Among them, 111 had established carbon reduction targets, 83 had adopted green electricity, 24 had joined the Science Based Targets initiative (SBTi), and 45 had been recognized as national or provincial-level management enterprises for the green supply chain. For smart EV products, the average green electricity usage among our existing tier-1 suppliers reached 43%, and they pledged to increase this proportion to over 50% by 2025.

Carbon Reduction in Products

We focus on putting low-carbon technologies into practice and continuously optimizing the design and performance of personal devices, new energy vehicles (NEVs), home appliances, and energy storage products. Energy conservation and carbon reduction principles are embedded throughout the entire product lifecycle from R&D to design and manufacturing, creating a green, efficient, and intelligent experience for users. By covering all consumer scenarios, we are fostering a comprehensive "four-in-one" solution for energy production, consumption, storage, and regulation, driving the transition toward a low-carbon future for the economy and society.

Smart Terminal Devices

For personal terminal devices such as smartphones and tablets, we leverage precise identification of user scenarios to optimize energy efficiency. By enhancing cooling capacity, screen efficiency, battery technologies, and intelligent algorithms, we strive to achieve both energy savings and an enhanced user experience.

- Enhancing Heat Dissipation
 - o We have designed an innovative "wing-shaped" structure for the smartphone cooling pump to increase the contact area between the cooling pump and the smartphone frame. Additionally, we employ an AI temperature control algorithm to detect device and ambient temperatures in real time, thus enabling precise adjustment of device operating power. This design significantly reduces energy waste caused by excessive cooling and thereby lowers carbon emissions.
- Reducing Screen Power Consumption
 - o In the latest generation of foldable smartphones, the *Mix Fold 4 Series*, we have incorporated advanced display technologies such as Pol-less, which reduces screen power consumption by 52% by adjusting screen brightness.

32 Tier-1 suppliers: Suppliers who directly deliver finished products or provide components to the Group.

- o We have adjusted the power supply strategies for multiple models to further reduce energy consumption. For example, in *Xiaomi 15 Pro*, improved screen power efficiency extends battery life by 3%. In *Xiaomi Mix Flip*, improvements in the power management integrated circuit (PMIC) layout and voltage regulation result in a 3% enhancement in screen power supply efficiency and a 1% increase in battery life.
- Innovating Battery Technologies
 - o By introducing new battery materials and new technological solutions, we have significantly enhanced both energy density and battery lifespan. For instance, the Xiaomi Jinshajiang Battery boasts a substantial increase in energy density, allowing for a notable boost in battery capacity and a doubled lifespan compared to previous generations.
 - o A wide range of products now feature the Xiaomi Surge Battery Management System, which enhances energy efficiency and extends battery lifespan with precise forecasting and intelligent control.
- Optimizing with Intelligent Algorithms
 - o AI algorithms are leveraged to optimize background task management and power allocation strategies. For example, the *Xiaomi 15 Series* features intelligent game resolution adjustment technology, which reduces power consumption by 5% by reducing power consumption during gaming scenarios.
 - o By adopting the Tiantong satellite communication power consumption optimization solution, we enhance communication performance while reducing satellite communication power consumption by 5%.
 - o By introducing the Smart 5G intelligent power-saving strategy, we reduce power consumption in standby mode and extend battery life.

Case: Xiaomi Surge Battery Management System's Energy Conservation and Consumption Reduction Practices

At the core of the Xiaomi Surge Battery Management System is a "one strategy for one device" approach. With precise forecasting, intelligent control, and hardware optimization, it enhances energy efficiency and ultimately extends the battery life and endurance of smart devices. Our system features the industry's first self-developed OCV³³ self-updating technology for silicon anode batteries, achieving SOC³⁴ calculation accuracy with an error margin of less than 3% at ambient temperature and under 7% in low temperatures, significantly improving battery charge-discharge precision. By leveraging offline big data and multiple coupling models, we improve the cycle strategy across various scenarios in a customized manner, achieving a maximum of 1,600 charge cycles, with 20% of heavy users experiencing a 5% improvement in battery health. Additionally, the self-developed low-temperature VIT model in the Surge system utilizes an adaptive strategy to increase available battery capacity by 20% in environments as cold as -20°C.

33 OCV: Open Circuit Voltage. It is a crucial indicator of the potential difference of the power source and is commonly used to assess power source performance and conditions.

34 SOC: State Of Charge. It refers to the ratio of a battery's remaining dischargeable energy to its energy when fully charged, often expressed as a percentage.

Smart Electric Vehicles

Xiaomi EVs optimize battery charging and discharging capabilities, the thermal management of the battery, motor, and electric control systems, and overall vehicle design and manufacturing processes. These improvements have enhanced energy efficiency and further reduced product carbon emissions.

In terms of charging and discharging, Xiaomi EVs are equipped with CTB integrated battery technology, which enhances charging efficiency and reduces charging time and energy loss with industry-leading fast-charging capabilities and discharge power. All Xiaomi EV models support fast charging, utilizing atomized charging technology to improve charging speed by 9.8%. The 871V silicon carbide high-voltage platform enables recharge for a 510-km range in just 15 minutes. Our proprietary low-temperature high-power battery technology increases battery discharge power by 72% in -15°C conditions. The *Xiaomi SU7 Ultra* model features track-grade high-power batteries, which deliver a maximum discharge power of 1,330 kW and maintain over an 800-kW output even at a 20% battery level.

In terms of thermal management, Xiaomi EVs feature highly efficient heat concentration and heat dissipation, which enable the optimal utilization of thermal energy while maintaining high performance and reducing additional energy consumption caused by overheating during driving. Our pioneering three-source staged energy concentration technology sequentially gathers waste heat from the electric drive, compressor, and heater and transfers it to the cabin, with a maximum battery heating power of 18 kW. Meanwhile, the high-efficiency dual-mode heat pump technology ensures that the vehicle's heat pump can still extract heat from cold air at -20°C, thus allowing Xiaomi EVs to maintain superior range retention and air conditioning heating speed compared to other EVs in the same class under low-temperature conditions. Additionally, we have enhanced the cooling system of the *Xiaomi SU7 Ultra* model, increasing the maximum heat dissipation rate to 2.7×10^6 J per minute. This improvement supports continuous high-intensity driving scenarios (such as completing more than two laps of the Nürburgring) without overheating the battery or motor, thereby effectively minimizing additional energy consumption.

In terms of design and craftsmanship, Xiaomi EVs are designed with a front windshield, a fastback body, and frameless teardrop-shaped side mirrors, which together reduce the drag coefficient of the *Xiaomi SU7* to 0.195, making it the mass-produced sedan with the lowest drag in the world. This feature further decreases our products' energy consumption and carbon emissions during high-speed driving. Furthermore, with recycled aluminum accounting for 19% of the *Xiaomi SU7*'s total weight, carbon emissions are reduced by approximately 925.5 kg per vehicle.

Energy-Saving Smart Home Appliances

In the home sector, Xiaomi smart home appliances become more energy efficient through continuous technological innovation, providing users with more energy-saving and eco-friendly smart living solutions.

Xiaomi air conditioners have been upgraded with key hardware enhancements alongside the AI algorithm, Lingyun Intelligent Control Engine, for precise temperature control and high energy efficiency. This technology has been implemented in 17 new models, with multiple models reaching an annual performance factor (APF³⁵) of 5.65. Among them, our next-generation *Mijia 3-HP Dual-Air Outlets Vertical Air Conditioner* leverages the Lingyun algorithm to

35 APF: Annual Performance Factor. It measures a product's annual energy consumption efficiency. The higher the value, the better the energy utilization efficiency.

dynamically learn environmental data and optimize operating parameters, improving energy savings by 25% compared to the same model with conventional programs. Additionally, our *Mijia Fresh Air Conditioner* has made breakthroughs in temperature control accuracy. With a Bluetooth temperature and humidity sensor, it enables targeted temperature regulation within a 1.3°C deviation in active areas, reducing power consumption by over 14%.

Multiple models of Xiaomi refrigerators have achieved a further 5% reduction in energy consumption beyond the Class-1 energy efficiency standard this year, marking a breakthrough in energy efficiency. In April 2024, we developed a high-capacity built-in platform featuring integrated heat dissipation and high-cycle-ratio airflow technology. Combined with our self-developed energy-saving algorithm, it enables more precise temperature control and significantly enhanced energy efficiency. This technology has been applied to nine new models, such as the *Mijia Pro Refrigerator Dual-System 508L*, which delivers 40% energy savings compared to models of basic energy efficiency.

In 2024, we expanded the application of our Essence Wash technology, known for its excellent water and electricity-saving capabilities, to mini models as well as our star product of the year, the *Dual-Zone Washing and Drying Machine*. In the dual-zone model, both the large and small drums utilize Essence Wash technology to achieve water and energy savings, with an annual reduction of 0.55 tonnes of water and 32.85 kWh of electricity. The small drum can save an additional 60% in water and 32% in energy. Furthermore, by improving the washing machine motor efficiency from 40.5% to 53.7%, we have further reduced energy consumption during the wash, dry, and spin cycles while maintaining the same mechanical power output.

In home appliances design and process, we also adhere to the principles of energy conservation and consumption reduction. By applying non-spraying coating technology, we have reduced the amount of paint used in the surface coating process of several products, thereby lowering both VOCs emissions and carbon emissions. In 2024, we applied non-spraying coating technology to the front cover of the Mijia Water Purifier main unit, saving 3.69 kg of carbon emissions per device. Additionally, in our robotic vacuum cleaner research project, we adopted a metallic-colored surface spraying technique, achieving a carbon reduction of 5.37 kg per product.

Investment and Expansion

We continue to increase investment in the energy storage sector across the entire energy storage industry chain to support the development of green energy and intelligent technologies. Our investment focus includes new energy battery manufacturing, battery material production, portable energy storage solutions, battery safety and thermal management technologies, as well as key components for charging and energy storage systems. Additionally, we collaborate with startups in the energy storage industry, with a particular focus on integrated solar-storage-charging technology and portable energy storage devices, to drive breakthroughs and commercialization through collaborative innovation. Our cumulative investments in the energy storage sector now span multiple key areas. In the NEV industry, as of the end of 2024, we had invested in over 70 high-quality companies, with a total investment exceeding RMB 8 billion.

Waste Management

We remain committed to the 3R (Reduce, Reuse, and Recycle) principle, with diverse strategies implemented from product design to the end of the lifecycle to minimize electronic waste. Additionally, we promote efficient resource recycling within our operations and ensure the compliant disposal and recycling of waste gas, wastewater, solid waste, and hazardous waste, thereby fostering an outstanding circular economy ecosystem.

Electronic Waste Management

From the initial stages of product design, we actively practice sustainability principles by developing more durable materials and technologies while extensively utilizing green recycled materials to reduce electronic waste at the source. At the end of the product lifecycle, we comply with electronic waste management laws and regulations of our operating regions worldwide and strive to establish robust recycling, reuse, and disposal mechanisms while promoting the development of localized electronic waste recycling systems. Strictly adhering to the requirements of the Basel Convention, we commit not to export or transfer electronic waste to non-OECD countries and support the advancement of the circular economy.

Extending Product Lifespan

We are committed to technological innovation and service upgrades as an approach toward comprehensively enhancing product durability and reparability, extending device lifecycles, reducing resource waste, and providing users with a high-quality, long-lasting experience.

Enhance Product Durability

By systematically optimizing hardware technologies, we have significantly enhanced the physical strength and durability of our devices. In 2024, we launched the new durable *Redmi Note 14 Series*, featuring the latest All-Star Armor structure, which reinforces the mainboard structure and improves shock absorption for key components. This advancement has doubled the device's drop resistance, thus ensuring high adaptability to extreme environments. For foldable smartphones, we have focused on optimizing the hinge structure. Specifically, we incorporate a dual-cam pull-and-press spring torque mechanism to significantly enhance wear resistance and effectively reduce torque degradation after prolonged use.

We continue to push the boundaries of battery technology to extend device longevity. In 2024, we introduced the Xiaomi Jinshajiang Battery, which integrates inorganic-rich toughened elastic interface design, biomimetic self-healing interface design, and carbon nanotube ultra-long conductive network technology. This innovation has resulted in an industry-leading silicon-carbon anode battery, capable of retaining over 80% capacity after 1,600 charge-discharge cycles. Our battery health long-cycle technology not only enhances device endurance but also significantly reduces battery replacement frequency, minimizing electronic waste at its source and benefiting both users and the environment.

Enhancing Product Reparability

In both product design and service processes, we remain committed to enhancing product reparability and improving maintenance capabilities through systematic optimization. In terms of design, we give full consideration to products' repair needs throughout their lifecycle in product design. For instance, the *Xiaomi 15 Series* introduces a new LIPO display packaging³⁶ solution that significantly facilitates screen disassembly, thus reducing repair complexity and increasing efficiency for users. In terms of service, we continuously upgrade the repair skills of engineers to expand front-line repair categories while ensuring high-quality repair. In 2024, the number of users in the Chinese Mainland benefiting from advanced repair services increased to 179,000. In international markets, we completed advanced repair on 20,000 components such as motherboards and chips, effectively slowing down the generation of electronic waste.

Use of Recycled Materials

We innovatively integrate recycled materials into the design and production of smartphones, EVs, and smart home appliances, actively seeking efficient resource utilization solutions to reduce the consumption of new materials and accelerate waste recycling.

Application of Recycled Material in Smartphone Products

In 2024, we replaced molded plastic with molded pulp in the packaging of eight smartphone models, increasing the overall plastic reduction ratio by approximately 15%. This initiative covers 100% of international markets and 70% of the domestic market. Additionally, we have introduced various innovative material recycling and reuse solutions, which increase the proportion of eco-friendly materials in our products while offering users a sense of "low-carbon satisfaction."

- **Recycling Discarded Fishing Nets for Nylon (PA) Card Trays:** In the *Xiaomi 14 Series*, we introduced the industry's first marine waste recycling material, nylon (PA) derived from discarded fishing nets, for manufacturing SIM card trays. The discarded fishing nets undergo multiple processing steps, including cleaning, crushing, and metal removal, resulting in recycled nylon pellets with a 70% recycling ratio. For every 100,000 smartphones produced, the use of these recycled materials in SIM card trays helps reclaim approximately 140 kg of discarded fishing nets.
- **Recycled Polyester (PC) from Discarded Water Barrels:** We recover and repurpose discarded water dispenser barrels by processing and modifying them into a PCR³⁷ polyester material with 30% recycled content. The material is then used in smartphone mid-frames and certain charger casings.
- **Application of Bio-Based Materials:** We extract and process components from waste wood and paper to create a new bio-based PC material, which reduces CO₂ emissions by 45% compared to petroleum-based PC. This material is used in various structural components of *Xiaomi 14T*, including the power button, volume buttons, side key bracket, antenna bracket, and front camera bracket. Additionally, the back cover of *Xiaomi 14T* incorporates a bio-based material derived from lemon residue, with 50% of the polyurethane sourced from bio-based raw materials. The fabric backing is made from 100% RPET³⁸ fabric.

36 LIPO display packaging: Low-injection pressure over-molding (LIPO) display packaging technology. It enables the inward contraction of the smartphone's screen glass, reducing the bottom frame while better protecting the luminous panel and enhancing screen reliability.

37 PCR: Post-Consumer Recycled, such as PET, PE, PP, HDPE, and other recycled materials. They are reprocessed into plastic raw materials for manufacturing new packaging materials.

38 RPET: Recycled PET Fabric.

- **Application of Recycled Metal Materials:** In *Xiaomi 14T*, we incorporate recycled aluminum into the die-cast middle frame. Compared to primary aluminum, producing 1 tonne of recycled aluminum consumes only 5% of the energy. Additionally, we are expanding the use of recycled metals across other components. This year, we introduced recycled aluminum, recycled gold, and recycled copper into the acoustic components of our smartphones.

Green Material Innovations for EVs

We are building an automotive production system that balances environmental protection and performance through the R&D and recycling of green innovative materials. In 2024, we set requirements for the application proportion of recycled materials in key components: recycled steel $\geq 10\%$, recycled aluminum $\geq 30\%$, and recycled plastics $\geq 10\%$. This initiative led to a carbon reduction of up to 1.13 tonnes per vehicle and established a benchmark for green manufacturing in the NEV industry:

- **Lightweight Design:** We have developed a patented thin aluminum-silicon coating technology for thermoformed steel coatings. This technology extends the lifespan of high-strength steel components in vehicles while reducing aluminum usage compared to traditional thick coatings. In *Xiaomi SU7*, we use the 2000 MPa ultra-high-strength material to achieve an overall weight reduction of approximately 10%.
- **Recycled Metal Application:** *Xiaomi SU7* utilizes our self-developed Xiaomi Titans Metal 1.0, which contains 30% recycled aluminum. Furthermore, this year, we expanded material applications and upgraded them to more adaptable high-strength and high-toughness alloys to meet the demands of various components such as the chassis, shock towers, and die castings, achieving a 19% recycled aluminum content in the overall vehicle weight. Additionally, we apply 10% to 20% recycled steel in the body, closures, and chassis of Xiaomi EVs, resulting in a 12% recycled steel content in the total vehicle weight.
- **Recycled Plastic Application:** We have incorporated a high proportion of recycled plastic into Xiaomi EV's key automotive components such as the front and rear bumper brackets, taillight brackets, and exterior decorative parts (e.g., mirror housings and bumpers), achieving the target of $\geq 10\%$ recycled plastic usage in key components.
- **Other Recycled Material Applications:**
 - o Zeolite-tanned genuine leather: The interior materials of Xiaomi EVs utilize zeolite genuine leather with a chrome-free tanning process, achieving over 90% bio-based raw material content. Compared with traditional tanning processes, this material presents a 25% water-saving effect and a 20% energy-saving effect.
 - o Suede microfiber material (Dinamica): We apply Dinamica, a material containing over 45% recycled raw materials, to the seats and interior trims of Xiaomi EVs. This material is fully recyclable throughout its lifecycle.
 - o Eco-friendly PVC: The dashboard and door trims of Xiaomi EVs are made from the recyclable eco-friendly PVC material, which boasts excellent aging resistance. It extends the product's lifespan and reduces resource waste due to frequent material replacements.

Eco-friendly Packages for Ecosystem Products

In 2024, products in our ecosystem focused on lightweight and recyclable packaging design to achieve resource recycling and reuse:

- **Application of Recycled Pulp:** In the packaging design of medium to major appliances (such as rice cookers and air purifiers), we use wood pulp for the outer lining and 100% recycled pulp for the core paper and inner paper.
- **Lightweight Packaging Design:** Taking the package of the Mijia large-capacity suitcase as an example. By adjusting the weight of the outer packaging material and optimizing the bottom structure of the packaging box, we reduce material usage and achieve a 15% reduction in paper usage by area.

Recycling and Reuse

We actively carry out electronic waste recycling programs worldwide and implement a tiered recycling approach encompassing trade-in, refurbishment, scrapping of devices and repair parts, as well as internal purchase for prototypes. In this way, we propel the shift from a simple disposal model to a circular and recycling system.

We conduct rigorous qualification reviews of our global electronic waste recycling partners to ensure compliance and environmental responsibility. These reviews include international certifications such as ISO 9001, ISO 14001, ISO 27001, Zero Waste to Landfill Certification, and the R2 certification for electronic waste management. As of the end of the reporting period, our service partnerships operated in the following countries and regions: the Chinese Mainland, Hong Kong SAR, Taiwan of China, Indonesia, Malaysia, Thailand, Japan, Singapore, the UK, Poland, Russia, and Vietnam. For detailed qualification review results, please refer to the ESG and Sustainability page (<https://www.mi.com/csr>) of the Group's website.

In 2024, we recycled approximately 19,698 tonnes of electronic waste globally. Our target is to recycle a total of 38,000 tonnes of electronic waste over five years (2022–2026). As of the end of the reporting period, we had achieved 95.94% of this target.

Trade-In

Our Trade-In program is centered around the philosophy of "Trading in for New Value." By collaborating with certified recyclers and service providers, we collect used devices from Xiaomi, Xiaomi's sub-brands, and peer brands through mail-in recycling, door-to-door recycling, and in-store recycling. This systematic approach ensures that electronic waste is integrated into the circulation system. In the Chinese Mainland, our Trade-In program covers a wide range of product categories, including smartphones, tablets, laptops, and major appliances. This year, we recycled over 1.3 million used devices. The collected devices collected under the Trade-In program are processed by third-party recyclers, either resold as second-hand products or dismantled for recycling based on their condition. Notably, 100% of the smartphones collected were resold, significantly extending the lifespan of these products.

Meanwhile, we closely monitor trade-in policies in our operating locations and make active responses. In 2024, we subsidized the trade-in of home appliances in the Chinese Mainland to support consumers in replacing old appliances with new smart products.

In 2024, driven by front-end market demand and back-end operational capacity, we continued to expand the international footprint of our Trade-In program. By the end of the reporting period, we had established trade-in capabilities in nine countries and regions, including the UK, Germany, Italy, France, Spain, the Netherlands, Poland, Malaysia, and Hong Kong SAR. The program primarily covers mainstream electronic products such as smartphones, laptops, and tablets, as well as specific ecosystem products like electric scooters. According to our plan, the Trade-In program will be extended to more regions, including Latin America and Taiwan of China, in 2025. Furthermore, during promotional events, such as the *Xiaomi 14T Series* launch and the “Black Friday” special campaign, in Western Europe and other regions, we processed 23,353 trade-in orders, providing a seamless and efficient upgrade experience for global users.

Refurbishment

In our Refurbishment program, we give electronic devices a second life and maximize product lifespan by implementing efficient and meticulous refurbishment processes with strict quality control. Our refurbishment factories cover core three key regions: Hong Kong SAR, Poland, and Indonesia. The refurbished product categories include smartphones, electric scooters, smart TVs, smartwatches, air purifiers, dehumidifiers, robotic vacuums, and vacuum cleaners. Additionally, we have expanded our refurbishment business to include laptops, projectors, and monitors. Throughout the year, we refurbished over 130,000 devices, marking a 4.7% increase compared to 2023.

In May 2024, we launched a new refurbishment factory in Europe, which specializes in the refurbishment of smartphones, laptops, projectors, and monitors. The factory features a fully upgraded management system that enables online management for all categories and the whole process. By adding automated inspection control stations, we have further improved efficiency and accuracy in the device testing process. Thanks to the highly efficient production process and strict quality control, the sales rate of refurbished products from this factory has reached 100%, offering more users high-quality, sustainable consumption choices.

Recycling Design for Vehicles and Batteries

We have integrated the circular economy concept into the lifecycle design and management of automobiles, striving to achieve recycling for both vehicle hardware and power batteries. We have set clear recycling and reuse targets: $\geq 85\%$ reusability and $\geq 95\%$ recyclability for the vehicle. These targets are embedded throughout the entire development process of Xiaomi EVs, from design to material selection, ensuring vehicle quality and safety while fully considering the recyclability of materials after disposal and their environmental impact. For instance, *Xiaomi SU7* achieves a 94.6% reusability rate and a 98.5% recyclability rate for its overall materials. The vehicle also incorporates 163.7 kg of recycled metal materials and 2.2 kg of recycled plastic materials per vehicle.

For the recycling and reuse of retired power batteries, we work closely with whitelisted enterprises specializing in battery repurposing and regeneration to establish a lifecycle battery recycling system. In this network, we ensure the professional collection and processing of Xiaomi EV's retired vehicle batteries, enabling the extraction and reuse of valuable metals. Meanwhile, we disclose our recycling service locations³⁹ on Xiaomi EV's official website, providing users with clear guidance and convenient recycling services.

39 <https://www.mi.com/service/mihome/list>

Management of Operational and Production Waste

We remain committed to building a waste management system that covers diverse operational scenarios across the chain and contributing to a harmonious balance between environmental protection and business production and operations. As of the end of the reporting period, 100% of our operations within our operational boundaries had obtained ISO 14001 Environmental Management System certification and had completed the annual surveillance audit.

Zero Waste to Landfill Practices of Xiaomi Smart Factory

Xiaomi Smart Factory has established a zero waste to landfill management system, which integrates reduction at the source, recycling, and efficient disposal to minimize landfill and achieve highly efficient circular disposal of waste. In 2024, Xiaomi Smart Factory achieved a 99.35% waste diversion rate (WDR) (including solid waste, hazardous waste, wastewater, and waste liquids) and was awarded the TÜV Rheinland Zero Waste to Landfill Management System Certificate with the highest global rating of three stars.

- **Wastewater Management and Recycling:** Xiaomi Smart Factory employs advanced wastewater treatment technologies. Wastewater undergoes pre-treatment processes such as oil removal, coagulation, and sedimentation, followed by biological treatment to optimize water quality. In 2024, the factory treated a total of 82.82 tonnes of liquid chemical waste, achieving a 100% treatment rate.
- **Systematic Hazardous and Solid Waste Management:** Xiaomi Smart Factory has established Environmental Protection Management Procedures and a Waste Management System to regulate the handling of both general and hazardous waste. The factory ensures proper collection, classification, storage, and disposal of solid waste, with a focus on 100% compliant treatment of hazardous waste. Throughout the year, Xiaomi Smart Factory treated 94.42 tonnes of hazardous waste.

Green Production Model of Xiaomi EV Factory

Xiaomi EV Factory has established a robust environmental protection management system and introduced several regulations such as Water Pollution Prevention and Control Management Procedures, Air Pollution Prevention and Control Management Procedures, and Solid Waste Pollution Prevention and Control Management Procedures, which define compliant disposal processes for wastewater, air pollutants, noise, and solid waste. By integrating high-quality raw materials, an eco-friendly coating process, and a discharge-after-treatment design, the factory has achieved zero heavy metal discharge⁴⁰ in wastewater.

- **Closed-loop Wastewater Management:** Xiaomi EV Factory manages wastewater discharge through source control and wastewater reuse. From the initial production line design, wastewater reduction is taken into account, with technological innovations in key workshops to minimize waste at the source. For wastewater reuse, we have established a four-stage wastewater treatment system, including pre-treatment of production wastewater, mixed sewage treatment, treatment of water for miscellaneous use, and reclaimed water treatment. During the pre-treatment phase, techniques such as oil removal, coagulation, and sedimentation are adopted in combination with biological treatment. Wastewater is prioritized for reuse in painting, cleaning, landscaping, and toilet flushing, achieving a wastewater recycling rate of over 50%. The Chemical Oxygen Demand (COD) in the discharged wastewater is only 70 mg/L, and the discharged water quality significantly exceeds Beijing's local standards for water pollutants.

⁴⁰ "Zero" heavy metal discharge: It means that the concentration of pollutants in the discharged wastewater is below the minimum detection limit defined by Beijing's testing standards.

- o In the pre-coating treatment stage, we have adopted a green zirconium-based treatment process to eliminate the generation of heavy metals such as nickel and chromium at the source, thereby controlling the heavy metal content in wastewater at the process level.
- o In the spraying process, we have replaced traditional wet spray booths with dry cardboard spray booths. By using flame-retardant kraft paper cardboard boxes to absorb paint mist, we prevent the generation of paint sludge wastewater.
- o In the electrophoresis stage, Xiaomi EV Factory has applied wastewater pollution prevention technologies such as bath liquid quality control technology, electrophoresis ultrafiltration technology, and countercurrent cleaning technology. The bath liquid quality control technology allows degreased wastewater to be recycled after oil-water separation. The electrophoresis ultrafiltration technology recycles the concentrated portion of the electrophoresis bath liquid for production, while the permeate liquid is used as a replacement for pure water in cleaning workpieces, reducing fresh water consumption for cleaning by over 80%. The countercurrent cleaning technology uses a staged inlet and outlet water mode, effectively reducing wastewater discharge by 30%.
- **Innovative Waste Gas Management:** In the two core processes, die casting and coating, we control air pollution at the source through technological innovation, process optimization, and emission treatment throughout the process, ensuring that emissions are far better than industry and local standards.
 - o In the die casting workshop, we have established a “three-in-one” dust removal system to address different types of waste gas emissions. This system includes furnace dust removal, plasma dust removal, and casting machine dust removal. The waste gas treatment efficiency reaches 99.99%, with particulate matter (PM) emission concentrations lower than 10 mg/m³.
 - o In the coating workshop, we have set a strict target of “VOCs emission concentration not exceeding 12.5 mg/m³” and established a VOCs material management record. For the primary and auxiliary materials used in coating, we utilize over 80% water-based environmentally friendly paints, with VOCs content ranging from 10% to 20%, far lower than the 60% VOCs content in traditional oil-based paints. Additionally, the wax injection process uses high-solids wax with a VOCs content below 5%, replacing traditional solvent wax with 30% VOCs, significantly reducing the generation of hazardous gases. Furthermore, 80% of the gases processed by the dry spray booths can be recirculated back into the spray booths, while the remaining waste gases are treated using ultra-low nitrogen combustion technology and high-cycle ratio three-chamber regenerative thermal oxidizer (RTO) direct combustion treatment technology. This results in a waste gas treatment efficiency of over 99%, effectively reducing nitrogen oxide emissions. In 2024, the VOCs emissions per unit area of primer at Xiaomi EV Factory were less than 1 g/m².

- **Safety Management of Hazardous Waste:** We have developed a hazardous waste management plan for Xiaomi EV Factory and established control measures for the entire process from generation to collection, transfer, storage, and transportation. A dedicated hazardous waste storage zone has been set up to ensure the classified and standardized storage of hazardous waste and prevent leakage incidents. Furthermore, we have implemented over ten specific measures, such as optimizing the position of the glue barrel limit sensor and consolidating vehicles of the same color for spraying, to reduce hazardous waste.
- **Compliant Management of General Waste:** Xiaomi EV Factory maintains a general solid waste record, which documents the name, type, quantity, and destination of each batch of waste produced, thus ensuring traceability and transparency in waste disposal. We also have dedicated storage facilities for general solid waste and categorize different types of waste to prevent cross-contamination. Moreover, we ensure that all general solid waste (such as cardboard, waste wood, etc.) is handled by professionally qualified recyclers for industrial recycling. In 2024, Xiaomi EV Factory achieved 100% compliant disposal of general solid waste.

Waste Management in Non-production Scenarios

We have developed waste management policies and diversified practices tailored to non-production scenarios such as laboratories, offices, and cafeterias, specifying the classification, collection, and disposal methods for solid waste to ensure the safe and orderly disposal of operational waste. For laboratories, we implement the Laboratory Waste Management Procedure and strictly monitor and categorize various waste generated during activities for compliant disposal. For office areas, we continue to promote waste sorting and recycling, achieving a 16% recycling rate for domestic waste during the reporting period. For cafeteria kitchen waste, we have introduced biological conversion technology to transform compressed food waste into animal feed or organic fertilizer that meets national standards, with a total of 382 tonnes of food waste successfully converted into feed or fertilizer throughout the year. Additionally, this year, we replaced approximately 20% of disposable plastic takeout containers with biodegradable ones to reduce plastic waste generation.

Natural Resource Management

We are committed to reducing our impact and reliance on nature and developing our business in an eco-friendly manner. Through systematic management, we minimize freshwater usage and strive to eliminate resource waste throughout our operations and value chain. We also support the Kunming-Montreal Global Biodiversity Framework and pledge to reduce our dependence on and impact on nature, with the goal of achieving a net positive impact on biodiversity.

Sustainable Water Stewardship

We strictly adhere to the laws and regulations of our operating locations. By implementing scientific water management strategies, we optimize water efficiency, enhance water quality assurance capabilities, and promote the synergistic development of efficient water use and ecological conservation.

Water Stewardship Principles

Our sustainable water stewardship strategies:

- **Sound Water Management System:** We have established a systematic water stewardship mechanism based on the Alliance for Water Stewardship⁴¹ (AWS), with which we optimize management processes, strengthen water management levels and capabilities, and raise employee awareness of water conservation.
- **Sustainable Water Balance:** We have set targets for total water consumption and efficiency improvements and implemented precise control over water usage to continuously enhance water efficiency.
- **Good Water Quality Status:** We 1) comply with the laws and regulations of our operating locations in treating wastewater generated during operations; 2) conduct real-time water quality monitoring to ensure compliance with discharge standards and minimize pollution of natural water bodies; and 3) actively promote the use of reclaimed and recycled water and continuously increase the utilization rate of municipal reclaimed water and on-site recycled water.
- **Healthy Important Water-Related Areas:** We actively participate in watershed water resource conservation planning, collaborate with stakeholders to improve water resource protection plans, enhance information transparency, and promote watershed ecological protection.
- **Adequate Safe Drinking Water and Sanitation Facilities:** We actively implement a sustainable water stewardship system and provide clean and reliable drinking water and sanitation facilities for our campuses and factories to ensure the health and safety of our employees.

Water Stewardship Practices

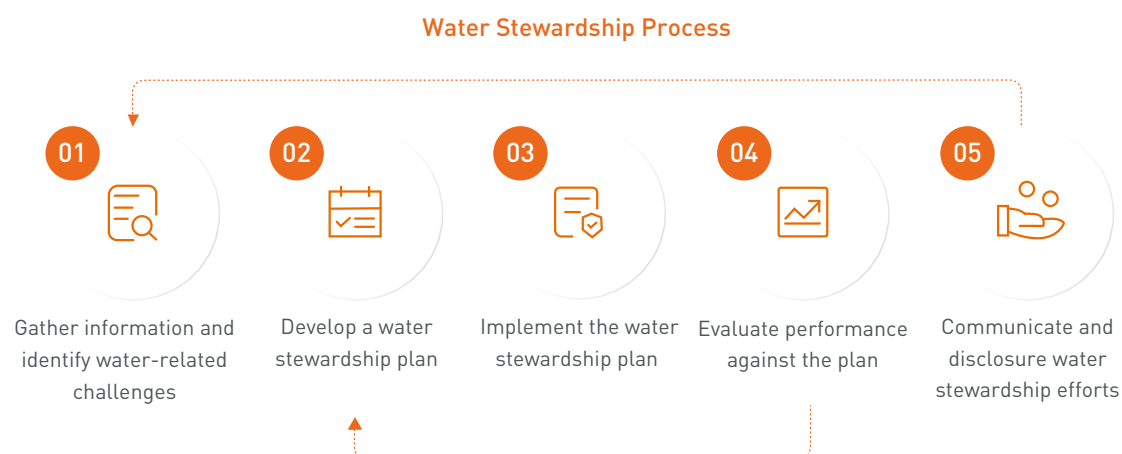
We promote sustainable water stewardship practices in every aspect across our Science and Technology Campuses, Smart Factory, and EV Factory. Through a closed-loop management system, water-saving technological upgrades, process optimization, and a four-stage wastewater treatment system, we achieve efficient water recycling. This year, the reclaimed water usage rate in our self-owned office areas exceeded 30%, and that in our self-owned factories surpassed 40%, both meeting our annual water conservation targets. Additionally, we actively support downstream enterprises, subordinate factories, and departments in carrying out water-saving initiatives and regularly issue water conservation requirements to drive water-saving targets throughout the supply chain.

41 Alliance for Water Stewardship. It is a water stewardship certification body established by the UN Global Compact (UNGC), the Carbon Disclosure Project (CDP), and other international organizations. The AWS certification rates water use sites as Platinum, Gold, or Core (from the highest to lowest) based on an assessment of 100 indicators, including stable water stewardship, water pollutant stewardship, water sanitation, domestic impacts of biodiversity, and governance.

Office Scenarios

As an AWS Gold Certification holder, we continuously enhance our water stewardship performance indicators by adopting and implementing internationally advanced sustainable water stewardship principles. We have established an efficient and scientific management mechanism, with collaboration among park managers, the Corporate Social Responsibility (CSR) Center, administration, and other departments. This team continuously proposes improvement plans for the management of tap water, reclaimed water, cooling water, wastewater, and rainwater within our facilities and reports regularly to the Group's top management to ensure effective implementation. Throughout the operation of Xiaomi Science and Technology Campus, we have consistently complied with water-related laws and regulations and maintained a record free of violations.

Our water stewardship process follows a closed-loop management system of "assessment, planning, implementation, and feedback," as illustrated in the figure below.



Adhering to AWS standards and green building standards, we have launched a series of water stewardship practices, including water conservation, compliant discharge of domestic wastewater, improvements in clean drinking water and sanitation facilities, and reduction of surface runoff. In 2024, we conducted annual desilting of the rainwater storage tank and semi-annual testing and maintenance of the drainage system and installed 300 square meters of permeable pavement, effectively reducing rainwater runoff and minimizing potential impacts on the surrounding water environment. Additionally, we introduced the assessment tool developed by the World Business Council for Sustainable Development (WBCSD) to comprehensively evaluate workplace conditions related to Water, Sanitation, and Hygiene (WASH). We also conducted regular testing of secondary water supply and drinking water dispensers to ensure water quality consistently exceeds standards and safeguard employee health. Furthermore, we provided employees with integrated online and offline training on sustainable water stewardship and shared the latest knowledge and skills to enhance water conservation awareness and execution across the organization.

Production Scenario

In production scenarios, Xiaomi Smart Factory and Xiaomi EV Factory ensure water efficiency by establishing a dual-track management system and enhancing production processes and equipment.

Xiaomi Smart Factory has established a dual-track management system of “expanding sources and reducing consumption,” which significantly optimized water efficiency.

- Since the official launch of its reclaimed water system in August 2024, the cumulative reclaimed water usage has reached 19,353 tons by the end of the reporting period, accounting for 23% of non-production water demand.
- In active response to the urban sponge project, a rainwater storage tank with a capacity of 1,080 cubic meters was constructed, effectively alleviating the drainage pressure on the municipal pipeline network.
- By increasing the frequency of filter cartridge replacements in the recirculating water system, water change cycles were reduced, achieving annual water savings of 150 cubic meters. Additionally, electromagnetic valves were installed in restrooms to dynamically adjust water flow, thereby reducing water usage while ensuring daily needs are met.
- A secondary concentrated water retrofit project was initiated to address the issue of 40% of concentrated water from the pure water system being discharged. The project converts the concentrated water into a source of reclaimed water and saves 270,000 cubic meters of water annually.

Xiaomi EV Factory implements a series of water-saving measures from the perspectives of process and equipment upgrades, as well as water resource reuse.

- The automatic level balancing method is used for the degreasing tank, and overflow water from washing is utilized to replenish the system, reducing pure water consumption by 1 tonne/hour.
- A green membrane pretreatment process is utilized to reduce the carryover of stray ions, directly reducing the pure water consumption in the membrane section by 1.5 tonnes/hour.
- A transitional self-circulating wet spray method is used in the pre-treatment electrophoresis process, saving 2 tonnes of pure water for spraying per hour.
- Qualified reclaimed water is used for landscaping irrigation, road cleaning, and flushing sanitary facilities within the factory area.

For specific measures regarding wastewater source management and reuse at Xiaomi EV Factory, please refer to the “Waste Management” section of this report.

Biodiversity Conservation

We remain committed to being a long-term guard of nature, dedicated to minimizing our operational impact on the environment. We pursue the use of technology to empower ecological conservation and promote widespread recognition and attention to the value of biodiversity in society. We pledge to:

- Ensure business operations comply with local biodiversity-related laws.
- Avoid site selection and construction activities that infringe upon or adversely affect habitats of endangered and protected species listed in the IUCN Red List of Threatened Species and natural and cultural heritage sites listed on UNESCO's World Heritage List.
- Encourage suppliers to assess biodiversity risks at their operational sites and implement necessary measures (such as avoidance, mitigation, restoration, and offsets) to reduce negative impacts and promote positive effects when operating near key biodiversity areas, ecosystems, and habitats of endangered and protected species.
- Collaborate with partners to explore opportunities to reduce impacts on biodiversity.

As an active advocate and practitioner of biodiversity conservation, we aim to raise awareness of the value of biodiversity with our high-quality products and services. In our Natural Sound Museum, we have collaborated with global nature recorders to capture the sounds of over 120 rare species, from the East African savannah to the South American rainforest, which are available to be set as system notification sounds. It integrates the beauty of nature into users' daily lives and conveys the concept of biodiversity conservation through innovative products.

Culture Promotion for Ecological Conservation Technologies

Biodiversity conservation is centered on action, and action depends on awareness. At Xiaomi, we enhance our employees' awareness of ecological conservation through a variety of activities.

In celebration of the International Endangered Species Day 2024, we partnered with the Chongqing Jiangbei Chinese Felid Conservation Alliance (CFCA) to organize the "Explore Biodiversity: A Day of Patrolling" event. Our employees learned about the complexities and significance of wildlife conservation work through firsthand experiences, such as how patrol officers set up infrared cameras, track animal footprints, and identify animals on patrol. This event inspired our employees to reflect on how to leverage our technological strengths to support biodiversity conservation efforts. For instance, the AI image recognition algorithm presents great potential for accurately identifying individual animals and processing infrared images. Our self-developed sound recognition algorithms can help identify animal calls in the environment, contributing innovative solutions to the protection of endangered species and the promotion of biodiversity.

We also promote ecological conservation awareness through a series of volunteer activities. In 2024, the Xiaomi Youth Volunteer Team actively embraced environmental protection concepts and collaborated with organizations such as the Friends of Nature Wild Bird Association and the National Bird Collision Investigation Project Group. Together, they launched two bird-watching and bird-collision prevention surveys, lasting two months each, with nearly 30 volunteers participating and completing 133 patrols. The volunteer team organized monthly environmental protection training and practical activities on topics such as "Green Development Outdoor Practice" and "Water Conservation and Water Protection." These ongoing learning and hands-on experiences significantly enhanced our employees' sense of responsibility and engagement in environmental protection. This year, we continued our collaboration with biodiversity-certified farms and advanced ecological conservation of agricultural land by planting and sourcing natural, healthy agricultural products. Additionally, our biodiversity report, *A Survey Report on Vegetation and Birds in Waldorf Natural Park*, has raised awareness among our employees and the public about bird protection efforts.

Biodiversity Conservation Practices

Wetlands are crucial for biodiversity and play a key role in combating climate change and promoting ecological balance. On the Xiaomi Fundraising Platform for Charities, we work with our partners to launch the “Guardian Star for the Chishui River Wetland” project and the “Protecting Wetlands, Accompanying Birds” project. These initiatives are dedicated to wetland ecological restoration and biodiversity conservation.

The “Guardian Star for the Chishui River Wetland” Project: The Xiaomi Fundraising Platform for Charities, in collaboration with the Mangrove Conservation Foundation (MCF), launched the “Guardian Star for the Chishui River Wetland” project to enhance the protection of the ecological health of the Chishui River⁴² Basin. We established the Xiaomi Youpin Chishui River Wetland Protection Special Fund to provide financial support for wetland restoration and protection, biodiversity maintenance, environmental education, and public awareness efforts. Additionally, the project developed general wetland education training courses and localized offline wetland tour routes. Through workshops, public outreach, and other forms of engagement, we built a collaborative network and trained local wetland guardians.

The “Protecting Wetlands, Accompanying Birds” Project: In response to the severe threats posed by climate change to wetland functions, we partnered with the MCF to launch the “Protecting Wetlands, Accompanying Birds” project. It focused on controlling invasive species, conducting waterfowl surveys, and performing wetland restoration work to support the protection of wetlands and waterbird habitats and enhance the wetland ecosystem’s resilience to climate change. In 2024, the project conducted mangrove wetland monitoring, safeguarding the wintering habitats of 100,000 migratory birds in Shenzhen Bay. Additionally, through organizing the Shenzhen Bay Spoonbill Festival, a large public education event, we raised awareness about the importance of wetland protection, extending the reach of wetland conservation from the professional field to the public’s daily life.

Case: Xiaomi India’s Marine Waste Management Efforts

We take global responsibility for biodiversity conservation, actively engaging in ocean waste and plastic pollution management to protect marine ecosystems. In India, we partnered with the non-governmental organization SAAHAS to launch the three-year Swachh Karavali Mission in 2023, aimed at tackling ocean pollution and waste management. In 2024, our efforts focused on preventing plastic waste and debris from entering the ocean through initiatives such as source-based waste segregation, beach and river waste cleanups, and the installation of waste barriers. Over the year, the mission transferred 610.2 tonnes of waste from landfills, beaches, and rivers to material recovery facilities⁴³ for centralized sustainable treatment. The waste sorting and environmental awareness training programs reached over 40,000 people.

⁴² Chishui River: The Chishui River flows through the three provinces of Yunnan, Guizhou, and Sichuan, and is one of the most ecologically significant river basins in Southwest China. It is rich in biological resources and serves as an important habitat and breeding ground for many rare fish and bird species in the upper reaches of the Yangtze River.

⁴³ Material Recovery Facility (MRF): These facilities are used to process and recycle various types of solid waste, such as paper, plastic, glass, and metal, etc., and convert them into reusable raw materials.

Talents for Excellence and Partnerships for Prosperity

At Xiaomi Corporation, we adhere to a people-centered approach and unite the efforts of employees, the supply chain, and the community. By creating an inclusive workplace and improving employee management systems, we enhance employee well-being. Moreover, we strengthen supplier responsibility and support community development, thus contributing to a sustainable development ecosystem.

Talent Nurturing

We always regard employees as the core asset of our business development and strive to create an equitable, inclusive, and healthy workplace. With an emphasis on leading and systematic human resource management practices, we continually refine our labor rights protection mechanisms, optimize recruitment and incentive systems, empower employees' career development, ensure their health and well-being, and attract and retain talented individuals globally.

Equitable and Inclusive Workplace

We are committed to creating an equitable and inclusive work environment where the basic rights of workers are ensured, the diverse needs of employees from different backgrounds and cultures are respected, and special employee groups, such as women, ethnic minorities, and individuals with disabilities, receive care and support.

Labor Rights

We firmly oppose any form of involuntary or forced labor. We strictly adhere to the laws and regulations of the locations in which we operate and follow pertinent provisions of the International Labour Organization (ILO) and the OECD. We strongly condemn human trafficking, slavery, and forced labor in any form and prohibit any means of coercion, force, enticement, fraud, or payments made to controllers for the transportation, concealment, recruitment, relocation, or reception of individuals. To prevent the employment of child labor, we regularly review our recruitment processes, employee records, and supplier qualifications in accordance with the ILO's Minimum Age Convention and Worst Forms of Child Labour Convention to identify, assess, and minimize the risk of employing child labor.

We are always committed to building an equitable and healthy work environment. We ensure that our recruitment process is free from any discriminatory language, behaviors, and decisions and that our employment contracts clearly and accurately reflect key information, such as employees' working conditions, job responsibilities, salaries, and benefits. Additionally, we have established robust internal management systems, explicitly prohibiting discrimination, harassment, abuse, and violence. Our employees are encouraged to report any verbal, physical, written, or any other form of discrimination, harassment, or inappropriate behavior. Multiple reporting channels, including the trade union, HR partners, and the complaint email address, are available to protect the legal rights of every employee. This year, there were no reported incidents related to child and forced labor, employment and gender discrimination, or violent behaviors in our workplace.

Diversity and Inclusion

We fully respect the dignity and equality of every individual and safeguard the rights of all employees and supply chain workers, including but not limited to freedom of speech, fair treatment, and the prohibition of discrimination and harassment. Adhering to principles of fairness and unbiasedness, we provide inclusive and equal opportunities for development and promotion to employees of different nationalities, ethnicities, ages, genders, beliefs, and cultural backgrounds, with particular focus placed on the career development of vulnerable employees. Any form of discrimination, oppression, and abuse is prohibited, aiming to promote a diverse, equitable, inclusive, and open workplace.

We have established a Women's Rights Committee focused on building a workplace harassment prevention system and comprehensively safeguarding the rights, health, and well-being of female employees in both the workplace and

at home. In addition to the regular baby care rooms in our offices, we organize a series of cultural and recreational activities aimed at caring for female employees and hold an annual recognition event specifically dedicated to celebrating the achievements of female employees. Additionally, to help employees balance work and family life, we provide various leave arrangements, including marriage leave, prenatal check-up leave, maternity leave, paternity leave, miscarriage leave, and breastfeeding leave. This year, a total of 3,530 employees benefited from parental leave.

We value the skill sets and resources that local workers bring to Xiaomi. By actively recruiting and developing local workers, we promote local employment. As of the end of this reporting period, we had 2,045 employees in our overseas workforce, with 89% of them being recruited locally. We respect employees of different faiths and cultural backgrounds and provide them with equal and inclusive career development opportunities.

To enhance workplace diversity, we give sufficient consideration to the cultural attributes of different regions or ethnic groups, customize office spaces, and provide gifts and food that align with local customs. We have also established exclusive holiday policies for minority festivals such as the San Yue San Festival, Eid al-Fitr, and the Eid al-Adha to meet the leave needs of employees from diverse ethnic backgrounds. In Mi Canteen, we give full consideration to the dietary habits of different ethnic groups and regions and offer diversified food choices to accommodate employees from different cultural backgrounds.

Equitable Communications

We safeguard employees' right to express their demands through multiple channels. To this end, we have established a diverse communication mechanism, including labor unions, HR partners, and Xiaomi's whistleblowing and complaint channels, aiming to foster an open and equitable work environment. This year, we organized activities such as capability surveys and collective bargaining through labor unions to facilitate effective communication between employees and management, ensuring that employees' voices are heard and responded to by leadership.

We are committed to ensuring that employees will not face discrimination, retaliation, harassment, or any adverse treatment when expressing concerns or exercising their rights. This commitment is embedded in all levels of our operations and decision-making. When addressing employee concerns and issues, we take into account regional labor practices and cultural differences, striving to find optimal solutions through open and constructive dialogue.

Case: Xiaomi Colombia's Labor Coexistence Committee

In 2023, we established a Labor Coexistence Committee in Colombia. Comprising four members (two employer representatives and two employee representatives), the committee is dedicated to improving the work environment, preventing workplace bullying and harassment, and protecting employees from potential health risks during work. In 2024, the number of employees at Xiaomi Colombia grew to twenty, and the committee promoted and publicized the company's internal regulations in accordance with the law. As of the end of 2024, the committee received no complaints regarding workplace bullying or harassment.

Talent Attraction and Retention

Guided by a people-centric development philosophy, we build a comprehensive employee management system focused on key aspects such as recruitment, compensation incentives, performance evaluation, diverse training, and open communication. With scientific mechanisms and innovative practices, we create a fair development environment for employees that unlocks their potential and enables both personal and corporate growth while driving sustained value creation.

Recruitment

We have established policies such as the Employee Handbook, Employee Code of Conduct, and Attendance and Leave Regulations. Based on principles of equality, voluntariness, and mutual agreement, we sign Labor Contracts with employees, ensuring compliance with relevant provisions on recruitment, employment, and termination. In 2024, we further updated the Employee Handbook to refine sections on company profile, interpretation of our values, attendance, administrative management, information security, and employee conduct guidelines. We continue to encourage employees to “make friends with users,” cultivate an “engineer mindset,” and embrace the values of “sincerity and passion.”

We have established a Talent Strategy Team dedicated to attracting talented individuals for core technology and strategic positions. Our diverse recruitment channels include campus recruitment, experienced hires, and industry-academia collaboration projects, along with specialized talent programs such as the Future Star Program and postdoctoral research stations to bring in top-tier professionals and enhance talent-job matching efficiency. This year, we introduced a department-level referral system and refined referral within operating departments to encourage employees to refer qualified external candidates. Additionally, we upgraded the Internal Flowing Water⁴⁴ Management System for Employees, launched a flowing water platform, and initiated a Cross-Over Star specialized flowing water program. In 2024, we conducted 39 rounds of job postings under the Flowing Water program, where we offered over 2,128 positions. The program facilitated over 800 internal job transfers, thus strengthening organizational agility, fostering talent retention, and promoting multidimensional career development.

We place great importance on recruiting fresh graduates, continuously integrating young talent into our workforce. In Nanjing and Wuhan, we implement a university joint training model, offering internship programs and pre-enrollment training classes, with 22 training classes established at 12 universities. In 2024, over 4,000 students in Nanjing and Wuhan received hands-on experience in C++, Android, and JAVA under the guidance of Xiaomi lecturers and tutors, laying a solid foundation for their future careers. With the expansion of Xiaomi’s smart EV business, we launched the “Xiaomi Global Campus Recruitment — Technology Experience Exhibition” SU7 on-campus program, hosting eight events in Beijing, Shanghai, Nanjing, Wuhan, Xi’an, Changchun, and Hangzhou, attracting a total of 12,818 participants. On the international front, we organized the Future Star Technology Salon in Singapore and Hong Kong, drawing 255 top-tier master’s and PhD students from seven universities, with PhD candidates comprising 65% of attendees. Additionally, we conducted six live-streamed campus job fairs and received nearly 200,000 views, which effectively boosted Xiaomi’s influence and enhanced recruitment efficiency.

In 2024, we welcomed 14,648⁴⁵ new employees. We received wide recognition across multiple dimensions, including global talent attraction, university student preference, and employee satisfaction, and we were honored with over ten employer brand awards.

Forbes	Universum	LinkedIn
Best Employer of the Year in China	TOP 3 Most Attractive Employer for	Mostln Global Attractive
Most Popular Employer of the Year	Engineering Students	Employer
in China	TOP 6 Most Attractive Employer for	
	Science Students	
	TOP 9 Most Attractive Employer for	
	Business Students	

⁴⁴ Flowing water: It is a program for internal job applications and transfers initiated by the employees.

⁴⁵ The data is based on employees who joined in 2024 and remained employed as of the reporting period.

Compensation and Incentives

Fair and reasonable compensation is key to unlocking employees' potential. We uphold the principle of equal pay for equal work and ensure that employees receive fair, reasonable, and competitive salaries regardless of ethnicity, age, gender, beliefs, or cultural background. In 2024, the salary ratio between male and female fresh graduates in new hires at the Group was 1.18:1, reflecting our commitment to pay equity. Additionally, we conducted salary satisfaction surveys in both the Chinese Mainland and India to assess whether employees' earnings meet their living needs. For example, the average salary for fresh graduates in both regions exceeded the living wage baseline⁴⁶ set by the Asia Floor Wage Alliance, ensuring that employees can maintain a decent standard of living.

We are committed to building a competitive compensation system and ensuring fair, accurate, and timely payment for employees. Each year, we conduct global salary benchmarking to serve as a key reference for adjusting our compensation structure and maintaining pay equity. Additionally, the Group's senior management regularly conducts in-depth analyses of compensation metrics related to fairness and makes necessary adjustments during the annual review, considering both market competitiveness and internal equity. This approach ensures that our compensation system not only attracts and retains top talent but also fully reflects the value contributed by each employee.

We also place great importance on long-term talent incentives and actively implement equity incentive mechanisms. In 2024, we awarded approximately 278.3 million Award Shares to 9,766 Selected Participants, and Xiaomi Hong Kong (XMHK) granted a total of 510.3 million XMHK Options to 2,951 XMHK Selected Participants.

Performance Evaluation Management

We have established a sound performance evaluation mechanism to ensure fairness in employee assessment. Considering the characteristics of different business functions and roles, we have developed tailored performance evaluation cycles and criteria. For employees in the factory system and the sales, delivery, and after-sales service system, performance evaluations are centered on key performance indicators (KPIs) and conducted through a combination of monthly/quarterly and annual evaluations. Employees in R&D and functional roles undergo semi-annual evaluations that integrate both quantitative and qualitative assessments. Our evaluation process includes self-assessment, 360-degree peer review, superior evaluation, departmental and group calibration, result communication, and appeal handling. These multiple stages ensure a multidimensional and fair assessment. In 2024, we introduced new evaluation criteria covering employees' values, competence, and potential, guiding managers to assess employees from a more comprehensive and diverse perspective.

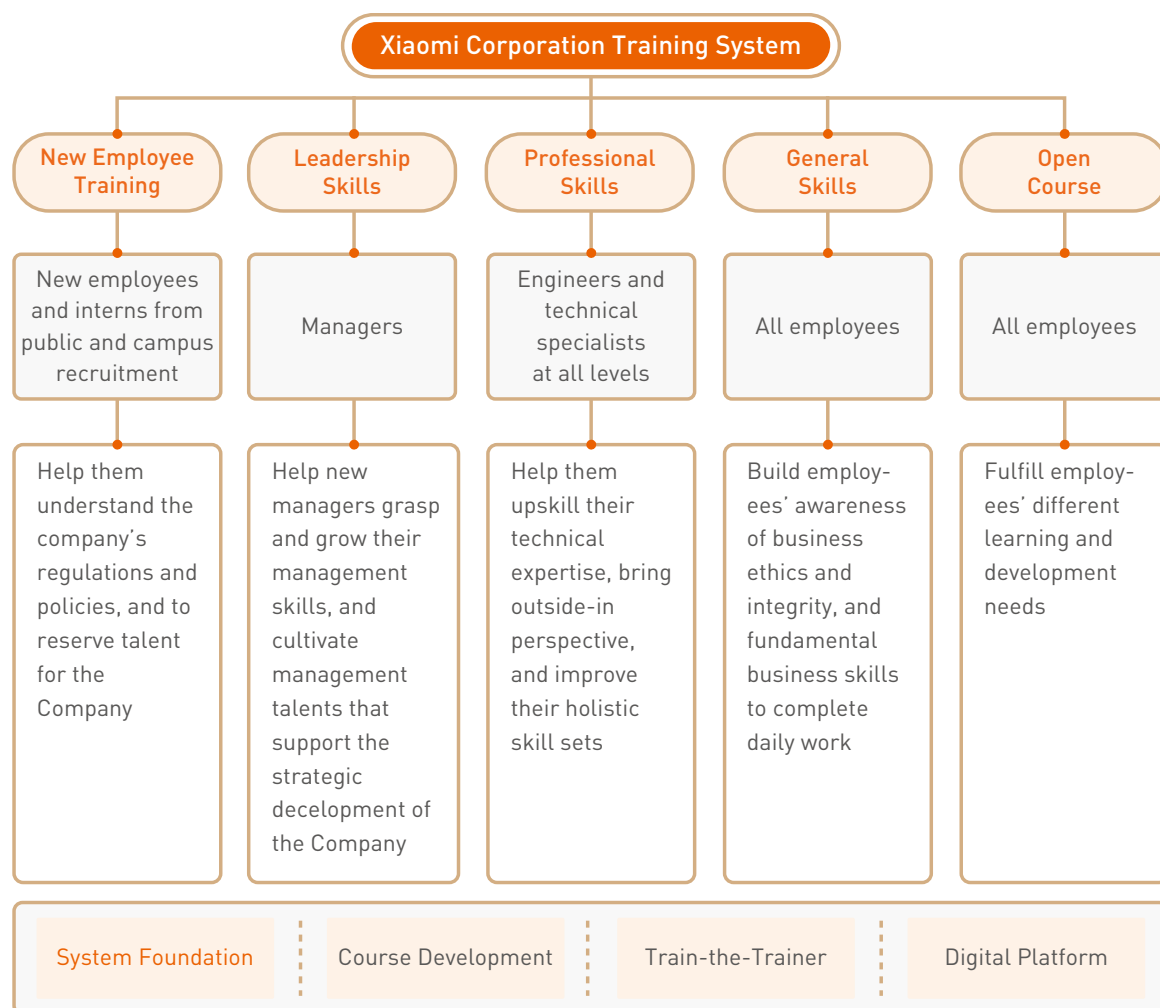
Additionally, we have established a performance appeal mechanism to ensure that performance evaluations are fair and objective and that performance-based salaries are reasonable and reliable. We have also implemented strict confidentiality measures to safeguard the security of the appeal process, as well as the information and privacy of appellants.

⁴⁶ According to data from the Asia Floor Wage Alliance (<https://asia.floorwage.org/living-wage/calculating-a-living-wage/>), the living wage baseline in 2024 was RMB6,389 for China and INR34,170 for India.

We also leverage the Objectives and Key Results (OKR) mechanism to establish clear objectives and the Conversation, Feedback, and Recognition (CFR) mechanism to facilitate high-quality communication, fostering employee engagement and intrinsic motivation. Under the OKR framework, management aligns employees' annual and quarterly OKRs with departmental strategic plans, conducts quarterly review meetings, and sets objectives for the next quarter. The CFR mechanism encourages managers to engage in high-quality one-on-one conversations with employees each month to assess work progress, discuss areas for improvement, and drive performance enhancement.

Training and Development

We are committed to a comprehensive and systematic approach to talent development. By fully integrating high-quality internal and external educational resources, we design diverse training programs based on both overall business needs and individual employee development. Our talent development system covers various business functions, levels, and regions, including the Starry Program for new graduates, the Integration Program for experienced hires, the Xiaomi Internship Program⁴⁷ for interns, the Spark Program⁴⁸ for primary-level managers, and the Ignite Program⁴⁹ for middle managers. We have also established a business-centered organizational empowerment framework to support our organizational growth and strategic execution. In 2024, the total number of training sessions reached 1,416,603 person-times.



⁴⁷ Xiaomi Internship Program: The Xiaomi Internship Program aims to help trainees familiarize themselves with the Group's values, comply with rules and regulations, enhance their sense of belonging to the Group, and increase their willingness to stay and become full-time employees.

⁴⁸ Spark Program: The Spark Program aims to help junior managers develop basic management skills, assist their promotion transition.

⁴⁹ Ignite Program: The Ignite Program aims to help mid-level managers master Xiaomi's management philosophy, practical experience, and key tools needed for management.

Case: Skill Training for Repair and After-Sales Personnel

To enhance the advanced repair skills of frontline technicians, we offer a series of training, including online courses, technical sharing, and simulation exercises. Additionally, we adopt an exam-driven learning approach, encouraging frontline repair engineers to obtain skill-level certifications. These assessments cover various dimensions, including theoretical knowledge, practical operation evaluation, and fault case analysis. We also provide additional allowances to motivate repair personnel to continuously improve their skills. This year, we conducted 3,887 repair training sessions, reaching 93.56% of repair engineers. Among the repair engineers we employ, 100% have been certified.

Case: Supporting Employees in Obtaining Professional Certifications or Higher Degrees

We encourage employees to continuously strive for improvement in their careers by pursuing professional certifications or higher degrees. In collaboration with the Association of Chartered Certified Accountants (ACCA), we leverage leading global qualifications and resources to stay informed about industry trends and engage with top companies in the field, helping employees develop outstanding financial skills. Additionally, we support employees in applying for on-the-job doctoral programs in their respective fields and provide recommendation letters from senior management or technical directors to help them reach academic heights and enhance both individual and team competitiveness. This year, two AI architecture engineers began their doctoral studies with the Group's support.

In workforce development, we have devised the Xiaomi Employee Development Three-Stage Rocket program and established an internal training system that spans from fresh graduates and high-potential middle managers to senior leadership. In Stage 1, the first 18 months before fresh graduates join us and the first 36 months after that, we implement an integrated recruitment and development model. We identify talented individuals early through the Xiaomi Internship Program and university-enterprise joint preparatory training programs and accelerate the integration and growth of fresh graduates through initiatives such as the Starry Program and Qinglan Mentorship Program once they join the Group. Stage 2 is dedicated to training high-potential mid-to-senior managers, improving their competence for mid-to-senior management and key positions, and expanding the talent pool. This stage is designed to strengthen the backbone for executing the Group's strategy. For Stage 3, we aim to take ten years to cultivate fresh graduates into general managers or domain experts able to lead the development of the Group and the industry.

Case: Qinglan Mentorship Program

We have launched a Qinglan Mentorship Program, assigning each fresh graduate a "workplace mentor" for a period of six months. This program focuses on three key areas: cultural advocacy, mindset guidance, and skill coaching, to help fresh graduates adapt to the workplace and become qualified Xiaomi employees. Qinglan Mentors tailor their guidance based on the job requirements and performance goals of each fresh graduate, enabling them to rapidly enhance their professional skills and create value. In 2024, a total of 2,687 Qinglan Mentors participated in the program, assisting fresh graduates in transitioning from students to professionals.

To support employees in achieving their career aspirations, we have established a “dual-track” career development system for two career paths: expert and management. This allows employees to choose the development path that best aligns with their interests, expertise, and personal growth plans. Additionally, we provide tailored promotion opportunities for employees at different levels, ensuring that our promotion mechanism remains flexible and fair and empowers employees to surpass themselves and reach new milestones in their careers. In 2024, a total of 66 senior managers got promotions.

Employee Health and Well-being

Our goal is to safeguard employees’ physical and mental health in the long run. By implementing comprehensive protection measures, we are committed to providing a safe, healthy, and comfortable work environment for employees across different business, ensuring that everyone can work and live in a caring atmosphere.

Safe Work Environment

The safety of our employees is always our top priority. We implement various measures to eliminate potential hazards and foster a healthy and safe production and workplace environment.

We have established a comprehensive Environmental, Health, and Safety (EHS) management system, with 100% of our operations within our operational boundaries having achieved ISO 45001 and ISO 14001 certifications. Guided by the Group’s Work Safety Committee (WSC), we continuously implement, promote, monitor, and enhance our EHS policies and management measures. The WSC meets monthly to ensure the orderly advancement of EHS initiatives. This year, we introduced an EHS reward and penalty system for the WSC and management, incorporating key safety responsibility indicators such as major accident count and fatal incident count into performance evaluations. Additionally, EHS management bodies have been established within our operating departments to further strengthen work safety.

We identify potential EHS risks, assess their likelihood and severity using the LEC method⁵⁰, and implement effective risk management measures accordingly. This year, we conducted EHS internal audits and inspections as planned for all production and business operations within our jurisdiction to ensure the comprehensive and effective execution of risk management measures. For the first time, we audited the Sales, Delivery, and After-Sales Service Department and the Administrative Department, conducted multi-department and multi-region joint inspections, and carried out physical security checks at high-risk locations such as server rooms of the Internet Data Center (IDC). These actions were aimed at progressively strengthening our EHS risk management capabilities. In 2024, we conducted 127 specialized inspections, promptly rectified 2,435 identified hazards, and achieved a 100% on-time rectification completion rate.

We have clear occupational health and safety management targets. In 2024, we achieved all our targets, with no major EHS accidents, fatalities, or safety-related administrative penalties.

In 2024, we organized visual training, safety standardization training, and emergency system management training for various departments and key workplaces, covering 6,535 participants. Additionally, we provided EHS expert training programs for EHS-specific positions, with 43 new EHS internal auditors obtaining professional qualification certificates. By the end of the reporting period, we had a total of 85 EHS internal auditors certified by third parties, effectively enhancing the quality and capability of our internal EHS audits.

50 LEC: L is Likelihood, the likelihood of an accident; E is Exposure, the frequency with which people are exposed to hazardous environments; and C is Consequence, the possible consequences of an accident should it occur.

EHS Management in R&D

Safety and health are prioritized in our R&D process. To this end, we have formulated regulations such as the Laboratory Safety and Personnel Health Protection Procedures, the Laboratory 5S Management Policy, and the Safety Management for Smoking and Fire Hazards in Disassembling Smartphone/PAD Batteries. These documents clearly define laboratory safety operation procedures and accident handling protocols. Additionally, we have established a Laboratory Management Committee, staffed with an EHS management team of 15 people.

Our laboratory EHS management begins with daily safety reminders and includes measures such as quarterly dosimeter testing and occupational health and safety physical examinations, as well as 709 routine weekly inspections, pre-holiday safety inspections, and special inspections. These initiatives are designed to identify and mitigate safety hazards and ensure operational and personal safety during the product R&D process. We have also developed a "5S+EHS" platform, which automatically generates and pushes management weekly and monthly reports, enabling digital tracking of issue resolution. Additionally, for R&D personnel working with chemicals and other occupational hazards, we provide personal protective equipment (PPE) and conduct regular inspections to ensure proper usage. Any defective or expired PPE is promptly replaced or discarded.

In 2024, we organized seven safety education training sessions and eight accident drills, with a particular focus on laboratory scenarios involving smoking or burning batteries of smartphones and tablets. The training effectively enhanced employees' emergency response capabilities.

Case: Safety Measures for the EV Laboratory

To test vehicle quality under extreme conditions, Xiaomi's EV laboratory conducts various test projects, including routine road tests, summer tests, winter tests, and high-altitude tests. To ensure the health and safety of testing personnel, we provide them with high-risk occupational accident insurance and vehicle safety devices, as well as supply fire blankets, cold-weather clothing, and essential medications to mitigate safety risks associated with extreme environments.

EHS Management in Production

We are committed to establishing a robust EHS management system for production processes and continuously enhancing safety and health management with institutional management and control as well as a "detailed responsibility assignment" mechanism. At Xiaomi Smart Factory and Xiaomi EV Factory, we have established factory-level WSC as the highest decision-making and management body for factory safety affairs, with EHS teams and full-time or part-time personnel responsible for executing specific tasks. We have developed 46 factory-level management regulations, including the Work Safety Responsibility System, the Accident Hazard Investigation and Rectification Policy, and the Special Equipment Safety Management Policy, as well as over 720 workshop-level safety operation guidelines to direct front-line employees' safe operations. We also implement a double-control mechanism of tiered safety risk management and hazard investigation and rectification and require relevant responsible individuals to sign safety target responsibility agreements, clarifying responsibilities for local management and line management.

We ensure the occupational health and safety of factory employees with physical examinations for occupational diseases, EHS risk notices, and the provision of dedicated personnel and health and safety equipment:

- We test occupational disease hazard factors every year, in which we perform self-testing and third-party testing in all scenarios with potential occupational health risks. We also implement quarterly testing for key sites such as those exposed to radiation, closely monitoring changes in occupational disease hazard factors.
- We have established a Personal Protective Equipment Management Policy and allocation standards for PPE across different job positions. Daily management and inspections ensure that employees properly wear work uniforms, safety shoes, helmets, and other protective gear. Additionally, each workshop maintains comprehensive distribution records to ensure strict adherence to standards.
- We have incorporated EHS risk notification clauses into new employee contracts, requiring all frontline employees exposed to potential occupational risks to sign the Occupational Risk Notification Letter. This ensures that all frontline workers in the factory are fully aware of the occupational health risks they may face.
- We provide comprehensive occupational physical examinations that exceed statutory requirements⁵¹ for employees exposed to occupational health risks. Specifically for employees in hazardous positions, we conduct pre-employment, on-the-job, and exit occupational physical examinations and establish individual occupational health records based on a one-person, one-file principle.
- We have established infirmaries staffed with healthcare professionals to handle employees' daily medical consultations, psychological counseling, and emergency health and safety issues, as well as conduct occupational health awareness campaigns.
- We have set up health stations equipped with first aid kits to ensure that medical personnel and supplies are available in emergencies. Additionally, we actively conduct first-aid training for factory employees, with a total of 42 employees obtaining first-aid certification.
- We have established a safety mailbox and encourage employees to scan a QR code to provide safety feedback, which will be received and investigated by the factory EHS team. This approach fosters continuous improvement in workplace EHS management.

In terms of safety risk prevention, we conduct routine inspections, special inspections, and pre-holiday joint safety checks to enhance risk control in the production environment and high-risk areas of Xiaomi Smart Factory. In 2024, we identified 624 hazards, achieving a 100% rectification rate for issues related to safety interlocks, protective devices, and signage. At Xiaomi EV Factory, we implemented a plan to address the root causes of workplace accidents and ensure work safety, strengthening key risk management and control through human-machine engineering screening, major hazard rectifications, expert diagnostics and optimization, and safety status evaluations. We further optimized the efficiency of the EHS management system and standardized safety operations by conducting ISO 45001 audits and safety training programs. Additionally, in 2024, we conducted the first-ever group-wide inspection of special equipment and a nationwide review of building safety hazards. All 171 identified issues were promptly addressed by the responsible parties and rectified as planned.

⁵¹ Note: In addition to meeting statutory requirements, we also provide occupational physical examinations for employees beyond their designated job roles and work environments.

We have a sound emergency management and tiered response mechanism in place for safety accidents and continuously enhance employees' emergency response capabilities through drills. In 2024, Xiaomi Smart Factory conducted fire, chemical spill, and confined space drills, as well as drills for non-firefighters responsible for fire safety. By simulating various emergency scenarios, these drills helped relevant departments and personnel familiarize themselves with contingency plans, acquire response skills, and validate the effectiveness and coordination of the plans in practice. Xiaomi EV Factory has conducted over 150 emergency drills at the enterprise, factory, department, and teams, encompassing key risks such as fire safety, machinery, electrical systems, special equipment, and natural disasters. These drills ensure that employees can take appropriate response in different emergency situations.

EHS Management in Sales, Delivery, and After-Sales Service

We have established a robust EHS management system for sales, delivery, and after-sales service by formulating multiple management policies, including the EHS Guidelines for Sales, Delivery, and After-Sales Service Terminal Operations and the High-Risk Equipment Operation Guidelines, and by setting up a dedicated office to oversee EHS management in sales, delivery, and after-sales service. Particularly in the Xiaomi EV test drive process, we implement various measures to prevent conflicts between pedestrians and vehicles, ensuring the safety of both employees and customers. These measures include:

- Assigning dedicated personnel to guide the test drive and closely monitor customer movements to prevent unintended interactions between employees, customers, and test drive vehicles.
- Proactively informing customers about safety precautions before the test drive.
- Selecting the safest test drive routes based on the venue layout.
- Pre-configuring safety settings for test drive vehicles and using standardized procedures to record the entire journey of each vehicle from dispatch to return.

We have established a three-tier (Group-department-store) safety education and training system covering risk management in stores, emergency response, safe driving, flood and typhoon preparedness, among other topics. Throughout the year, we conducted training sessions for more than 2,500 participants, with an average training duration of 24 hours per person. In the year, our sales, delivery, and after-sales service locations organized 218 emergency drills, covering scenarios such as fire evacuation, electric shock incidents, heatstroke prevention, and battery fires. Additionally, all delivery centers have been equipped with micro fire stations to ensure prompt response capabilities for minor fire incidents.

Employee Well-being

Guarding Physical and Mental Health

We are dedicated to guarding the physical and mental well-being of our employees by offering a comprehensive health benefit package, including commercial insurance schemes, family support schemes, annual health check-ups, and health consultations. In 2024, our casualty insurance covered not only full-time employees but also part-time employees and interns, while our supplemental medical insurance extended to full-time employees and their children. As of the end of the reporting period, the total number of insured individuals reached 55,449. This year, we also introduced coverage for mental health and psychiatric conditions, reinforcing our commitment to supporting the psychological well-being of our management.

We provide free annual health check-ups for all employees in the Chinese Mainland, helping them better prevent and treat diseases. This year, we upgraded our existing health check-up package by adding three new tests: thyroid function panel (three markers), *Helicobacter pylori* screening, and cancer antigen 242 (CA242). We also encourage employees to undergo regular check-ups every year, monitor abnormal indicators, and enhance health awareness. Furthermore, we extend comprehensive health care support to employees and their families. By establishing a dedicated communication group that connects employees, their family members, senior family doctors, and health managers, we offer a one-stop, closed-looped service for the whole process covering professional medical consultations, daily medication guidance, appointment booking and accompaniment, supplementary medical expense reimbursement, and health record management.

Case: Xiaomi Wellness Session Safeguards Employee Health

To enhance employees' health awareness, we provided a series of ongoing health services throughout the year, including community hospital visits and flu prevention lectures, totaling 28 sessions. Additionally, in collaboration with the Beijing Farmers' Market, we organized nearly ten food health and craft workshops, reaching approximately 2,000 participants.

In October 2024, we launched the Xiaomi Wellness Session across eight campuses nationwide. It aimed to provide employees with comprehensive and practical wellness activities and health screenings, promote both traditional Chinese and modern health concepts, and encourage employees to prioritize their well-being. The event featured a range of activities, including the distribution of healthy fruit and herbal packs, dental and vision screenings, offline wellness exercises, and live-streamed traditional Chinese medicine health courses, to improve overall well-being and mitigate sub-health conditions. In total, nearly 9,000 employees participated.

We continuously prioritize employees' mental health through the Employee Assistance Program (EAP), offering various mental health management resources for those in need. We provide psychological counseling services, benefiting 600 participants, and 2,568 employees have accessed our psychological platform, making it a vital support for mental well-being. This year, we launched the psychological counseling room and organized multiple psychological activities, such as self-care sessions, tarot-based psychological counseling, stress communication workshops, and the May-25 Mental Health Week. Additionally, we promoted mental health awareness through online live-streamed courses and offline specialized lectures, using diverse formats to help employees relieve stress, regulate emotions, and enhance psychological resilience.

Life Care for Employees

We demonstrate our commitment to employee well-being by improving workplace facilities, organizing cultural and recreational activities, and distributing holiday gifts.

This year, we added 40 new EV charging stations, three gyms, and other diverse facilities to ensure convenience in both commuting and daily life for all employees. We operate the Mi Canteen, which accommodates over 4,000 people dining simultaneously. Upholding the standard of cooking for family, we prioritize food health and safety while ensuring affordability, with an average cost of less than RMB13 per meal per person, providing substantial benefits for our employees in this essential aspect of 'eating'.

We organized a variety of cultural and recreational activities at workplaces across the country, such as the “Midsummer Night FUN” Xiaomi Voice Competition, the “Nanjing Food Stall China Chic Night,” and exclusive free swimming sessions, encouraging employees to explore and showcase their interests while enjoying meaningful interactions beyond work. We also prioritize employees’ well-being during holidays. Blending corporate culture with traditional customs, we provide employees in the Chinese Mainland with customized gift boxes for the Chinese New Year, the Dragon Boat Festival, and the Mid-Autumn Festival. Additionally, we celebrate Halloween, Eid al-Fitr, Diwali, and other festivals at workplaces in Turkey, Egypt, the UAE, Indonesia, the Philippines, and Malaysia, with thoughtful gifts prepared for employees. Furthermore, under the Women’s Rights Committee, we have launched the Women’s Rainbow Program, the Women’s Benefit Program, and the Xuancao Program. By providing female employees with initiatives in innovation and entrepreneurship, family education and values, scholarship assistance, and other care programs, we empower them to thrive both at work and in their personal lives.

We also care about employees’ family lives and support the healthy growth of the next generation. We organized two summer study camps for employees’ children, offering lessons in photography, intangible cultural heritage crafts, astronomy, classical poetry, and other traditional cultural topics. These programs helped children develop proper values while exploring nature, and strengthened the bond between employees and their children.

We have established a multidimensional employee satisfaction evaluation system to systematically collect employees’ needs, preferences, and feedback for continuous improvements in our administrative services and management. This year, we conducted an overall employee satisfaction survey and a well-being symposium, with the average satisfaction score increasing from 8.8 to 9.1. Notably, 73.3% of employees rated their satisfaction at 9 or above. Additionally, in 2024, Xiaomi Corporation was honored with the Best Happiness Enterprise award, jointly presented by *The Economic Observer* and FESCO to recognize our outstanding achievements in corporate culture, employee benefits, and work environment.

Sustainable Supply Chain

We are committed to building an efficient, transparent, and responsible supply chain. While ensuring stable supply, we actively integrate sustainability principles into supplier management and empower our partners to enhance their performance in labor rights, low-carbon practices and environmental protection, health and safety, and business ethics, thereby strengthening supply chain resilience. In 2024, the Group was shortlisted as a national-level Green Supply Chain Management Enterprise by the Ministry of Industry and Information Technology and received the ESG Value Chain Leadership Award of the Year from SGS, highlighting our outstanding performance in green supply chain management.

Supply Chain Management System

We have established a well-defined supply chain governance structure. For our smartphone business, we have set up a Purchasing Committee to directly oversee supply chain management affairs. Additionally, we have established a Cost Center, a Delivery Center, and an Operations Center, respectively responsible for supplier engagement, delivery assurance, cost optimization, operational management, and corporate social responsibility (CSR) performance management. For our smart EV business, we have established a Designation Committee and a Production and Sales Committee, working alongside the EV Quality Department to ensure high-quality supplier selection, production ramp-up, supply assurance, quality assessment, and routine reviews. These efforts have enabled Xiaomi EV to achieve remarkable product strength, successfully scaling up monthly deliveries from 7,000 to 25,000 units between April and December 2024.

To achieve lifecycle management of the supply chain, we have established management policies for all stages to ensure compliance and stable operations of the supply chain. We have formulated a series of policies, including the Procurement Agreement, Non-Disclosure Agreement, and Quality Agreement, to define the code of conduct and delivery requirements for suppliers. Additionally, we continuously optimize supply chain practices based on procedural documents such as the Management Review Procedure and Risk Management Procedure, ensuring that supply chain risks remain under control.

To ensure a high compliance level of our global supply chain management, we continuously monitor changes in domestic and international supply chain-related laws, regulations, and industry standards and make proactive responses. In 2024, we identified and adhered to domestic and international regulations such as China's Guidelines for Enhancing Supply Chain Management in Manufacturing Enterprises (for Trial Implementation) and the EU's Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), as well as the IATF 16949, ISO 14001, and ISO 45001 standards, ensuring that our sustainable supply chain management is aligned with pertinent provisions. This year, we also updated our supplier due diligence management system in accordance with the EU's Regulation on Batteries and Waste Batteries, incorporating new compliance investigations on battery sustainability, safety, labeling, and information disclosure.

Tiered and Classified Supplier Management

We classify suppliers into key suppliers⁵², general suppliers, and suppliers to be removed based on quantifiable performance evaluation criteria, including material categories, quality and technology, procurement volume and cost, delivery assurance, and business planning. In this system, we implement targeted and differentiated management strategies. We place particular emphasis on deep collaboration with key suppliers, based on which we foster improvements in supply chain partners in other classes and continuously enhance overall efficiency and resilience.

52 Key suppliers: This includes strategic and core suppliers.

Details of the Group's Classified Supplier Management

Supplier Class	Management Methods
Key Suppliers	<ul style="list-style-type: none"> • Develop annual communication strategies for purchase and technology plans • Communicate on technology planning • Strengthen strategic cooperation and coordinated development • Conduct monthly or quarterly performance assessments and address areas for improvement • Generate monthly reports analyzing competitive dynamics • Hold quarterly business review meetings • Maintain regular business communication and issue resolution
General Suppliers	<ul style="list-style-type: none"> • Develop annual purchase plans • Conduct monthly or quarterly performance assessments and address areas for improvement • Maintain regular business communication and issue resolution
Suppliers to Be Removed	<ul style="list-style-type: none"> • Maintain regular business communication and issue resolution • Evaluate risks and develop removal plans

We are deeply engaged in the management of Tier-1 suppliers while progressively influencing and overseeing Tier-2 and upper-stream raw material suppliers. In addition to the aforementioned management measures, we have established and enforced a tiered CSR management system and a tiered carbon management system for suppliers at different classes. The CSR management measures we adopt are outlined in the table below. For details on our tiered carbon management system for suppliers, please refer to the "Climate Mitigation and Adaptation" section of this report.

	Tier-2 Suppliers ⁵³		
	Tier-1 Suppliers	Key Tier-2 Suppliers	General Tier-2 Suppliers
Sign the Xiaomi Corporation Supplier Corporate Social Responsibility Agreement upon onboarding	√	√	√
Must undergo annual CSR risk assessments	√	√	×
Undergo on-site audits according to the CSR risk assessment results	√	√	×

53 Tier-2 suppliers: Suppliers that provide components to Tier-1 suppliers. Based on the importance of the components, Tier-2 suppliers are further classified into key Tier-2 suppliers and general Tier-2 suppliers.

Digital Supply Chain Management System

We leverage our scale and technological advantages in the consumer electronics industry to continuously enhance our supply chain's operational efficiency. Based on this, we collaborated with universities to develop the "end-to-end" digital supply chain management system, integrating all supply chain nodes and implementing intelligent barcode technology for "one code for all." This enables digital management for the whole process from the supply end to the consumer end. At the operational level, our digital supply chain management system is equipped with advanced AI technologies, which provides efficient solutions for network planning, inventory and warehouse management, as well as transportation and distribution. Additionally, we have developed an independent Supplier CSR Management module, which supports GHG accounting, wastewater and waste disposal investigations, raw material traceability, and labor management. It significantly enhances the efficiency of CSR risk management throughout the supply chain lifecycle.

Supply Chain Risk Management

To ensure the stability and sustainability of our supply chain, we have established a systematic supply chain risk management framework. With a comprehensive management process comprised of supplier selection, audits on paper and on-site, issue rectification, and suspension and exit, we minimize potential risks and mitigate their negative impacts to the greatest extent. Additionally, we implement a sound reward and penalty system along with grievance and whistleblowing channels to encourage suppliers to identify potential risks and drive proactive solutions, together fostering a high-quality and resilient supply chain.

Supplier Code of Conduct

We remain committed to building a responsible and sustainable supply chain and aligning with international standards. In March 2025, we officially joined the Responsible Business Alliance (RBA)⁵⁴. As an RBA member, we fully support its vision and objectives and are dedicated to implementing the responsible business standards outlined in the RBA Code of Conduct.

Based on the RBA Code of Conduct and the Joint Audit Cooperation (JAC) Supply Chain Sustainability Guidelines, we have issued the Xiaomi Corporation Supplier Social Responsibility Code of Conduct⁵⁵, with reference to the OECD Guidelines for Multinational Enterprises, the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Convention on the Rights of the Child. Our code outlines clear management policies regarding labor rights and human rights protection, health and safety, environmental standards, and business ethics. We require suppliers to sign and comply with this code as a prerequisite for cooperation with us.

Supplier Selection and Onboarding

We have established comprehensive and stringent supplier selection and onboarding criteria. When selecting suppliers, we take a holistic approach by considering factors such as their qualifications, quality capabilities, technical strength, potential risks, and CSR performance to ensure that new suppliers align with our strategic objectives and sustainability requirements.

54 The Responsible Business Alliance (RBA) is an international nonprofit organization dedicated to promoting responsible business practices across global supply chains.

55 Please refer to the "Our Reports and Policies" section on the ESG and Sustainability page of the Group's official website.

The Group's Supplier Selection Criteria⁵⁶

Basic Information	Core Competency	No Potential Risks	CSR Performance
<ul style="list-style-type: none"> Corporate qualifications and reputation Business scope and operating regions Key clients Upstream and downstream supply chain enterprises 	<ul style="list-style-type: none"> Technical strength Competitiveness Quality capabilities Process capabilities Cost advantages Sustained delivery assurance 	<ul style="list-style-type: none"> Country-specific risk: e.g., geopolitical factors and regulatory stability Industry-specific risk: e.g., technological barriers or market volatility Product-specific risk: e.g., raw material scarcity or supply instability Financial risk: e.g., the supplier's financial health, including liquidity and debt ratio Operational risk: e.g., legal issues and corporate governance concerns 	<ul style="list-style-type: none"> Compliance with the Xiaomi Corporation Supplier Social Responsibility Code of Conduct <ul style="list-style-type: none"> Sign the Xiaomi Corporation Supplier Corporate Social Responsibility Agreement Adhere to national and international regulations Establish and implement management systems: Develop, regularly review, maintain, and effectively enforce policies concerning environmental protection, occupational health and safety, business ethics, and hazardous substance control Supply chain transparency: Suppliers must ensure supply chain transparency and submit relevant reports Compliance with the Xiaomi Corporation Conflict Minerals Policy <ul style="list-style-type: none"> Suppliers must not use tin, tantalum, tungsten, gold (3TG), cobalt, or mica sourced from conflict-affected regions in their products Suppliers shall assist Xiaomi in supervising smelters and refiners Suppliers shall support Xiaomi in due diligence on smelters and refiners Suppliers shall conduct independent third-party audits on smelters and refiners, report corrective actions, and ensure continuous tracking until issues are resolved Suppliers shall require their upstream suppliers to implement responsible mineral management practices to ensure transparency and traceability of minerals

56 The content displayed in the table represents only a portion of the selection criteria.

In the process of supplier onboarding, we require new suppliers to submit relevant materials in our digital supply chain management system, sign documents such as the Purchase Agreement, Non-Disclosure Agreement, Integrity Agreement, Quality Agreement, and Supplier Corporate Social Responsibility Agreement, and undergo our on-site audit or complete the RBA VAP⁵⁷ audit. If critical issues are identified during the onboarding audit (such as DPF⁵⁸ in the RBA VAP or Xiaomi's CSR red-line issues⁵⁹), the supplier must complete rectifications before onboarding.

Supply Chain Audits

We conduct supplier audits in various forms, including comprehensive written audits, regular annual audits, and irregular spot checks, to ensure their practices align with our purchase requirements. After the audit, we supervise suppliers to immediately carry out corrective actions based on the review results. Suppliers who fail to meet our requirements within the specified timeframe will trigger the exit mechanism.

Audit Scope and Forms

Our supply chain audits cover all Tier-1 suppliers, key Tier-2 suppliers, and select Tier-3 raw material suppliers, aiming to drive collective progress toward sustainable development goals through comprehensive supply chain audits.

Our supplier audits are divided into two categories: written and on-site. The written audit covers all Tier-1 and key Tier-2 suppliers, requiring them to upload relevant qualification documents to our digital supply chain system to ensure basic compliance. Based on the results of the written audit, we conduct on-site audits for suppliers identified as high-risk, onboarding suppliers, and qualified suppliers expanding their business or product categories. These audits, carried out through the collaboration among the business, quality, and R&D departments, cover various aspects, including supplier qualifications, production quality, R&D capabilities, process standards, and CSR management systems, ensuring comprehensive and rigorous evaluation results.

For key suppliers and critical processes, we also implement an unannounced inspection mechanism and conduct irregular spot checks to assess suppliers' problem-solving capabilities, process execution, production line operations, and other specific areas to ensure production stability.

57 RBA VAP: Validated Audit Process. The RBA VAP refers to the certification audit conducted by the RBA, typically initiated by customers or based on customer requirements. The audit covers labor, health and safety, ethics, environment, and management systems.

58 DPF: Disqualifying Priority Findings, which refers to priority non-conformity findings in the RBA VAP audit.

59 CSR red-line issues: Key breach behaviors set based on the Xiaomi Corporation Supplier Corporate Social Responsibility Agreement, including 16 specific clauses across five dimensions: policy compliance, labor, occupational health and safety, environment, and business ethics.

Case: Supply Chain CSR Audit

Our supply chain CSR audits are managed in accordance with the Group's requirements for both written and on-site audits.

For written audits, we have developed a supplier CSR assessment tool based on the Xiaomi Corporation Supplier Social Responsibility Code of Conduct. The tool evaluates suppliers across multiple dimensions, including social responsibility management, environmental risks, health and safety risks, and business ethics, with each dimension scored from two perspectives: compliance and system soundness. A higher score indicates a higher risk level, and suppliers are classified as high, medium, or low risk based on predefined thresholds.

For on-site audits, we collaborate with independent certified third-party institutions to conduct compliance and CSR audits. These audits involve reviewing compliance and system documents, on-site inspections of production facilities, and interviews with employees and management to assess multiple aspects of CSR performance, including the status of environmental and safety certifications, the protection mechanisms of labor rights and well-being, and the completeness of the business integrity management system.

Audit Results and Rectification

In 2024, we completed on-site audits for a total of 611 suppliers, including 299 in the smartphones business, 149 in the smart EV business, and 137 in the smart home appliances business. All identified issues from the audits have been rectified.

We have established a robust rectification mechanism and provide remote and on-site support to assist suppliers in implementing improvements. Suppliers are required to promptly address any issues identified during supply chain audits and assume joint supervisory responsibility. If a Tier-2 supplier encounters issues, we require its Tier-1 supplier to collaborate with them in developing rectification measures.

1. **Immediate Correction:** For issues identified during on-site audits that can be addressed immediately, we provide on-site guidance to ensure immediate resolution and a closed-loop corrective process.
2. **Rectification Plan:** For issues that cannot be immediately resolved, we issue a formal audit report along with rectification recommendations. Suppliers are required to develop a rectification plan using our designated template. For red-line issues and other issues, we provide a rectification window of one month and four months, respectively. Suppliers must report their progress weekly and submit supporting documentation.
3. **Internal Alignment:** The audit report and rectification plan are shared with relevant supply chain departments to ensure transparency in rectification progress and to coordinate resources for improvement when necessary.
4. **Targeted Support:** We provide regular communication and technical support to suppliers facing difficulties in rectification, helping them resolve issues and enhance their management capabilities.
5. **Termination of Cooperation:** Suppliers that fail to complete rectification within the specified timeframe will be given one additional opportunity. If they still fail to comply, we will consider terminating our cooperation with them.

Case: Supplier Environmental Issue Rectification Practice

In 2024, during an on-site CSR audit of Supplier A, we identified a red-line environmental issue due to the absence of required air pollution control facilities in accordance with environmental impact assessment regulations. We immediately highlighted the severity of the issue and provided guidance on regulatory compliance, including facility installation locations, treatment processes, and emissions testing requirements. Following the audit, the supplier promptly engaged an environmental equipment company for procurement and installation and submitted rectification evidence. During our follow-up review, we confirmed that the red-line issue had been fully rectified.

Case: Supplier Labor Issue Rectification Practice

This year, during an on-site CSR audit of Supplier B, we identified underage workers⁶⁰ working overtime, triggering a red-line issue under the Group's labor standards. We communicated our red-line policy to the supplier, provided a detailed explanation of pertinent labor regulations of China, and emphasized our strong commitment to human rights protection. We required the supplier to establish and enforce policies prohibiting overtime for underage workers and to formally commit to preventing such incidents in the future. During the rectification period, the supplier continuously submitted employee records for verification. In our follow-up audit, we confirmed that the issue had been fully rectified.

Supplier Evaluation and Removal

We implement a comprehensive performance evaluation mechanism for all suppliers, assessing key dimensions such as material quality, delivery timelines, price competitiveness, R&D capabilities, communication efficiency, and CSR performance. The evaluation is conducted through cross-departmental collaboration, with scoring weights precisely assigned based on each dimension's significance to supply chain stability and development. Supplier performance results are categorized into four levels: Excellent, Good, To Be Improved, and Failed. Based on these results, we adopt a differentiated management strategy and establish a Red-Yellow Light management model:

- **Yellow Light Triggers**
 - o A "To Be Improved" rating for three consecutive evaluations.
 - o A single "Failed" rating.
 - o Other special cases identified by our departments that require Yellow Light management.
- **Red Light Triggers**
 - o Breaching our red-line policies related to confidentiality, integrity, quality, or CSR.
 - o A Yellow Light supplier receives another "To Be Improved" or "Failed" rating within the rectification period (three months).

⁶⁰ Underage workers: This refers to laborers who are at least 16 years old but under 18 years old (in China), or those who are above the minimum employment age in the country/region where the supplier produces for the Group but have not yet reached the legal adult age.

We implement a rigorous supplier audit system and a suspension and exit mechanism for suppliers that repeatedly fail to meet performance evaluation standards. For Red-Light suppliers, we provide a three-month rectification period. If they receive another “To Be Improved” and “Failed” rating during this period or violate other red-line standards, we will consider revoking their qualified supplier status and terminating cooperation. For suppliers that encounter issues during CSR risk assessments or on-site audits but refuse or fail to complete rectifications within the stipulated timeframe, we will also consider terminating cooperation to uphold the sustainability of the supply chain.

In our smartphone supply chain audits in 2024, two suppliers were disqualified from cooperation due to their failure to rectify multiple red-line issues related to environmental protection, health and safety, fire safety, and the DPF issues identified in the RBA VAP audit.

Grievance and Reporting Channels

We actively listen to suppliers’ opinions and suggestions, aiming to enhance our supplier management system’s efficiency. To expand complaint channels for the supply chain, we have established an open reporting window on the Xiaomi Corporation Integrity and Compliance Platform. Additionally, we provide protective measures for suppliers’ employees, aiming to create a more welcoming and inclusive work environment. For industry or external complaints, we specify contact information in the Xiaomi Corporation Supplier Social Responsibility Code of Conduct. We also require all stakeholders to sign contracts to ensure compliance and transparency.

Supplier Incentive Mechanism

Each year, we conduct a comprehensive performance evaluation of our suppliers to identify outstanding contributors to our business growth and recognize and reward them at our supplier conference. In January 2024, seven suppliers were honored with Xiaomi’s Best Sustainability Partner award for their exemplary ESG practices. Additionally, at this year’s Ten-Million Cash Quality Award event, we recognized suppliers that demonstrated exceptional performance during the quality development phase of Xiaomi SU7, encouraging all suppliers to strive for excellence in quality. A total of 185 suppliers were invited to the event.

Responsible Minerals

We are committed to responsibly purchasing raw materials, considering the respect and protection of human rights as our top priority, and avoiding financing conflict regions. We maintain a zero-tolerance policy toward human rights violations arising from mineral extraction and processing. Additionally, we ensure that the purchase of minerals related to our products, such as 3TG, cobalt, and mica, complies with the Xiaomi Corporation Conflict Minerals Policy, preventing financial support to armed groups in the Democratic Republic of the Congo (DRC) and its neighboring countries while safeguarding the fundamental health and safety of mining workers.

Conflict Minerals Due Diligence

We are committed to ensuring that our products do not contain minerals sourced from conflict-affected and high-risk areas (CAHRAs). Our supply chain strictly adheres to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the smelter audit program of the Conflict-Free Sourcing Initiative (CFSI), and the Responsible Minerals Initiative (RMI) jointly launched by the RBA and the Global enabling Sustainability Initiative (GeSI).

In accordance with the Xiaomi Corporation Conflict Minerals Policy, we conduct annual due diligence and maintain an extensive supply chain traceability program to trace the sources of 3TG, cobalt, and mica in our smartphones, tablet batteries and other electronic products. We track and monitor suppliers’ mineral usage, ensuring that our supply chain does not involve minerals from CAHRAs. We require suppliers to establish conflict minerals policies, conduct origin investigations, actively cooperate with upstream supply chains, and provide supplementary evidence or undergo special audits when necessary. Currently, the Group monitors the sources of six minerals, including 3TG, cobalt, and mica, and plans to expand the scope of monitored minerals in 2025 to further strengthen conflict minerals management.

- **Due Diligence Scope**

Our conflict minerals due diligence covers Tier-1 and 2 suppliers. It includes, but is not limited to:

- o Information on smelters or refiners reported using the Group's conflict minerals management template, the Conflict Minerals Reporting Template (CMRT), or the Extended Minerals Reporting Template (EMRT).
- o The number of smelters or refiners in compliance with the Responsible Minerals Assurance Process (RMAP).
- o The categories of components supplied to the Group by the supplier.
- o Whether the supplier's products contain 3TG, cobalt, or mica.
- o Whether the raw materials in the supplier's products come from CAHRAs.
- o The proportion of suppliers in the supplier's supply chain that have disclosed conflict minerals information.
- o Whether the supplier has a responsible minerals purchasing policy.
- o Whether the supplier's responsible minerals purchasing policy is publicly disclosed.

- **Due Diligence Procedures**

- o **Policy and Procedure Establishment:** Establish and develop a Conflict Minerals policy, due diligence procedures, and safeguard measures, define the roles and responsibilities of internal personnel, and revise them from time to time in light of changes in applicable laws and the industry.
- o **Risk Identification and Response:** Identify the high-risk areas in the supply chain and develop risk remediation plans to ensure legal remedies for affected stakeholders.
- o **Supplier Due Diligence:** Require suppliers to submit reports in accordance with the CMRT/EMRT or similar standards on an annual basis and undertake the relevant certification process for smelters and refiners if necessary.
- o **Result Analysis and Information Disclosure:** Analyze the due diligence results reported by the suppliers to ensure compliance in mineral sourcing; disclose the list of smelters and refiners to increase transparency.
- o **Monitoring and Assessment:** Continuously monitor supplier risk tolerance and the implementation of risk mitigation measures.
- o **Communication and Training:** Provide training on Conflict Minerals Policy and due diligence for our employees and suppliers and establish communication channels for stakeholders.

- **Due Diligence Results**

This year, we conducted conflict minerals due diligence for Tier-1 suppliers and some Tier-2 suppliers, achieving a 100% response rate from suppliers, which allowed us to fully understand the conflict minerals usage in all component categories. In the due diligence of the smartphone supply chain in 2024, we identified 402 upstream smelters or refiners from 52 countries and regions worldwide, with the RMAP certification status shown in the table below. For smelters/refiners without certification, we implemented origin traceability measures, requiring suppliers to conduct due diligence through their upstream chain and assist in promoting certification completion for the smelters/refiners. If necessary, cooperation may be suspended with smelters/refineries that do not meet the requirements to ensure that our products do not contain minerals from CAHRAs. Additionally, 62.17% of suppliers in the smartphone supply chain have publicly disclosed their conflict minerals purchasing policies.

RMAP Certification Status of Smelters/Refiners in the Group's Supply Chain in 2024

Metal	Proportion of Smelters/ Refiners Certified as RMAP		Proportion of Smelters/Refiners Certified as RMAP Conformant
	Number of Smelters/ Refiners	Conformant	or in Non-CAHRAs
Tin	84	82.14%	98.81%
Tantalum	35	97.14%	100%
Tungsten	49	67.35%	100%
Gold	168	54.17%	100%
Cobalt	65	66.15%	96.92%
Mica	1	100%	100%

Supply Chain Empowerment

In 2024, we continued to strengthen collaboration with suppliers and advanced supplier ESG capacity-building initiatives focused on sustainability. We engaged with key suppliers on topics such as carbon reduction management, occupational health and safety, labor rights, business ethics, and supply chain management through communication, empowerment, and project cooperation. Additionally, we regularly organized training sessions for employees in key supply chain positions to enhance their ability to support ESG empowerment initiatives within the supply chain.

Quality Capability Building

We regularly provide domestic and international suppliers with specialized quality capability-building training in the forms of quality lectures, skill competitions, and improvement workshops. In 2024, our smartphone supply chain team conducted a specialized quality training program for a supplier in India to support the enhancement of its quality personnel's management capabilities and ensure consistent product quality. A total of 2,253 participants attended the training.

EHS and Carbon Management Training

This year, we conducted value chain empowerment training for the smartphone, smart TV, and automotive electronics business, providing suppliers with insights into EHS management and carbon management pathways. Several key Tier-1 suppliers participated in the training, and over 70% of trainees reported that the program enhanced their understanding of EHS, carbon reduction management, and other topics.

CSR Management Capability Enhancement

We have launched a "Supplier CSR Management" module in our supply chain management system, where we offer training courses and materials to provide suppliers with an accessible knowledge base and enhance their CSR management capabilities. Additionally, for CSR issues identified during audits, we leverage the supply chain management system to maintain continuous and close online communication with suppliers and provide regular guidance for them in addressing issues and improving their management.

Annual Supplier Conference

We hold an annual supplier conference, using it as a key platform to showcase our ESG achievements, conduct supplier training, and communicate new supplier audit requirements. This year, we hosted the Global Core Supplier Conference under the theme "A New Beginning," where we encouraged suppliers to set their own carbon reduction targets. Nearly 300 suppliers attended the event.

Community Engagement

Our mission is to build "amazing products with honest prices," and we remain committed to giving back to society with sincerity, inspiring positive change, and leading social initiatives for good. Insightful into societal needs, we nurture sci-tech innovation talents, promote the development of local community, and assist vulnerable groups in education. Through these efforts, we strive to bridge social gaps and help everyone access education equally, and enjoy a better life through innovative technology.

Sci-Tech Talent Support

For the mission of "empowering public welfare development with technology and promoting technological innovation with public welfare," we focus on providing a continuous source of motivation for cultivating university students and young innovators, helping technological innovation and driving industrial transformation. Over the past five years, we have planned to donate more than RMB 1.7 billion yuan. As of the end of 2024, we had provided support for 65 universities nationwide, funded 13,541 students and 805 young scholars. Additionally, we partner with 135 charitable organizations to further share educational resources and advance public welfare initiatives.

Empowering Sci-Tech Innovation Research

- **NSFC Basic Research of Young Students:** In 2024, through the Xiaomi Foundation, we donated RMB100 million to the National Natural Science Foundation of China (NSFC) to launch the NSFC Basic Research of Young Students program to support undergraduate students in basic research. This initiative aims to provide early-stage funding, identify and nurture young researchers, and foster innovation from the ground up. This year, the program funded 141 outstanding young students.
- **Beijing Natural Science Foundation-Xiaomi Innovation Joint Fund:** To support basic research in AI, electronic information, and smart manufacturing, we donated RMB500 million to the Office of the Beijing Natural Science Foundation in 2022 to establish the Beijing Natural Science Foundation-Xiaomi Innovation Joint Fund. As of the end of 2024, the program had funded 111 research projects with a total project budget exceeding RMB160 million, attracting nearly 100 national-level talents among the applicants.

- **Tsinghua University Xiaomi Innovation Future Special Fund and Peking University Xiaomi Innovation Development Fund:** Through the Xiaomi Foundation, we donated for the establishment of the Tsinghua University Xiaomi Innovation Future Special Fund to support cutting-edge scientific research and innovation talent development in fields such as the AI industry and healthcare. In 2024, the fund launched six research projects in disciplines such as electronics, software, and automation. Additionally, our Peking University Xiaomi Innovation Development Fund supported 14 research projects throughout the year, organized one academic symposium and four large-scale student events, and provided substantial support for pioneering research and technological innovation.

Contributing to Professional Training

- **Xiaomi Scholarship and Grants:** In 2020, we launched the Xiaomi Scholarship and Grants program to support undergraduate and master's students in completing their studies while contributing to the development of Chinese universities and the cultivation of technological talent. By the end of 2024, the program had expanded to 60 universities and provided financial assistance to a total of 12,000 students. This year, we invited 60 recipients from 60 universities across the country to participate in the Xiaomi Foundation's fifth-anniversary student development parallel forum, where they engaged in face-to-face discussions with leading technology experts.
- **Xiaomi Young Scholars:** We have allocated RMB500 million to establish the Xiaomi Young Scholars program, aimed at supporting young teachers and researchers in the fields of computer science, electronics, and communications. The program is designed to provide stable support to young scholars who have demonstrated outstanding achievements in scientific research and possess significant innovation potential. By the end of 2024, the program had funded over 800 young scholars across 30 universities. This year, we organized seven Xiaomi Young Scholars Salons, hosted at Xiaomi's smartphone division in Beijing, the major appliance division in Nanjing, the smartphone R&D division in Shanghai, as well as in Wuhan and Xi'an.

Community Volunteering

We have built a diverse public welfare platform and volunteer team, leveraging the participation of our employees and Xiaomi Fans to unite efforts from various sectors and expand the impact of volunteer services and public welfare initiatives. In 2024, we organized 39 employee volunteer activities, with a total of 171 volunteers participating. Collectively, they contributed 7,783 hours of volunteer service throughout the year.

Additionally, the Xiaomi Fundraising Platform for Charities organizes the Xiaomi Fans Charity Month annually. By the end of 2024, the online campaign, featuring paired donation, blind box games, photography competitions, and other activities, attracted a broad participation of 580,000 users. Offline, 70 events were held across 25 cities, covering various areas such as support for people with intellectual disabilities, environmental protection, and emergency training, with over 2,000 Xiaomi Fans volunteers involved in total.

Agricultural Assistance: A New Model of Rural Revitalization

As an innovative contributor to the rural economy, we have strategically planned and launched rural revitalization volunteer projects across multiple locations nationwide. These projects focus on fostering economic and social progress in various villages while continuously exploring new models of rural governance.

- **Foodie Club: Supporting the Rural Economy**

We are committed to supporting and benefitting farmers by promoting the cultivation and sale of natural and healthy agricultural products. Since its inception, the Xiaomi Agricultural Assistance Foodie Club has launched 34 agricultural products, including 26 new products in 2024. Our efforts have effectively helped address issues of unsold agricultural goods in rural areas while expanding market opportunities for local farmers. This year, we further innovated by introducing the Food Club Flagship, collaborating with four other Food Clubs to organize farm visits and educational activities. These programs stimulated the farm-based economy, attracting nearly a thousand participants throughout the year.

- **Bonds in the Village: Advancing Urban-Rural Integration**

In 2024, we deepened our Visual Nanping volunteer program to support rural cultural development in Nanping Village. By leveraging its unique ancient architectural heritage and agricultural product resources, we helped drive a new rural economy, encouraging young people to return home and start their own business and contribute to rural revitalization. By the end of 2024, our events, including Visual Nanping: Nanshan Market and Visual Nanping: Rice Planting Festival 2024, had attracted over 300,000 visitors, boosting the village's collective operating income to RMB793,200, a 27% year-over-year increase. Additionally, we nurtured 40 professionals for rural revitalization and "village agents." Furthermore, we evolved Visual Nanping into Bonds in the Village, expanding its reach to villages in Beijing's Huairou District, Ningxia, Xinjiang, and Inner Mongolia. In Ertai Village, Huairou District, we explored the village's unique attributes to establish the "Spring Bay" IP and hosted two Spring Bay Artisan Residency Programs that enhanced the local tourism value chain. We also fostered collaboration among the "Three Rural Groups" (new villagers, returning villagers, and native villagers) in Ertai, strengthening the village's ecological community. In recognition of our efforts, Liulimiao Town in Huairou District awarded Xiaomi Corporation the Special Contribution Award for Rural Revitalization.

Educational Assistance: A New Mission for Young People

For educational assistance, we have launched a series of programs designed to enhance young people's comprehensive competence and career awareness, aiming to provide holistic growth support, inspire career aspirations, and strengthen academic abilities for them.

- **Technology Exploration Education Practice Program: Expanding Technological Horizons**

This year, our Youth Volunteer Team launched the Technology Career Exploration Education Practice Program, aimed at enhancing primary and secondary school students' awareness of next-generation science and technology through hands-on learning, company visits, and expert lectures, while further sparking young people's aspirations in technology. Over the past year, we conducted nearly 20 technology exploration sessions nationwide, attracting over 1,000 students with a total of 210 learning hours.

- **Xiaomi India's Higher Education Program: Empowering Youth with Disabilities**

In 2024, Xiaomi India partnered with the Samarathanam Trust for the Disabled to launch a Higher Education Program (HEP), aiming to provide transformative educational opportunities for youth with disabilities and those from underprivileged backgrounds. The program underscores the role of education in driving social change and empowering marginalized communities. It has provided financial assistance to 138 participants, helping economically disadvantaged youth with disabilities gain admission to prestigious institutions and access inclusive, barrier-free higher education, breaking down financial and physical barriers to learning.

- **Xiaomi Europe's International Girls in ICT Day Event: Inspiring Young Women in STEM⁶¹**

To celebrate the International Girls in Information and Communication Technology (ICT) Day, we hosted open days in Italy, Germany, and Spain from April to May 2024. At these events, we presented over 30 female high school students to Xiaomi's smart products, careers in the ICT sector, generative AI, and IoT technologies, aiming to inspire confidence and equip them with the skills to pursue STEM careers. Through this initiative, we fostered diversity and equality in the information and communications technology industry.

Charitable Donations

We actively engage in social welfare initiatives and continuously expand our charitable donation programs in education support, and post-disaster reconstruction. Through diverse forms of donations, we extend care and support across the country, providing assistance to more disadvantaged groups.

Xiaomi Library

Since 2019, the Xiaomi Foundation has supported the Xiaomi Library project for six consecutive years, with a total funding of RMB1.515 million, providing financial and material support to areas with limited educational resources. In 2024, the project donated nearly RMB900,000 in funds and materials, including RMB350,000 for book purchases and teaching equipment upgrades for the new Xiaomi Library in Hetian, Xinjiang. Additionally, donations included laptops, calligraphy supplies, clothing, and other supplies, benefiting four local primary schools and 14,000 students. As of the end of the reporting period, the project has established 43 Xiaomi Libraries, 23 Xiaomi Calligraphy Classrooms, and three Xiaomi Music Classrooms across Xinjiang, Xizang, Yunnan, Guizhou, and Beijing, with cumulative funding and supply contributions amounting to nearly RMB6 million.

Emergency Post-Disaster Assistance

Over the past five years since its establishment, the Xiaomi Foundation has accumulated extensive experience in post-disaster relief and emergency response, enabling it to swiftly mobilize emergency teams, coordinate resources, and respond promptly to crises. As of the end of 2024, our public welfare efforts reached 26 provinces across China, with total donations exceeding RMB160 million to support relief and post-disaster reconstruction for earthquakes, floods, and other emergencies. Additionally, the Group's service team has established a special care policy for natural disasters. In response to the severe flooding caused by continuous heavy rainfall in July 2024 and the impact of Typhoon Yagi in September, we provided free inspection and repair services for damaged smartphones, TVs, air conditioners, refrigerators, washing machines, and smart locks, helping affected residents restore normalcy and alleviate post-disaster hardships.

Internationally, we also actively participate in post-disaster relief efforts. In 2024, extreme weather events damaged the teaching facilities of Bula National High School in the Philippines, disrupting learning for students and teachers. We responded swiftly by donating Xiaomi ecosystem products worth US\$7,660, including tablets, smart TVs, air purifiers, and smart bulbs. Additionally, we allocated US\$19,130 for post-disaster classroom repairs and the installation of equipment for the computer lab, ensuring the timely resumption of classes and benefiting 2,311 students.

61 STEM: The acronym for Science, Technology, Engineering, and Mathematics, which can be used to refer to all science and engineering disciplines.

Governance for Stability and Compliance for Rigorousness

At Xiaomi Corporation, we adhere to legal and compliant operations, uphold business ethics, and combat corruption in our corporate governance practices over the long run. We stay committed to technological fields that offer lasting value to human civilization and maintain long-term, continuous investment. At the same time, we attend to the demands of stakeholders, actively identify issues of double materiality to the Group, and prioritize them in our sustainable management and disclosure. Our efforts also extend to continually enhancing governance transparency and accountability.

Corporate Governance

We comply with applicable national laws and regulations, as well as the HKEx Listing Rules and other regulatory mandates. With efficient corporate governance, we safeguard the interests of all stakeholders and ensure that the management team operates in accordance with the highest ethical and responsibility standards. The Board of Directors, as the core governance body, assumes ultimate responsibility for the outcomes of material issue management at the Group. It also oversees the work of the CEO and senior management team and regularly reviews and adjusts governance practices, guiding the Group toward long-term sustainable development.

Board Governance

The Board of Directors (the “Board”) is Xiaomi Group’s permanent decision-making body, with four specialized committees: the Audit Committee, the Corporate Governance Committee (CGC), the Nomination Committee, and the Remuneration Committee. The composition of the Board gives full consideration to independence, diverse backgrounds, and professional capabilities to ensure that all Directors are capable of effectively performing their supervisory and decision-making responsibilities. During the reporting period, we appointed a female independent director and two female executives, thus further diversifying our corporate governance structure. For more information about our corporate governance principles, practices, and performance, please refer to the “Corporate Governance Report” section of our annual report.

- **Board Effectiveness**

The Board meets regularly to ensure efficient operations and to play a guiding and decision-making role in key matters such as corporate governance and strategic direction. In accordance with the HKEx Corporate Governance Code and pertinent internal governance documents, the Board holds at least four meetings annually. Such meetings follow clear guidelines, including appropriate notice timing, agenda setting, and attendance requirements, to ensure their effectiveness and transparency. In 2024, the Board held four meetings, with a 100% attendance rate by Directors.

To ensure that the Board remains up-to-date and operates effectively, each Director is subject to retirement by rotation at least once every three years in accordance with the HKEx Listing Rules and the Eighteenth Amended and Restated Memorandum and Articles of Association of Xiaomi Corporation. Additionally, we have established the Nomination Policy of Xiaomi Corporation to standardize the process of selecting Board members and ensure the appointment of outstanding candidates who possess the capability to fulfill their duties and align with shareholder interests.

- **Board Independence**

At Xiaomi Corporation, we observe the principle of Board independence. Throughout the reporting period, the Board met the requirements of the HKEx Listing Rules regarding the appointment of at least three independent non-executive Directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Moreover, the Board always provides transparency to the investor community. Board members are not related to each other. The independent non-executive Directors of the Group are clearly identified in all corporate communications containing the names of the Directors. For detailed information about the list, biographies, roles, and responsibilities of Xiaomi Corporation's Board members, please refer to the "Report of the Board of Directors" section in the annual report and the "Board of Directors" page on the Xiaomi Corporation's website (<https://ir.mi.com/corporate-information/board-of-directors>).

- **Board Diversity**

At Xiaomi Corporation, we recognize the importance of Board diversity in boosting the Group's diversity and inclusion and maintaining its competitive advantage. Therefore, we have developed and adopted the Board Diversity Policy. Pursuant to the policy, when reviewing and assessing the Board composition, the Nomination Committee shall consider a number of aspects, including gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The committee shall also periodically review the implementation of the Board Diversity Policy.

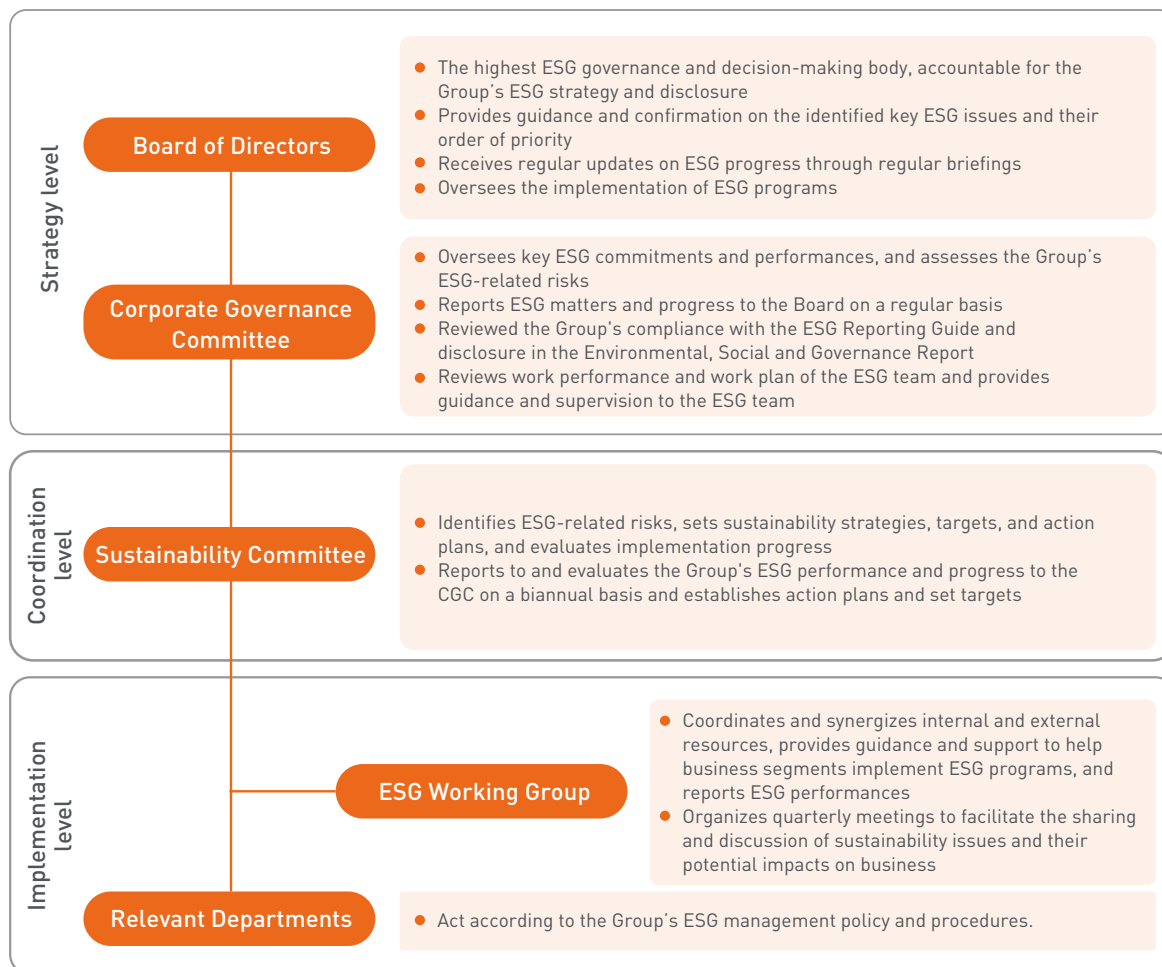
At the beginning of 2024, Ms. Cai Jinqing was appointed as an independent non-executive Director, further enhancing the gender diversity of the Group's Board membership. Our incumbent Directors are from a diverse age group with a balanced mix of knowledge and skills, including knowledge and experience in the areas of computer science, engineering, business administration, human resources, finance, and corporate governance. These characteristics also ensure diversity in the Board's governance capabilities.

ESG Governance System

We are committed to driving the sustainable development of the Group with a robust ESG governance framework and identifying and addressing ESG risks under an efficient risk management mechanism.

The Board and the Corporate Governance Committee oversee the Group's ESG performance and plans, guide and supervise ESG efforts, and review disclosures in ESG reports. The Sustainability Committee, consisting of ESG professionals, identifies ESG-related risks, formulates sustainability strategies, goals, and plans, and reviews implementation results. The committee reports to the Board's Corporate Governance Committee every six months. The ESG Working Group coordinates with relevant operating departments to implement action plans and regularly discuss the progress of sustainability issues and their impact on the business to ensure the Group's long-term stability and growth.

ESG Governance Strategy and Structure



Business Ethics

We uphold compliance and integrity in business and maintain efforts to strengthen business ethics management on our own and our partners. We strictly adhere to laws and regulations on anti-corruption, anti-money laundering, anti-unfair competition, conflict of interest management, and intellectual property protection and have sound management policies in place. To any violations of business ethics, we take a zero-tolerance approach. We are also actively fostering a culture of integrity.

We have established a three-tier business ethics governance framework consisting of the Board, Ethics Committee, and Safety Investigation Department. The Board assumes the highest governance responsibility for business ethics. The Ethics Committee is responsible for business ethics planning, oversight, and training, as well as reviewing and holding accountable any violations. It regularly reports to the Board on anti-corruption and anti-fraud management efforts. At the implementation level, the Safety Investigation Department carries out day-to-day operations. This year, we actively fulfilled our responsibilities in professional ethics promotion, policy refinement, awareness enhancement, conflict of interest assessments, accountability for violations, and complaint management. Additionally, we introduced trade secret management responsibilities to further enhance our business ethics governance system. For more details on Xiaomi Corporation's business ethics, please refer to the ESG and Sustainability page (<https://www.mi.com/csr>) of the Group's website.

Anti-corruption and Anti-bribery

We strictly comply with the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the United Nations Convention against Corruption, and other applicable laws, regulations, and practices of our operating regions. Within the organization, four top prohibitions have been set: strictly forbidding offering and accepting bribery, severely punishing embezzlement, forbidding personnel corruption, and avoiding conflicts of interest. Moreover, several management policies have been introduced, including the Employee Code of Conduct, the Anti-Bribery Management Guidelines, and the Code of Integrity and Anti-Corruption of Xiaomi Corporation, along with compliance requirements for our business partners such as the Code of Conduct for Business Partners, the Business Integrity Agreement, and the Business Integrity Commitment Letter. With a zero-tolerance, full-coverage, and no-exception approach to anti-corruption, we manage and control corrupt conduct of our employees and business partners equally, thus ensuring legal and compliant business practices.

This year, we launched the Onboarding Integrity and Compliance Management initiative, requiring all new employees to sign the Integrity Commitment Letter and watch integrity awareness videos to reinforce anti-corruption and anti-bribery principles. To further enhance integrity education across the Group, we developed training programs tailored to senior management, departments, key positions, and new hires. In 2024, we hosted specialized anti-corruption training for management and organized business risk summary and case study sharing sessions across 27 provincial branches in the Chinese Mainland. These initiatives emphasized the importance of comprehensive anti-corruption education. Additionally, under the Approach to Manage Violation of Business Conduct of Xiaomi Employees, we developed an employee misconduct online dashboard and updating of information on sanctioned personnel for performance evaluations, recognition programs, and promotions. These measures ensure that all employees uphold business ethics and compliance standards.

In 2024, we passed the ISO 37001 Anti-Bribery Management Systems review, further refined our anti-corruption management framework, and prevented and mitigated bribery and corruption risks. Integrity and compliance issues were handled with strict enforcement. During the reporting period, we investigated and concluded 36 corruption cases, of which eight were referred to judicial authorities.

Case: “Do the Right Thing” Integrity and Compliance Campaign

To further strengthen the Group’s professional ethics framework and foster a workplace culture of integrity, the Group’s Ethics Committee launched the “Do the Right Thing” integrity and compliance campaign in 2024. The campaign covered the regional headquarters in the Chinese Mainland as well as key countries and regions, including India, Latin America, and Europe. It featured five key segments, including Xiaomi’s self-produced integrity-themed short film, *Do the Right Thing*. Using realistic business scenarios, the film highlighted potential risk points in various operational practices and encouraged Xiaomi employees to uphold integrity in their work. Additionally, interactive activities at the campaign such as blind-box quizzes, dart games, and mini-table tennis, made compliance education more engaging while promoting an open workplace culture.

Conflicts of Interest Management

We require our employees and business partners to make every effort to avoid conflicts between personal and corporate interests. To this end, we have formulated the Xiaomi Corporation Conflicts of Interest Management Rules and integrated this topic into our compliance training programs. This year, we hosted specialized training sessions for supply chain positions to enhance awareness and management of potential conflicts of interest in critical roles.

Every year from April to June, we organize a dedicated filing process for conflicts of interest. The filing categories include gifts and monetary benefits, entertainment and hospitality, equity holdings in other companies, related-party transactions with Xiaomi, external employment relationships, and relatives working at Xiaomi. Employees with actual or potential conflicts between personal and Xiaomi’s interests (including full-time employees, part-time employees, and interns) may report them through our conflict-of-interest filing system. In 2024, no negative incidents related to conflicts of interest occurred within the Group.

Anti-money Laundering

We strictly comply with the Anti-money Laundering Law of the People’s Republic of China, the Guidelines for the Self-assessment on Risks of Money Laundering and Terrorist Financing of Corporate Financial Institutions, and applicable laws, regulations, and practices of our operating regions. Moreover, we have established the Group’s Basic Management System for Anti-Money Laundering and formed a Countering Terrorist Financing Leadership Group. Our continuous anti-money laundering management efforts include customer identity verification, monitoring of large-amount and suspicious transactions, reporting of suspicious transactions, and anti-money laundering training and promotion.

With a digital information management system, we constantly monitor and assess suspicious transactions and users, as well as investment financing activities. We perform internal anti-money laundering audits by combining system audits and human reviews, which has significantly enhanced the efficiency and accuracy of our audits. In 2024, we conducted a special anti-money laundering audit for our payment business, which found no money laundering activities or related risks. Additionally, we organized four anti-money laundering training sessions for senior management and key positions, with a total training duration of 13 hours. The training covered topics such as anti-money laundering compliance challenges in the banking sector and payment institutions, regulatory requirements for beneficial ownership, and the anti-money laundering responsibilities of the Board of Directors, the Board of Supervisors, and senior management. They enhanced awareness and compliance across management and key positions.

Anti-monopoly and Anti-unfair Competition

We strictly comply with the Anti-Monopoly Law of the People's Republic of China, the Guidelines for Competition Compliance of Undertakings, and pertinent laws and regulations of our operating regions, demonstrating our commitment to competing fairly and openly in the market with innovative products and high-quality services. To comprehensively manage and control anti-monopoly compliance risks both domestically and internationally, we have authorized our legal team to establish anti-monopoly compliance assessment, investigation, and training mechanisms.

For our domestic operations, we have formulated the Anti-Monopoly Compliance Code of Conduct of Xiaomi Corporation to regulate horizontal monopoly behaviors, vertical monopoly behaviors, and abuses of market dominance. Throughout the year, we hosted more than 30 anti-monopoly and anti-unfair competition training sessions for over 1,000 participants. For our international operations, we have introduced the Xiaomi Group International Antitrust Compliance Work Guideline. During the reporting period, we also released country-specific competition law compliance guidelines aligning with the local legal requirements of Vietnam, Thailand, and Indonesia to further enhance compliance in overseas markets. In 2024, we organized 22 anti-monopoly and anti-unfair competition training sessions across Europe, Southeast Asia, India, Latin America, and the Middle East for a total of 678 participants.

This year, we conducted headquarters-level internal audits for anti-monopoly risks in about 40 projects. In Northern and Eastern Europe, we advanced optimization projects for anti-monopoly compliance interviews and compliance mechanisms and carried out a compliance audit in alignment with the EU Digital Services Act (DSA), with no new potential anti-monopoly risks identified throughout the year. In 2024, we did not face any lawsuits or penalties related to major monopoly or unfair competition.

Grievance and Whistleblower Protection

We have established a top-down integrity whistleblowing management mechanism. The Board and the Group's management lead, authorize, and oversee whistleblowing efforts. The Safety Investigation Department, as the central department for global whistleblowing investigations, holds independent investigation powers. Departments such as Human Resources, Legal, IT, Public Relations, and Finance support the investigation process in various aspects. Operating departments shall cooperate with investigations, provide relevant materials, assist interviews, implement disciplinary actions, and address deficiencies. The establishment of a management system for the whole process of whistleblowing investigation and an anti-fraud policy system strengthens our headquarters oversight and enforcement and ensures integrated governance for domestic and overseas markets.

To standardize the whistleblowing management process, we have established policies such as the Whistleblowing Management Regulation and the Whistleblower Protection and Reward Policy, along with a whistleblower reward fund, all aiming to strictly protect the legitimate rights and interests of whistleblowers. Additionally, we implement an online approval process for disciplinary actions, the Xiaomi Whistleblower System⁶², and the Sunshine Xiaomi internal integrity website to monitor and regulate the conduct of our employees and business partners.

Xiaomi Corporation's Whistleblowing Channels:

Email (tousu@xiaomi.com)

Xiaomi Whistleblower System (<https://integrity.mi.com/global>)

⁶² The System accepts reports on the following types of misconduct: offering and acceptance of bribes, illegal offering or acceptance of gifts or hospitality, misappropriation of interests, fraudulent reimbursement, conflicts of interest, financial fraud, violations in financial operations, infringement of trade secrets, information security breaches, unfair competition practices, and intellectual property infringement.

Technology Ethics

We uphold the ethical principles of technology and align with internationally recognized values in the EU's Ethics Guidelines for Trustworthy AI when advancing AI applications. We fully respect the social ethics, cultures, and norms of different regions and place a strong emphasis on inclusivity across multiple dimensions such as gender, beliefs, and age. These principles shape our user-centric product and service system.

The Group has established an AI Ethics Committee and defined our trustworthy AI principles as "security, privacy, compliance, and transparency," which are embedded throughout the entire technology development lifecycle. Additionally, we have implemented an internal AI oversight mechanism, mandating all AI research be exclusively aimed at enhancing user experience in consumer electronics. To minimize potential risks, members of the ethics committee collaborate with business segments to identify risks, develop countermeasures, and monitor their implementation across all stages of AI technology R&D and applications.

We have established multiple AI practice requirements in compliance with pertinent national and regional laws and regulations to ensure the safe and ethical development of products connected to LM algorithms:

- **Security:** We implement diverse security measures and supervisory mechanisms to control and test processes and regularly assess security risks. In this way, we continuously enhance AI's maturity, robustness, and resilience to interference and ensure that AI system can be taken over by humans in time.
- **Privacy:** We adhere to high standards for protecting user privacy throughout the entire lifecycle of AI system, minimize risks during data transmission, and employ various encryption technologies to ensure user data security.
- **Compliance:** All training data⁶³ comes from legitimate sources and undergoes compliance reviews. We also ensure algorithm registration in accordance with international and national laws and regulations and describe training data sources, scale, and types.
- **Transparency:** All processes throughout the entire lifecycle of AI system are recorded to ensure that the decision-making logic behind AI is better understood, thereby enhancing the explainability of the output.
- **Fairness:** Data is collected from diverse sources and scenarios to increase data diversity. It is also cleansed to ensure non-discriminatory and unbiased data. AI technologies must be appropriately calibrated to improve decision-making fairness and equitable resource distribution while minimizing potential algorithmic biases.

⁶³ Training data: Data directly input for model training, including input data during the pre-training, supervised fine-tuning, and reinforcement learning processes.

To ensure that our trustworthy AI principles are put into practice, we have established a sound trustworthiness management system comprised of data protection technologies, standardized processes and regulations, as well as assessment and review mechanisms, under which we provide users with products and services that comply with legal and industry standards. As of the end of the reporting period, operating systems and built-in applications equipped with Xiaomi's trustworthy AI services had passed the review and verification by TrustArc, a global leader in data privacy management. Additionally, we have established assurance mechanisms for user participation, internal audits, and continuous evaluations to ensure the security, privacy, fairness, and explainability of our algorithms and operational processes under various circumstances. For more details on trustworthy AI, please refer to the *Xiaomi Trustworthy AI White Paper*.

Protection of Intellectual Property (IP)

We are committed to innovation-driven development, equally emphasizing innovation and quality. Our IP practices make technological advancements more accessible and inclusive and strongly motivate and secure our innovations. To enhance IP protection, we have established a sound IP policy and system that safeguards our own IP while respecting the rights of others. We also value industry exchanges and collaboration, actively contributing our experience in the global IP domain to support the refinement of IP policies and legal frameworks worldwide with exemplary case studies.

As of the end of the reporting period, we had been granted more than 42,000 patents worldwide. Notably, Xiaomi EV has secured over 1,000 patents for its leading technologies in motors, electronic control, and batteries.

Furthermore, we are committed to comprehensively protecting our brand rights and preventing the misuse, infringement, and counterfeiting of our brands, domain names, and more. In 2024, we removed over 500,000 infringing links in online enforcement on domestic platforms. We also collaborated with customs authorities to efficiently prevent counterfeit goods from entering and exiting markets, resulting in the seizure of more than 270,000 counterfeit items. Additionally, we assisted law enforcement agencies in resolving multiple administrative and criminal anti-counterfeiting cases, resulting in the confiscation of over 640,000 counterfeit products.

Stakeholder Engagement

We actively listen and respond to the expectations of our stakeholders, uphold transparent disclosure, and continuously release updates on our ESG and Sustainability page (<https://www.mi.com/csr>) of the Group's website. We have established effective communication mechanisms and diverse communication channels with stakeholders on material issues to ensure that their opinions and recommendations are being integrated into our decision-making process. We endeavor to strengthen our positive relationships with stakeholders and strive for mutual benefits and win-win outcomes on sustainability issues.

Key Stakeholder	Issues Most Concerned	Main Communication Channels
Users	<ul style="list-style-type: none"> Product and service quality Exploration and accessibility of technology Data security and privacy protection Circular Economy 	Mi Home, product launch events, social media, Xiaomi Fan activities, the official website and applications, product information disclosure, user service channels, complaint and suggestion channels
Shareholders and Investors	<ul style="list-style-type: none"> Sustainable financial performance ESG risk management Corporate governance Stakeholder engagement 	Annual general meetings, investor meetings and events, annual reports/ interim reports, results announcements, the official website, press releases/ notices, surveys, and questionnaires
Employees	<ul style="list-style-type: none"> Employee care and talent nurturing Employee management 	Training, internal office software, internal announcements, employee satisfaction surveys, work communication meetings, the labor union, employee service channels, whistleblowing and reporting mailbox
Suppliers	<ul style="list-style-type: none"> Sustainable supply chain Product and service quality Exploration and accessibility of technology 	Supplier conference, supplier audits, empowerment and training, surveys, dialogue and reporting mechanisms, business and technical collaboration
Operators	<ul style="list-style-type: none"> Product and service quality Data security and privacy protection Sustainable supply chain 	Synergy and collaboration, executive dialogues, sustainability seminars, survey and questionnaire responses, and third-party audits
Regulators	<ul style="list-style-type: none"> Business ethics Waste management Climate mitigation and adaptation Sustainable AI 	Regular inquiries, policy consultations, executive dialogues, reporting procedures, on-site inspections, opinion contributions, meetings and communication with government agencies
Community	<ul style="list-style-type: none"> Community welfare and engagement Stakeholder engagement Biodiversity 	Community impact activities, product launch events, local recruitment, charity works, and social media
International organization and non-governmental organizations (NGOs) and associations	<ul style="list-style-type: none"> Climate mitigation and adaption Community welfare and engagement Biodiversity Natural resources 	Industry conferences, forums and working groups, seminars, project-based collaboration, social media, survey and questionnaire responses
Media	<ul style="list-style-type: none"> Product and service quality Exploration and accessibility of technology Community welfare and engagement 	Product launch events, press releases/ announcements, the official website, social media, media interviews, product trial experience invitations, and media conference calls

Materiality Assessment

Definition and Scope

To address the rapidly changing sustainability demands, we have established a dynamic materiality assessment mechanism to ensure prompt adaptability for emerging issues and to support long-term strategic planning. At the core of this mechanism is the regular review and analysis of material issues, which ensures that our decision-making remains relevant and forward-looking.

In the review and analysis of these issues, we have adhered to the “double materiality” principle. It dictates that if a sustainability issue poses a significant impact on society or the environment, and also on Xiaomi’s strategic goals, value drivers, competitive position, and long-term value creation for shareholders, it will be considered as an issue of high materiality.

We conduct an annual review and analysis of our material issues. Our major stakeholders in this materiality assessment include investors, the Board of Directors, senior management, partners, employees, and other key representatives from internal and external roles and organizations.

Organizational scope and boundaries:

1. Our materiality review and analysis keep a global perspective as well as an eye on operations in specific regions.
2. The review and analysis cover various business segments, including smartphones, the IoT and lifestyle products, Internet services, and smart EV across the Group.
3. We take into account key issues throughout the value chain, including our own operations, the upstream (such as sustainable supply chains), and the downstream (such as waste management and the circular economy).

Identifying Potential Issues

The identification of material issues involves collaboration between the ESG team, the risk management team, and senior management. Through a comprehensive information source review, an extensive list of potential material issues is developed. In this process, the following factors are considered:

- Risks and opportunities at all levels from operating regions to the Group.
- The gap between our practices and the industry's best practices.
- Internal key indicators and cases reflecting business operations and sustainability impacts in the year.
- International conventions, standards, and demands of major regulators, including the Paris Agreement, the Guiding Principles on Business and Human Rights, and the G20/OECD Principles of Corporate Governance.
- International or industry initiatives, such as the Responsible Business Alliance (RBA), the United Nations Global Compact (UNGC), and the United Nations Sustainable Development Goals (SDGs).
- Globally recognized influential sustainability standards, including the GRI Standards issued by the Global Reporting Initiative (GRI), the European Sustainability Reporting Standards (ESRS), the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and the IFRS S2 Climate-related Disclosures (IFRS S2) issued by the International Sustainability Standards Board (ISSB), and Sustainability Accounting Standards Board (SASB) Standards.
- Influential evaluation indices for corporate ESG performance, such as MSCI ESG, S&P Corporate Sustainability Assessment (CSA), and EcoVadis, as well as ESG disclosure frameworks and scoring methodologies, such as that of the Carbon Disclosure Project (CDP).
- More extensive and profound ESG trends and challenges confronting or potentially confronting the globe.
- Media reports on and public opinion analysis of Xiaomi's business.

Surveying, Collating, and Determining Issues and Materiality Assessment

To gain a more comprehensive understanding of material issues, we have developed a systematic process for surveying, collating, identifying, and analyzing material issues, ensuring that our identification is sufficiently extensive and intensive. In this materiality assessment, we focused on identifying stakeholders with significant impact on the Group with special attention to key groups such as investors, users, supply chain partners, and media. The assessment was conducted through questionnaires, on-site visits, key meetings, telephone inquiries, online platform communications, expert reviews, and analysis.

We designed two separate questionnaires to assess impact materiality and financial materiality. By defining and thoroughly explaining each issue, we ensured that stakeholders accurately understood the issues and provided valuable insights for evaluating their materiality.

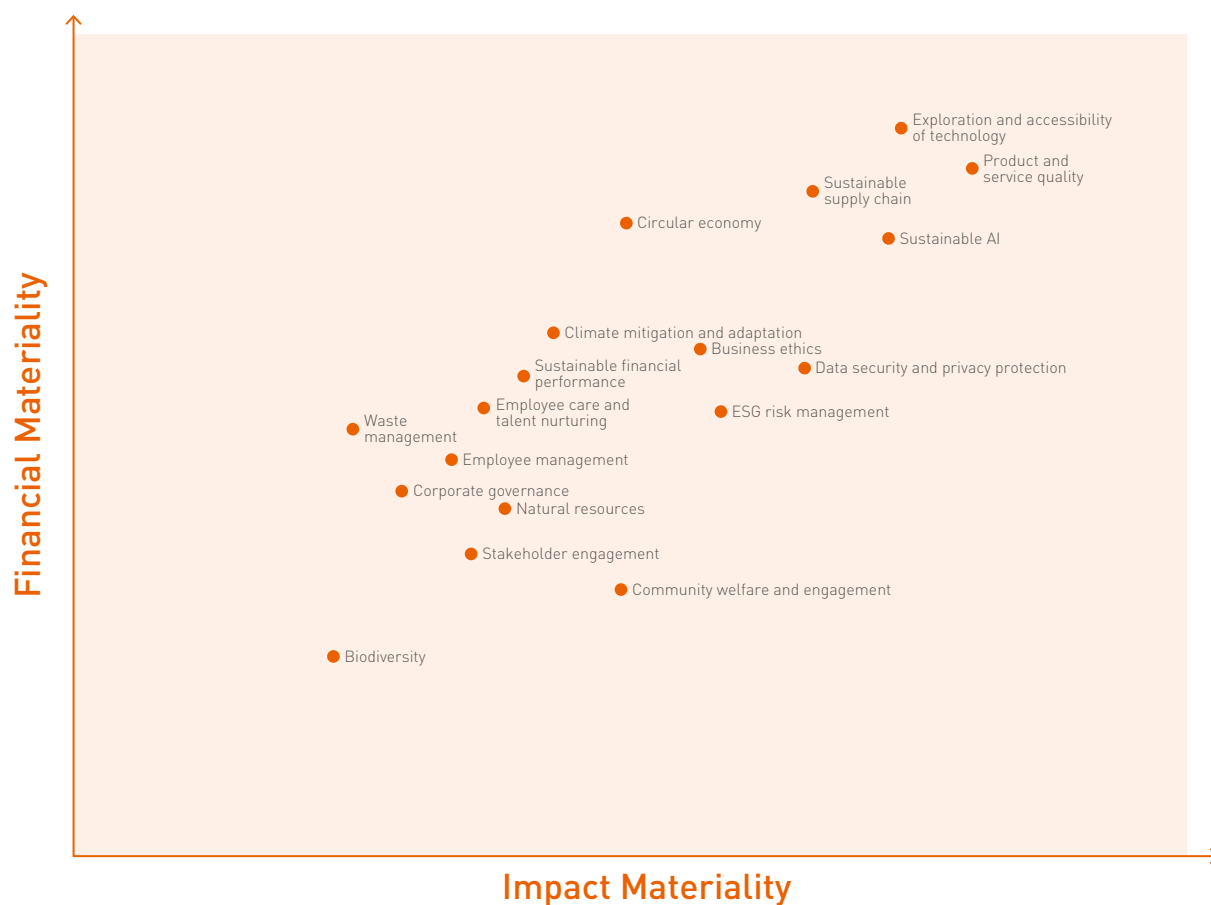
The impact materiality questionnaire was primarily used to collect external stakeholders' concerns regarding relevant issues. Based on 11,191 valid responses, we analyzed stakeholders' focal points and identified the top three most concerning issues: Product and Service Quality, Exploration and Accessibility of Technology, and Sustainable AI.

The financial materiality questionnaire was designed based on the IFRS S1 and the CSRD. It gathered opinions from internal stakeholders and key financial report users. According to the analysis of survey responses from senior executives and department heads, the three issues identified as having significant financial materiality are Technology Exploration and Accessibility, Product and Service Quality, and Sustainable Supply Chain.

From the review and analysis process for material issues, we accurately identified potential systemic risks and opportunities in our operations. Additionally, from a holistic perspective, we examined how each material issue interacts with other factors, aiming to create positive impacts on both the growth objectives of the Group and the well-being of stakeholders. This process includes:

- Demonstrating the relationships between each issue and relevant business roles, designing and implementing a quantitative review and analysis mechanism.
- Identifying the stakeholders associated with each issue and assessing the significance of the impact, with a focus on the impact on the Group's value creation.
- Assessing the strategic importance of each issue in implementing strategies, responding to current and future risks, identifying market opportunities, and fostering business development.
- Quantifying to the utmost the actual and potential sustainability impacts of each issue, as well as their relevance to the Group's major risks.

In this way, we have determined the materiality matrix and the priorities of these issues:



Participation of Management and Crucial Feedback

During the reporting period, the Group's Board of Directors and senior management team looked back on the review and analysis process for material issues and fully discussed the results through questionnaire surveys and meetings. Subsequently, they gave replies and provided recommendations for sustainable development actions based on a broader business strategy. Additionally, we took into account feedback from key stakeholders and industry experts regarding the results of the materiality review and analysis. We have implemented an ongoing communication mechanism to ensure the continual strength of our materiality review and analysis process.

Management of Material Issues

We manage key ESG issues through a systematic mechanism and ensure that the governance, strategy, risk management, and specific actions of these issues are well-coordinated. We also disclose how we manage these issues.

Material Issues in 2024	UN SDGs	Governance	Strategy	Risk Management	Actions
Exploration and Accessibility of Technology	 	<p>The Technology Committee of Xiaomi Corporation leads the overall development of the Group's technical systems of technology strategy, organizational structure, talent, cooperation, and culture. It aims to enhance R&D capabilities, promote technological innovation consensus, foster a culture of innovation across the organization, and drive continuous improvement in the Group's technological capabilities.</p>	<p>Through continuous R&D and technological innovation, we apply core technologies to cost-effective products and promote the widespread adoption of smart living solutions to enable more users to enjoy the convenience and changes brought by technology.</p>	<p>We assess risks such as delays in the technology development cycle, intellectual property disputes, and insufficient market acceptance to ensure that technological innovations are efficiently translated into market competitiveness.</p>	<p>We:</p> <ul style="list-style-type: none"> • Increase input in cutting-edge technologies and promote the independent R&D of core technologies such as AI, IoT, and 5G. • Build a product ecosystem based on our "Human x Car x Home" ecosystem strategy and provide global users with a more intelligent and convenient ecosystem-wide service experience. • Construct a technology ecosystem and share innovative value through open collaboration and technology licensing.

Material Issues in 2024	UN SDGs	Governance	Strategy	Risk Management	Actions
Climate Mitigation and Adaptation	 	<p>The Sustainability Committee oversees the planning and implementation of environmental strategies and ensures the comprehensiveness and compliance of environmental management, including climate change response, energy and water efficiency, compliance and effectiveness of waste disposal processes, and the planning and execution of biodiversity conservation projects.</p>	<p>We advance GHG emission reduction initiatives and reduce carbon emissions in business operations by using clean energy and implementing refined energy management. We are also actively exploring high-efficiency and energy-saving products to support societal carbon neutrality.</p>	<p>We assess climate-related risks and develop mitigation measures to minimize the potential impact of climate-related risks on the Group's business and supply chain while seizing the opportunities presented by the era of carbon peaking and carbon neutrality.</p>	<p>We:</p> <ul style="list-style-type: none"> • Increase the proportion of renewable energy and optimize carbon footprint management across the supply chain. • Implement energy optimization plans to improve efficiency while reducing carbon emissions. • Develop low-carbon and energy-efficient products to lead the way to a low-carbon future with foundational technology.
Circular Economy			<p>We optimize the recycling and disposal efficiency of electronic waste and increase the use of recyclable materials in new products.</p>	<p>We:</p> <ul style="list-style-type: none"> • Assess potential compliance risks in the downstream of electronic waste disposal to ensure that our third-party partners have the necessary compliance and environmental handling qualifications. • Conduct rigorous testing on products using new and recyclable materials to ensure consistent product quality. 	<p>We:</p> <ul style="list-style-type: none"> • Incorporate modular and detachable features in product design. • Increase the use of recycled metals, recycled plastics, and bio-based materials in products. • Strictly review the qualifications of onboarding third-party partners handling electronic waste and improve the electronic waste disposal supply chain.

Material Issues in 2024		UN SDGs	Governance	Strategy	Risk Management	Actions
Waste Management				<p>We establish a zero-waste-to-landfill management system and implement a comprehensive strategy that features reduction at the source, recycling, and efficient disposal to minimize landfill volume to the greatest extent possible.</p>	<p>We identify potential legal, compliance, and environmental risks in waste management and promote responsible waste management throughout the supply chain.</p>	<p>We:</p> <ul style="list-style-type: none"> Set requirements and processes for the treatment of pollutants such as water, air, noise, and waste to ensure 100% compliance with environmental management standards. Implement a classified and centralized electronic waste collection and recycling plan.
				<p>We enhance water resource management efficiency, implement water-saving and efficient land use policies, and protect the long-term sustainability of key natural resources.</p>	<p>We assess the use, discharge, and treatment of water resources in key factory workshops and processes, improve water efficiency, and avoid non-compliant wastewater disposal.</p>	<p>We:</p> <ul style="list-style-type: none"> Implement a water monitoring system to optimize water efficiency in the production process. Reduce wastewater generation at the source with optimized processes and intelligent manufacturing technologies.
Natural Resources						

Material Issues in 2024		UN SDGs	Governance	Strategy	Risk Management	Actions
Biodiversity	 			We strengthen ecosystem conservation and species diversity restoration and facilitate a net positive impact on biodiversity from us and society through products and project collaborations.	We avoid operating in areas where biodiversity is most at risk, regularly assess our operations' impact on biodiversity, and develop mitigation plans.	We: <ul style="list-style-type: none"> Implement regional biodiversity monitoring programs. Encourage employee participation in tree planting and ecological restoration activities to raise awareness of biodiversity conservation.
Talent Development	  		<ul style="list-style-type: none"> The human resources team drives employee recruitment, fair promotion, performance evaluations, and career development programs and ensures that diversity and inclusion are fully embedded into all processes. The Safety Management Committee takes measures to eliminate potential safety hazards and create a healthy and safe production and work environment. The administrative team enhances employees' work-life satisfaction by designing a comprehensive employee benefit system. 	We create a diverse, inclusive, and equitable work environment and reserve and develop high-potential individuals for our future growth through talent recruitment, skill enhancement, and fair resource distribution.	We assess our talent structure to avoid risks such as talent shortages and instability, and mitigate these risks with performance management, internal communication, and promotion plans.	We: <ul style="list-style-type: none"> Introduce intelligent HR management tools to optimize recruitment efficiency and employee experience. Conduct employee engagement surveys and continuously adjust support measures based on feedback.

Material Issues in 2024		UN SDGs	Governance	Strategy	Risk Management	Actions
Employee Care and Training				We offer health protection schemes, benefit policies, and a wide range of professional training and interest programs to enhance employee satisfaction and sense of belonging and drive sustainable corporate growth in the long term.	We evaluate the impact of employee well-being and career development on future business operations and control the impact with optimized benefits policies, mental health support, and systematic training.	<p>We:</p> <ul style="list-style-type: none"> • Launch comprehensive health insurance programs, including annual physical exams and online health consultation services. • Introduce career development training programs at all levels to strengthen leadership and professional skill development.
Sustainable Supply Chain			<p>The Purchasing Committee oversees supply chain governance and directly supervises ESG issues within the supply chain to ensure that supply chain management aligns with sustainable development goals and compliance mandates.</p>	<p>We:</p> <ul style="list-style-type: none"> • Drive the green transformation of the supply chain, supporting suppliers enhance their sustainability capabilities. • Intensify CSR audits in the supply chain, requiring key suppliers to jointly support the RBA mission and vision with us. • Improve supply chain transparency and strengthen traceability of batteries and conflict minerals. 	<p>We establish a regular supplier review mechanism to assess ESG risks in the supply chain, including quality, environmental protection and carbon emissions, labor rights, and raw material sustainability, to reduce compliance issues and supply chain disruption risks, enhance supply chain stability and business continuity, and optimize overall efficiency.</p>	<p>We:</p> <ul style="list-style-type: none"> • Set carbon emission targets for the supply chain and encourage key suppliers to implement green transition plans. • Establish regular communication and ESG performance evaluation mechanisms for suppliers across business segments, along with improvement support. • Conduct supply chain traceability and due diligence on conflict minerals and battery issues.

Material Issues in 2024	UN SDGs	Governance	Strategy	Risk Management	Actions
Social Welfare and Community Engagement	   	Through Xiaomi Foundation and Xiaomi Fundraising Platform for Charities, we oversee the planning and execution of philanthropic projects and regularly assess their social impact.	<p>We leverage our technological advantages to meet societal needs, focusing on areas such as education support, technology accessibility, environmental protection, and rural revitalization.</p> <p>We also drive innovation and scalable development in philanthropic activities to comprehensively enhance social impact and community well-being.</p>	<p>We assess potential issues in public welfare activities and community collaborations, such as inequities in resource allocation and failure to meet social needs. In response, we develop a transparent resource allocation mechanism and strengthen stakeholder communication.</p>	<p>We:</p> <ul style="list-style-type: none"> Progress community education and digitalization initiatives to support educational development in rural, disadvantaged areas, and for vulnerable groups. Strengthen collaboration with users, communities, governments, and non-governmental organizations to promote the diversified and long-term public welfare practices.
Business Ethics		The Ethics Committee of Xiaomi Corporation is fully responsible for professional ethics management. It continuously improves the ethical system, promotes internal business ethics audits and cultural integration, and regularly reports significant project progress to the Board of Directors.	<p>By establishing a sound professional ethics policy system and promoting a compliance culture, we ensure that all employees and partners uphold ethical standards in daily operations and further enhance our reputation of integrity in the market.</p>	<p>We identify potential risks, such as commercial bribery, conflicts of interest, and violations of anti-trust legislation, and ensure effective monitoring and handling of risks through regular audits, whistleblower channels, and ethical risk assessments.</p>	<p>We:</p> <ul style="list-style-type: none"> Develop and promote business ethics policies concerning anti-bribery, anti-corruption, anti-trust, and conflict of interest. Conduct ethics training for all employees to enhance their awareness and capabilities in compliance and business ethics. Perform regular business ethics audits to ensure the effective implementation of ethical policies across departments and business processes.

In systematically managing material issues, we pay particular attention to the identification and assessment of emerging risks.

Material Issues	Identification of Emerging Risks	Risk Description	Risk Impact	Risk Management Measures
Climate Mitigation and Adaptation	<ul style="list-style-type: none">Tightening policies and regulations, such as the EU CSRD and China's Measures for the Administration of Carbon Emissions Trading (for Trial Implementation), may lead to additional compliance costs for supply chain management.	<p>Policy and regulatory changes in response to climate change may increase carbon emission costs, directly impacting the Group's operations. Additionally, frequent extreme weather events may disrupt supply chains, leading to raw material shortages and transportation delays.</p>	<ul style="list-style-type: none">Increasing operational costs may lead to reduced profit margins.	<ul style="list-style-type: none">Set carbon reduction targets and establish a CSR auditing mechanism for the supply chain to enhance transparency and resilience in supply chain management.
Sustainable Supply Chain	<ul style="list-style-type: none">Increasingly severe extreme weather events may disrupt global supply chains and cause material shortages.		<ul style="list-style-type: none">Supply chain disruptions may affect delivery capabilities and market competitiveness.	<ul style="list-style-type: none">Implement a supply chain risk management and regular communication mechanism to prevent or reduce supplier disruption risks.

Material Issues	Identification of Emerging Risks	Risk Description	Risk Impact	Risk Management Measures
Waste Management	<ul style="list-style-type: none"> New regulations like the EU's Regulation on Batteries and Waste Batteries impose additional regulatory provisions on battery lifecycles, and the EU CSRD raises the bar for electronic waste management, demanding higher standards for handling processes. 	<p>The battery legislation imposes high standards on the production, sales, and recycling of batteries, thus raising compliance costs for businesses. At the same time, the lack of well-established waste disposal facilities and policy support in emerging markets may result in supply chain management challenges and potential reputational risks for the Group.</p>	<ul style="list-style-type: none"> Rising costs for supply chain traceability and due diligence to meet compliance mandates may compress product profit margins. 	<ul style="list-style-type: none"> Monitor legislative dynamics and initiate compliance management processes for battery traceability and waste battery disposal.
Circular Economy	<ul style="list-style-type: none"> Inadequate electronic waste disposal capabilities in emerging markets may increase compliance risks. 	<p>Non-compliance with waste management regulations may impact the market eligibility of the Group's products.</p>	<ul style="list-style-type: none"> Invest in the R&D of recyclable materials to improve product recyclability. Establish a global network of electronic waste recycling partners. 	
Sustainable AI	<ul style="list-style-type: none"> Insufficient optimization of AI algorithm energy consumption results in an increase in carbon footprint. Compliance risks are posed by issues related to data privacy and algorithmic biases. 	<p>High energy consumption by AI systems may lead to increased carbon emissions, which conflicts with the Group's sustainable development goals. Furthermore, algorithmic biases may lead to privacy breaches and a loss of public trust.</p>	<ul style="list-style-type: none"> Higher energy consumption leads to increasing operating costs. Data privacy issues may trigger regulatory and legal risks. 	<ul style="list-style-type: none"> Optimize AI algorithm energy consumption and develop efficient computing power technologies. Strengthen the management of the AI Ethics Committee to oversee algorithmic bias and privacy protection efforts.

Appendix: Key ESG Performance Indicators

Key Environmental Indicators

		2024				
			Smartphone	EV and		
Use Amount	Unit	Total	× AIOT ⁶⁴	Other New Initiatives	2023	2022
Energy						
Total Comprehensive Energy						
Consumption	MWh	444,774.36	210,187.12	234,587.24	211,171.84	144,741.38
Direct Energy Consumption	MWh	89,591.53	14,622.47	74,969.06	19,418.57	5,190.84
Natural Gas	MWh	89,574.65	14,617.83	74,956.82	19,385.80	5,176.09
Gasoline	MWh	4.64	4.64	0.00	6.26	4.88
Diesel	MWh	12.24	0.00	12.24	26.51	0.00
Indirect Energy Consumption	MWh	355,182.83	195,564.65	159,618.18	191,753.27	139,550.54
Purchased Electricity	MWh	249,945.11	142,003.15	107,941.96	121,764.81	91,728.50
Renewable Energy Usage	MWh	3,662.83	3,662.83	0.00	372.00	—
Purchased Heat	MWh	105,237.72	53,561.50	51,676.21	69,988.46	47,822.04
Greenhouse Gas						
Total GHG Emissions	tonne (Mt) of					
	CO ₂ e	209,714.77	111,827.14	97,887.63	116,722.56	85,742.61
Direct GHG Emissions:	tonne (Mt) of					
Scope 1	CO ₂ e	31,295.64	11,804.78	19,490.86	12,252.52	7,122.60
CO ₂	tonne (Mt) of					
	CO ₂ e	18,081.48	2,950.57	15,130.91	3,921.26	1,045.96
CH ₄	tonne (Mt) of					
	CO ₂ e	2,506.52	1,982.04	524.48	1,900.75	1,862.90
N ₂ O	tonne (Mt) of					
	CO ₂ e	8.84	1.47	7.37	1.97	0.55
HFCs	tonne (Mt) of					
	CO ₂ e	10,698.80	6,870.70	3,828.10	6,428.54	4,213.19
Indirect GHG Emissions:	tonne (Mt) of					
Scope 2	CO ₂ e	178,419.13	100,022.36	78,396.77	104,470.04	78,620.01
Indirect GHG Emissions:	tonne (Mt) of					
Scope 3	CO ₂ e	To be disclosed in September 2025			9,888,747.85	10,075,225.54

64 Xiaomi Smartphone Factory officially began production in mid-2024. Therefore, the scope of statistics for the Smartphone × AIOT business segment has been expanded from the reporting period.

		2024				
Use Amount	Unit	Total	Smartphone	EV and	2023	2022
			× AIOT ⁶⁴	Other New Initiatives		
Resources						
Water Withdrawal	tonne (Mt)	1,260,854.62	854,339.03	406,515.59	683,906.94	510,156.05
Fresh Water Consumption	tonne (Mt)	1,045,853.62	639,338.03	406,515.59	523,100.75	391,953.85
Reclaimed Water Consumption	tonne (Mt)	215,001.00	215,001.00	0.00	164,353.00	118,202.20
Water Discharge	tonne (Mt)	926,432.49	683,471.23	242,961.27	562,194.62	—
Total Packaging Materials						
Used for Finished Products	tonne (Mt)	7,424.76	5,730.06	1,694.70	4,254.86	5,065.08
Waste						
Non-hazardous Waste	tonne (Mt)	21,858.51	11,020.01	10,838.51	7,174.83	7,052.28
Hazardous Waste	tonne (Mt)	1,750.52	94.74	1,655.78	95.78	1.43
Environmental Emissions						
Direct NOx Emissions	tonne (Mt)	1.202	0.131	1.071	0.336	—
Direct VOCs Emissions	tonne (Mt)	8.756	0.073	8.683	0.214	—
SOx Emissions	tonne (Mt)	0.008	0.008	0.000	—	—
COD Emissions	tonne (Mt)	45.742	35.055	10.687	—	—
BOD Emissions	tonne (Mt)	11.599	11.599	0.000	—	—
NH ₃ -N Emissions	tonne (Mt)	4.023	3.224	0.800	—	—

Use Intensity	Unit	2024	2023	2022
Energy Consumption Per Unit of Revenue	MWh/RMB million	1.22	0.78	0.52
Per Capita Energy Consumption	MWh/person	10.18	6.28	4.45
GHG Emissions Per Unit of Revenue	tonne (Mt) of CO ₂ e/ RMB million	0.57	0.43	0.31
Per Capita GHG Emissions	tonne (Mt) of CO ₂ e/person	4.80	3.47	2.63
Per Capita Tap Water Consumption	tonne (Mt)/person	23.94	15.56	12.04
Per Capita Non-hazardous Waste	tonne (Mt)/person	0.50	0.21	0.22
Per Capita Hazardous Waste	Kg/person	40.07	2.85	0.04
Product Packaging Material Consumption Per Unit of Revenue	tonne (Mt)/RMB million	0.02	0.02	0.02

Environmental Target Setting and Review

We have set several environmental targets and review the progress and completion of these targets annually. The Board of Directors has deliberated the review results of the 2024 environmental targets and has approved the environmental targets for 2025.

Topic		2024 Targets	Target Completion Status for This Year	2025 Targets
Energy		By 2026, reduce energy consumption per RMB10,000 of revenue for ISO 50001-certified facilities by at least 2.5% as compared to the 2021 baseline.	<p>Energy conservation and consumption reduction measures are being progressed toward the 2026 target.</p> <p>As of the end of the reporting period, energy consumption per RMB10,000 of revenue for ISO 50001-certified facilities had been reduced by 0.16% as compared to the 2021 baseline.</p>	Progress toward the 2026 target.
GHG	Our Own Operations	<ul style="list-style-type: none"> By no later than 2030, reduce GHG emissions from our existing business segments to 30% of the base year level. 	GHG emissions reduction is being progressed towards the 2030 and 2040 targets.	Progress toward the 2030 target.
		<ul style="list-style-type: none"> By 2035, use 100% renewable electricity in our own operations. 	For details, please refer to the "Climate Mitigation and Adaptation" section and Xiaomi Corporation's TCFD Report 2024.	
		<ul style="list-style-type: none"> By 2040, achieve carbon neutrality in our own operations of existing business segments, use 100% clean heat in our own operations, and use 100% renewable energy. 		

Topic	2024 Targets	Target Completion Status for This Year	2025 Targets
Supply Chain	<ul style="list-style-type: none"> By 2030, suppliers in the smartphone business shall achieve an annual average carbon reduction of no less than 5% (with 2024 as the baseline year), and the proportion of green electricity usage shall be no less than 25%. By 2050, the proportion of green electricity usage by suppliers in the smartphone business will reach 100%. 	<p>GHG emissions reduction is being progressed towards the 2030 and 2040 targets.</p> <p>This year, we conducted GHG emission data verification for nearly 300 Tier-1 suppliers in the smartphone business and supported them in setting climate targets.</p> <p>Among them, 111 suppliers set carbon reduction targets, 83 used green electricity, and 24 suppliers joined the Science Based Targets initiative (SBTi).</p>	Progress toward the 2030 target.
Water	On our own campus, achieve at least 30% use of reclaimed water and a minimum of 50,000 m ³ in water saving in 2024.	This year, the use rate of reclaimed water in our self-owned office areas exceeded 30%, and that in our self-owned factories exceeded 40%, both achieving the annual water-saving targets.	Maintain the use rate of reclaimed water in our self-owned office areas at no less than 30%; the annual water saving volume shall be no less than 50,000 m ³ .
Waste	Over the next five years (from 2022 to 2026), we are committed to achieving an accumulative recycling volume of 38,000 tonnes (Mt) of e-waste, and using 5,000 tonnes (Mt) of recycled materials in our products.	<p>In 2024, we recycled approximately 19,698 tonnes (Mt) of electronic waste globally.</p> <p>As of the end of the reporting period, we had completed 95.94% of the recycling target for this type of waste.</p>	Progress toward the 2026 target.

Key Social Indicators

Indicator			Unit	2024	2023	2022
Employees						
Total Workforce ⁶⁵			person	46,426	35,116	35,977
New Employees			person	14,648	7,257	9,643
By Employment Type	Full-time Employees		person	43,688	33,627	32,543
	Part-time Employees and Interns		person	2,738	1,489	3,434
By Gender	Male		person	30,666	23,285	21,961
	Female		person	13,022	10,342	10,582
By Age Group	Under 30		person	13,396	12,025	12,823
	30–50		person	29,946	21,356	19,440
	Above 50		person	346	246	280
By Geographic Region	Chinese Mainland, Hong Kong, Macao and Taiwan		person	41,643	31,671	30,066
	Other Asian Countries and Regions		person	1,401	1,361	1,802
	European Countries and Regions		person	531	534	623
	North American Countries and Regions		person	54	47	52
	South American Countries and Regions		person	59	14	0
	Africa Countries and Regions		person	0	0	0
	Oceania Countries and Regions		person	0	0	0
	By Professional Category	R&D		person	21,190	17,800
Sales and Marketing		person	15,540	—	—	
Manufacturing		person	1,853	—	—	
Administrative and Others		person	5,105	—	—	
By Cohort Level	Senior	Male	person	335	293	266
		Female	person	70	59	56
	Mid-Level	Male	person	14,786	11,699	9,773
		Female	person	5,069	4,100	3,450
	Junior	Male	person	15,545	11,294	11,923
		Female	person	7,883	6,182	7,075
By Ethnic Groups	Han Ethnicity		person	39,030	29,508	27,977
	Ethnic Minorities		person	2,125	1,637	1,516
	Others ⁶⁶		person	2,533	2,482	3,050
By Special Groups	Disabled		person	512	347	—
Female	Percentage of Women in STEM Positions		%	21.68	—	—

⁶⁵ The total workforce includes the Group's full-time employees, as well as part-time employees and interns directly employed by us. However, the following employees statistics categorized by gender, age, region, position, cohort level, ethnicity, and special groups cover full-time employees only.

⁶⁶ Others include foreign employees and those whose ethnicity is not documented.

Indicator			Unit	2024	2023	2022	
Employee Turnover ⁶⁷							
Employee Turnover			%	10.75	11.98	13.96	
By Gender	Male		%	10.50	11.20	13.32	
	Female		%	11.33	13.71	15.27	
By Age Group	Under 30		%	14.97	16.10	17.09	
	30–50		%	8.73	9.57	12.05	
	Above 50		%	21.68	19.91	3.21	
By Geographic Region	Chinese mainland		%	10.08	10.44	12.98	
	Regions beyond the Chinese mainland		%	23.36	19.42	25.80	
Health and Safety							
Work-Related Fatalities			person	0	0	0	
Work-Related Fatality Rate			%	0.00	0.00	0.00	
Lost Days Due to Work-Related Injuries			day	694	1,190	816	
Number of Work-Related Injuries				40	34	—	
Absentee Rate			%	1.8	—	—	
Training and Development							
Training Rate	Overall Training Rate		%	98.74	98.13	97.67	
	By Gender	Male	%	98.82	98.20	97.05	
		Female	%	98.55	98.00	98.96	
	By Cohort Level	Senior	%	98.24	98.10	91.01	
		Mid-Level	%	98.96	98.25	95.91	
		Junior	%	98.56	98.00	99.01	
Average Number of Training Hours	Overall Average Number of Training Hours		hour	38.20	30.17	35.57	
	By Gender	Male	hour	38.05	30.68	36.95	
		Female	hour	38.55	29.10	32.72	
	By Cohort Level	Senior	hour	28.32	22.99	19.30	
		Mid-Level	hour	36.81	35.27	25.91	
		Junior	hour	39.55	30.48	42.57	
	By Training Type	General Skills Training		hour	13.29	17.66	29.99
		Professional Skills Training		hour	3.78	1.41	1.89
		Leadership Training		hour	36.72	22.38	29.52

⁶⁷ The employee turnover is calculated based on voluntary turnover rate.

Indicator			Unit	2024	2023	2022		
Supplier Distribution								
Total Tier-1 Suppliers				1,148	1,112	1,025		
By Geographic Region	Northeast China			12	—	—		
	North China			112	—	—		
	Northwest China			5	—	—		
	Southwest China			41	—	—		
	Central China			72	—	—		
	East China			408	—	—		
	South China			392	—	—		
	Overseas Regions (Hong Kong, Macau, Taiwan, and International)			106	—	—		
Total Tier-1 Key Suppliers				291	—	—		
Products and Services								
Total R&D Investment			RMB billion	24.1	19.1	16.0		
Number of Patents	Number of Patents Granted			42,000+	37,000+	—		
	Number of Trademarks Registered			49,000+	—	—		
Number of Complaints with Identified Responsibility in the Globe				78,053	71,682	76,874		
Resolution Rate of Complaints with Identified Responsibility within 72 Hours				%	95.04	99.95	99.92	
Product Recall Rate Due to Safety and Health Reason				%	0.00	0.00	0.00	
Total E-Waste Recycled				tonnes (Mt)	19,698.15	12,260	4,500	
Sustainable Raw Materials								
Metal Usage ⁶⁸	Aluminum	Usage	tonnes (Mt)	56,871.95	—	—		
		Proportion of Recycled Material	%	19.04	—	—		
	Steel/Iron	Usage	tonnes (Mt)	104,052.68	—	—		
		Proportion of Recycled Material	%	12.00	—	—		
	Copper	Usage	tonnes (Mt)	666.67	—	—		
		Proportion of Recycled Material	%	0.00	—	—		
	Other Metals	Usage	tonnes (Mt)	8,080.44	—	—		
		Proportion of Recycled Material	%	0.00	—	—		
	Total Usage	Usage	tonnes (Mt)	169,005.07	—	—		
		Proportion of Recycled Material	%	13.79	—	—		
Plastic Usage				tonnes (Mt)	31,537.73	—	—	
				Proportion of Recycled Material	%	1.04	—	—

68 The metal usage data excludes metal materials used in battery cell.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Xiaomi Corporation
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Xiaomi Corporation (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 228 to 369, comprise:

- The consolidated balance sheet as of December 31, 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR’S REPORT

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to the classification and fair value determination for unlisted securities classified as “long-term investments measured at fair value through profit or loss”.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The classification and fair value determination for unlisted securities classified as “long-term investments measured at fair value through profit or loss”</p> <p>Refer to Note 3.3, Note 4(a) and Note 19 to the consolidated financial statements.</p> <p>The Group measures ordinary share investments and preferred share investments in unlisted companies other than those accounted for using equity method at fair value through profit or loss (collectively the “Unlisted Securities”). The total amount of Unlisted Securities as of December 31, 2024 was RMB35,751,031,000, accounting for 9% of the Group’s total assets.</p>	<p>We understood and evaluated management’s key controls over the capturing, measurement and recording of the Unlisted Securities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors of related accounting estimate.</p> <p>For the classification and initial recognition of the Unlisted Securities, we have selected samples to perform the following procedures:</p> <div><div>(1)</div><div>We checked relevant legal documents such as shareholder agreements, share purchase agreements and articles of association of the investees to understand the commercial rationale for these Unlisted Securities investments;</div></div> <div><div>(2)</div><div>We evaluated management’s analysis on contract terms and assessed the reasonableness of management’s accounting treatments.</div></div>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The classification, initial recognition and subsequent measurement of the Unlisted Securities require management to analyze certain complex contract terms, make corresponding judgments on the Group's business models of managing them, as well as estimate their cashflows.</p> <p>Management engaged an external valuer to assist determining the fair value of these Unlisted Securities when necessary. The fair value determination of such Unlisted Securities required management to make judgments and estimates, including the appropriateness of using various unobservable inputs.</p> <p>We focused on this area due to the significance of the balances of these investments and their related fair value gain or loss for the year, as well as management judgments, assumptions and estimations involved in the initial recognition and subsequent fair value measurement of the Unlisted Securities which are subject to high degree of estimation uncertainty.</p>	<p>For the subsequent measurement of fair value of the Unlisted Securities, we have selected samples to perform the following procedures:</p> <ol style="list-style-type: none"> (1) We assessed the objectivity, independence and competence of the external valuer engaged by the Group; (2) We assessed the appropriateness of the valuation model (being the "market approach" as adopted by management), interviewed management and understood the underlying assumptions and inputs used in fair value determination, and assessed the reasonableness of assumptions and inputs used, including but not limited to comparable companies and multipliers used, expected volatility and discounted for lack of marketability; (3) We tested the accuracy of the fair values calculation of Unlisted Securities. <p>We found the judgments, assumptions and estimations made by management in relation to the classification and fair value determination of the Unlisted Securities to be supportable based on the available evidence.</p>

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Ming Yan Brian.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 18, 2025

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2024

(Expressed in Renminbi ("RMB"))

	Note	Year ended December 31,	
		2024	2023
		RMB'000	RMB'000
Revenue	5	365,906,350	270,970,141
Cost of sales	5, 8	(289,346,156)	(213,493,902)
Gross profit		76,560,194	57,476,239
Research and development expenses	8	(24,050,484)	(19,097,699)
Selling and marketing expenses	8	(25,389,628)	(19,226,542)
Administrative expenses	8	(5,601,248)	(5,126,798)
Fair value changes on financial instruments measured at fair value through profit or loss		1,050,772	3,501,053
Share of net profits of investments accounted for using the equity method	11(b)	276,845	45,615
Other income	6	1,666,779	740,091
Other (losses)/gains, net	7	(10,334)	1,696,711
Operating profit		24,502,896	20,008,670
Finance income	10	3,836,204	3,558,347
Finance costs	10	(212,447)	(1,555,970)
Profit before income tax		28,126,653	22,011,047
Income tax expenses	12	(4,548,204)	(4,536,851)
Profit for the year		23,578,449	17,474,196
Attributable to:			
— Owners of the Company		23,658,126	17,475,173
— Non-controlling interests		(79,677)	(977)
		23,578,449	17,474,196
Earnings per share (expressed in RMB per share):	13		
Basic		0.95	0.70
Diluted		0.93	0.69

The notes on pages 237 to 369 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2024

(Expressed in RMB)

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Profit for the year		23,578,449	17,474,196
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive (loss)/income of investments accounted for using the equity method	11(b)	(31,402)	9,326
Transfer of share of other comprehensive loss/(income) to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method		2,846	(2,167)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income		(85,302)	(26,711)
Currency translation differences		219,838	321,098
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		654,256	734,319
Other comprehensive income for the year, net of tax		760,236	1,035,865
Total comprehensive income for the year		24,338,685	18,510,061
Attributable to:			
— Owners of the Company		24,407,696	18,507,548
— Non-controlling interests		(69,011)	2,513
		24,338,685	18,510,061

The notes on pages 237 to 369 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As of December 31, 2024

(Expressed in RMB)

	Note	As of December 31, 2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	18,087,583	13,720,825
Intangible assets	15	8,152,721	8,628,739
Investments accounted for using the equity method	11(b)	6,151,055	6,922,241
Long-term investments measured at fair value through profit or loss	19	62,112,188	60,199,798
Deferred income tax assets	34	2,781,982	2,160,750
Term bank deposits	24(c)	58,520,305	18,293,650
Long-term investments measured at amortized cost	19	3,219,462	364,476
Other non-current assets	17	18,421,227	14,904,260
		177,446,523	125,194,739
Current assets			
Inventories	23	62,509,682	44,422,837
Trade and notes receivables	21	14,588,579	12,150,928
Loan receivables	20	12,261,490	9,772,589
Prepayments and other receivables	22	29,100,116	20,078,875
Bills receivables measured at fair value through other comprehensive income		1,255,767	125,661
Short-term investments measured at fair value through other comprehensive income	19	1,681,062	582,131
Short-term investments measured at amortized cost	19	700,163	502,816
Short-term investments measured at fair value through profit or loss	19	28,123,777	20,193,662
Term bank deposits	24(c)	36,350,271	52,797,857
Restricted cash	24(b)	5,476,417	4,794,031
Cash and cash equivalents	24(a)	33,661,442	33,631,313
		225,708,766	199,052,700
Total assets		403,155,289	324,247,439
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	25	407	407
Reserves		188,737,370	163,995,082
		188,737,777	163,995,489
Non-controlling interests		467,342	266,279
Total equity		189,205,119	164,261,768

CONSOLIDATED BALANCE SHEET

As of December 31, 2024

(Expressed in RMB)

	Note	As of December 31, 2024 RMB'000	2023 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	33	17,275,721	21,673,969
Deferred income tax liabilities	34	1,282,196	1,494,287
Provisions		1,695,063	1,215,546
Other non-current liabilities	29	18,312,200	20,014,273
		38,565,180	44,398,075
Current liabilities			
Trade payables	30	98,280,585	62,098,500
Other payables and accruals	31	36,372,035	25,614,650
Advance from customers	32	16,581,252	13,614,756
Borrowings	33	13,327,297	6,183,376
Income tax liabilities		3,822,134	1,838,222
Provisions		7,001,687	6,238,092
		175,384,990	115,587,596
Total liabilities		213,950,170	159,985,671
Total equity and liabilities		403,155,289	324,247,439

The notes on pages 237 to 369 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 228 to 369 were approved by the Board of Directors on March 18, 2025 and were signed on its behalf:

Lei Jun

Lin Bin

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

(Expressed in RMB)

	Note	Attributable to owners of the Company					Sub-total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Share premium	Other reserves	Retained earnings			
		RMB'000	RMB'000	RMB'000	(Note 26) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2024		407	(438,291)	60,778,287	15,483,618	88,171,468	163,995,489	266,279	164,261,768
Comprehensive income									
Profit for the year		—	—	—	—	23,658,126	23,658,126	(79,677)	23,578,449
Other comprehensive income									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Share of other comprehensive loss of investments accounted for using the equity method	11(b)	—	—	—	(31,402)	—	(31,402)	—	(31,402)
Transfer of share of other comprehensive loss to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method		—	—	—	2,846	—	2,846	—	2,846
Net losses from changes in fair value of financial assets at fair value through other comprehensive income		—	—	—	(85,302)	—	(85,302)	—	(85,302)
Currency translation differences		—	—	—	209,172	—	209,172	10,666	219,838
<i>Item that will not be reclassified subsequently to profit or loss</i>									
Currency translation differences		—	—	—	654,256	—	654,256	—	654,256
Total comprehensive income		—	—	—	749,570	23,658,126	24,407,696	(69,011)	24,338,685

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

(Expressed in RMB)

	Note	Attributable to owners of the Company					Sub-total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Share premium	Other reserves (Note 26)	Retained earnings			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Transactions with owners in their capacity as owners									
Purchase of own shares	25	—	(3,531,531)	—	—	—	(3,531,531)	—	(3,531,531)
Cancellation of shares	25	(5)	3,702,569	(3,702,564)	—	—	—	—	—
Release of ordinary shares from Share Scheme Trusts	25	5	232,575	2,268,200	(2,493,210)	—	7,570	—	7,570
Share of other reserves of investments accounted for using the equity method	11(b)	—	—	—	13,327	—	13,327	—	13,327
Employees share-based compensation scheme:									
— value of employee services	28	—	—	—	3,761,843	—	3,761,843	—	3,761,843
— exercise of share options and restricted shares units ("RSUs")	25,28	—	—	710,988	(617,499)	—	93,489	—	93,489
Share consideration for acquisition of Zimi International Incorporation ("Zimi") completed in 2021	25	—	—	62,747	(62,747)	—	—	—	—
Transfer from other reserves to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method		—	—	—	(32,740)	—	(32,740)	—	(32,740)
Capital injection from non-controlling interests		—	—	—	—	—	—	400,079	400,079
Capital repurchased from non-controlling interests		—	—	—	22,909	—	22,909	(106,719)	(83,810)
Appropriation to statutory reserves		—	—	—	304,467	(304,467)	—	—	—
Appropriation to general reserves		—	—	—	(16,015)	16,015	—	—	—
Dividends declared by a subsidiary to non-controlling interests		—	—	—	—	—	—	(23,286)	(23,286)
Others		—	—	—	(275)	—	(275)	—	(275)
Total transactions with owners in their capacity as owners		—	403,613	(660,629)	880,060	(288,452)	334,592	270,074	604,666
Balance at December 31, 2024		407	(34,678)	60,117,658	17,113,248	111,541,142	188,737,777	467,342	189,205,119

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

(Expressed in RMB)

	Note	Attributable to owners of the Company Reserves					Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Other reserves (Note 26) RMB'000	Retained earnings RMB'000			
Balance at January 1, 2023		406	(190,795)	59,483,288	12,951,008	71,414,551	143,658,458	264,602	143,923,060
Comprehensive income									
Profit for the year		—	—	—	—	17,475,173	17,475,173	(977)	17,474,196
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Share of other comprehensive income of investments accounted for using the equity method	11(b)	—	—	—	9,326	—	9,326	—	9,326
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method		—	—	—	(2,167)	—	(2,167)	—	(2,167)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income		—	—	—	(26,711)	—	(26,711)	—	(26,711)
Currency translation differences		—	—	—	317,608	—	317,608	3,490	321,098
Item that will not be reclassified subsequently to profit or loss									
Currency translation differences		—	—	—	734,319	—	734,319	—	734,319
Total comprehensive income		—	—	—	1,032,375	17,475,173	18,507,548	2,513	18,510,061
Transactions with owners in their capacity as owners									
Purchase of own shares	25	—	(1,485,385)	—	—	—	(1,485,385)	—	(1,485,385)
Cancellation of shares	25	(2)	1,216,644	(1,216,642)	—	—	—	—	—
Release of ordinary shares from Share Scheme Trusts	25	1	21,245	1,788,344	(1,805,864)	—	3,726	—	3,726
Share of other reserves of investments accounted for using the equity method	11(b)	—	—	—	38,532	—	38,532	—	38,532
Employees share-based compensation scheme:									
— value of employee services	28	—	—	—	3,280,371	—	3,280,371	(836)	3,279,535
— exercise of share options and RSUs	25,28	2	—	658,545	(580,578)	—	77,969	—	77,969
Share consideration for acquisition of Zimi completed in 2021	25	—	—	64,752	(64,752)	—	—	—	—
Transfer from other reserves to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method		—	—	—	(85,730)	—	(85,730)	—	(85,730)
Appropriation to statutory reserves		—	—	—	704,678	(704,678)	—	—	—
Appropriation to general reserves		—	—	—	15,661	(15,661)	—	—	—
Others		—	—	—	(2,083)	2,083	—	—	—
Total transactions with owners in their capacity as owners		1	(247,496)	1,294,999	1,500,235	(718,256)	1,829,483	(836)	1,828,647
Balance at December 31, 2023		407	(438,291)	60,778,287	15,483,618	88,171,468	163,995,489	266,279	164,261,768

The notes on pages 237 to 369 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

(Expressed in RMB)

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	42,762,717	44,312,243
Income tax paid		(3,467,218)	(3,011,748)
Net cash generated from operating activities		39,295,499	41,300,495
Cash flows from investing activities			
Capital expenditures		(7,297,307)	(6,268,900)
Proceeds from disposal of property, plant and equipment		358,488	72,833
Proceeds from disposal of land use rights		1,544,837	—
Placement of term bank deposits		(101,062,679)	(109,373,544)
Proceeds from maturity/disposal of term bank deposits		77,615,770	85,812,165
Purchase of short-term investments measured at fair value through profit or loss		(104,506,976)	(53,357,701)
Proceeds from maturity of short-term investments measured at fair value through profit or loss		96,641,444	42,999,761
Purchase of short-term investments measured at fair value through other comprehensive income		(3,660,615)	(1,217,115)
Proceeds from maturity of short-term investments measured at fair value through other comprehensive income		2,565,698	1,092,656
Purchase of long-term investments measured at amortized cost		(2,875,360)	(9,376)
Purchase of short-term investments measured at amortized cost		(1,700,000)	(3,300,000)
Proceeds from maturity of short-term investments measured at amortized cost		1,500,000	2,800,000
Interest income received		3,646,092	3,258,117
Investment income received		446,830	272,546
Purchase of long-term investments measured at fair value through profit or loss		(5,509,309)	(4,199,240)
Proceeds from disposal of long-term investments measured at fair value through profit or loss		6,484,096	5,246,748
Purchase of investments accounted for using the equity method		(115,000)	(103,807)
Proceeds from disposal of investments accounted for using the equity method		114,245	825,070
Settlement of consideration payable for business combination completed in the prior year		(3,784)	(18,144)
Disposal of a subsidiary		—	101,294
Dividends received		427,139	197,583
Net cash used in investing activities		(35,386,391)	(35,169,054)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

(Expressed in RMB)

	Note	Year ended December 31,	
		2024	2023
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings		25,998,066	8,866,088
Repayment of borrowings		(19,265,488)	(4,022,423)
Finance expenses paid		(717,223)	(758,137)
Contribution from fund investors		1,653,000	1,417,086
Distribution to fund investors		(1,766,749)	(2,884,215)
Net proceeds from exercise of share options		83,880	69,919
Payments for shares repurchase		(4,047,876)	(1,356,825)
Payments to holders of employee fund		(686,587)	(31,431)
Proceeds from financial assets sold under repurchase agreements		481,000	959,650
Payments for buyback of financial assets sold under repurchase agreements		(372,505)	(173,804)
Capital injection from other non-controlling interests		400,079	—
Payment for acquisition of non-controlling interests		(75,809)	—
Dividends paid to non-controlling interests		(23,286)	—
Payments of lease liabilities		(2,476,524)	(1,197,692)
Payments of deferred consideration for acquisition of intangible assets		(3,182,954)	(1,393,188)
Net cash used in financing activities		(3,998,976)	(504,972)
Net (decrease)/increase in cash and cash equivalents		(89,868)	5,626,469
Cash and cash equivalents at the beginning of the year	24(a)	33,631,313	27,607,261
Effects of exchange rate changes on cash and cash equivalents		119,997	397,583
Cash and cash equivalents at the end of the year	24(a)	33,661,442	33,631,313

The notes on pages 237 to 369 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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, Ugland 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, development, manufacture and sales of smart electric vehicles (“**EV**”) and investments holding in the People’s Republic of China (“**the PRC**”) and other countries or regions.

Lei Jun is the ultimate controlling shareholder of the Company as of the date of approval of these consolidated financial statements.

The regulations in mainland China restrict foreign ownership of companies that provide internet services, e-commerce and value-added telecommunications services, etc., which include certain activities and services operated by the Group. In order to enable certain foreign companies to make investments into these businesses of the Group, on August 25, 2010, a wholly owned subsidiary of the Company, Xiaomi Communications Co., Ltd. (“**Xiaomi Communications**”, a wholly foreign-owned enterprise) had entered into a series of contractual arrangements (the “**Contractual Arrangements**”) with Xiaomi Inc. and its equity holders, which enable Xiaomi Communications and the Group to:

- govern the financial and operating policies of Xiaomi Inc.;
- exercise equity holders’ voting rights of Xiaomi Inc.;
- receive substantially all of the economic interest returns generated by Xiaomi Inc. in consideration for the business support, technical and consulting services provided by Xiaomi Communications;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Xiaomi Inc. from its respective equity holders at a minimum purchase price when it is permitted under laws and regulations in mainland China. Xiaomi Communications may exercise such options at any time until it has acquired all equity interests of Xiaomi Inc.; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 General information (continued)

- obtain a pledge over the entire equity interests of Xiaomi Inc. from its respective equity holders as collateral security for all of Xiaomi Inc.'s payments due to Xiaomi Communications and to secure performance of Xiaomi Inc.'s obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has rights to exercise power over Xiaomi Inc. and its subsidiaries, receives variable returns from its involvement in Xiaomi Inc. and its subsidiaries, has the ability to affect those returns through its power over Xiaomi Inc. and its subsidiaries and is considered to control Xiaomi Inc. and its subsidiaries. Consequently, the Company regards Xiaomi Inc. and its subsidiaries as controlled structured entities and consolidated the assets, liabilities and results of operations of Xiaomi Inc. and its subsidiaries in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Xiaomi Inc. and its subsidiaries. Uncertainties presented by the legal system in mainland China could impede the Group's beneficiary rights of the results, assets and liabilities of Xiaomi Inc. and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Xiaomi Communications, Xiaomi Inc. and its equity holders are in compliance with the relevant laws and regulations in mainland China and are legally binding and enforceable.

Other Contractual Arrangements were also executed for other operating companies in mainland China established by the Group similar to Xiaomi Inc. subsequently. All of these operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company. See details in Note 11(a) for the information of these controlled structured entities.

2 Summary of accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies

(a) Basis of preparation

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

The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities which are carried at fair value disclosed in Note 3.3.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(ii) *Amended standards adopted by the Group*

The following amended standards are mandatory for the first time for the Group’s financial year beginning on January 1, 2024 and are applicable for the Group:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants — Amendments to IAS 1;
- Lease Liability in Sale and Leaseback — Amendments to IFRS 16; and
- Supplier Finance Arrangements — Amendments to IAS 7 and IFRS 7.

The amendments listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

(ii) *New and amended standards not yet adopted*

Certain new and amended accounting standards have been published that are not mandatory for the year ended December 31, 2024 and have not been early adopted by the Group, which is listed as below:

	Effective date
• Amendments to IAS 21 — Lack of Exchangeability	Annual periods beginning on or after January 1, 2025
• Amendments to the Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7	Annual periods beginning on or after January 1, 2026
• Annual Improvement to IFRS Accounting Standards-Volume 11	Annual periods beginning on or after January 1, 2026
• IFRS 18 — Presentation and Disclosure in Financial Statements	Annual periods beginning on or after January 1, 2027
• IFRS 19 — Subsidiaries without Public Accountability: Disclosures	Annual periods beginning on or after January 1, 2027

These standards are not expected to have a material impact on the Group's financial position and performance in the current or future reporting periods and on foreseeable future transactions.

(b) Subsidiaries

(i) *Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(i) Subsidiaries controlled through Contractual Arrangements

There are entities controlled by the Group under Contractual Arrangements. The Group does not have legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under Contractual Arrangements entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as controlled structured entities of the Group, and their assets, liabilities and results are consolidated in the Group's consolidated financial statements.

(iii) Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

(ii) Business combination (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination within all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income ("OCI") are reclassified to profit or loss, or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

(i) Investments in associates in the form of ordinary shares

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting in accordance with IAS 28 "Investments in Associates and Joint Ventures". Under the equity method, the investment is initially recognized at cost and adjusted thereafter to recognize the investor's share of the profit or loss of the investee and the investor's share of other comprehensive income of the investee. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(c) Associates (continued)

(i) *Investments in associates in the form of ordinary shares (continued)*

Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is treated as goodwill. Notional goodwill is included in the carrying amount of the investment in associates; and bargain purchases gain or negative goodwill is included as part of the investor's share of the associate profit or loss in the period in which the investment is acquired.

If the ownership interest in an associate in the form of ordinary shares is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and includes the amount in "other (losses)/gains, net" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

(ii) *Investments in associates in the form of ordinary shares with preferential rights or convertible redeemable preferred shares*

Investments in associates in the form of ordinary shares with preferential rights or convertible redeemable preferred shares are accounted as financial assets measured at fair value through profit or loss if the Group does not bear the substantially risk and reward of ordinary shares (Note 2.1(g)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Structure and leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter
— Factory and production equipment	2–40 years
— Transport equipment	3–6 years
— Electronic equipment	2–10 years
— Office equipment	2–5 years
— Office Buildings	30–40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress mainly represents office buildings and factory and production equipment under construction, which is stated at actual construction cost less accumulated impairment losses. Construction in progress is transferred to appropriate categories of property, plant and equipment upon the completion of their respective construction and depreciated over their respective estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1(f)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (losses)/gains, net" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(e) Intangible assets

(i) *Goodwill*

Goodwill arises from the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) *License*

License mainly includes the licenses to use certain intellectual properties purchased from third parties and other licenses. These acquired licenses are shown at historical cost. Licenses that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. Others are amortized over their estimated useful lives of 1 to 10 years using straight-line method.

(iii) *Trademarks, patents and domain name*

Separately acquired trademarks, patents and domain name are shown at historical cost. Trademarks, patents and domain name acquired in a business combination are recognized at fair value at the acquisition date. Trademarks, patents and domain name have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks, patents and domain name over their estimated useful lives of 1 to 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(e) Intangible assets (continued)

(iv) *Other intangible assets*

Other intangible assets mainly include computer software. They are initially recognized and measured at costs incurred to acquire and bring them to use. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, and recorded within operating expenses in the consolidated income statement.

(v) *Research and development expenditures*

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)**2.1 Summary of material accounting policies (continued)****(f) Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest levels of CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Financial assets**(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 18 for details of each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(g) Financial assets (continued)

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest method.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other (losses)/gains, net. Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other (losses)/gains, net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(g) Financial assets (continued)

(ii) *Measurement (continued)*

Debt instruments (continued)

- Fair value through profit or loss ("**FVPL**"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated income statement within fair value changes on financial instruments measured at FVPL in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in the consolidated income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(g) Financial assets (continued)

(iii) *Impairment (continued)*

Impairment on other financial assets, mainly including loan receivables, other receivables, term bank deposits, restricted cash, long-term investments measured at amortized cost and short-term investments measured at amortized cost or fair value through other comprehensive income, is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(iv) *Derecognition*

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, assembly cost and other direct costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion, applicable variable selling expense and related tax.

(i) Loan receivables

Loan receivables held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the assets and subsequently measured at amortized cost using the effective interest method, less credit loss allowance. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in the profit or loss. The loss allowance is recognized in profit or loss. See Note 2.1(g)(iii) for a description of the Group's impairment policy for loan receivables.

(j) Cash and cash equivalents and restricted cash

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheet, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

(k) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(k) Borrowings (continued)

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has the right to defer settlement of the liability for at least 12 months after the end of the reporting period.

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

(l) Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(I) Current and deferred income tax (continued)

(ii) *Deferred income tax*

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal amounts of taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(l) Current and deferred income tax (continued)

(iii) *Offsetting*

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets against current income tax liabilities and where the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(m) Share-based payment

(i) *Equity-settled share-based payment transactions*

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (RSUs and options) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (RSUs and options) is recognized as an expense on the consolidated income statement with a corresponding increase in equity.

In terms of the RSUs and options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs and options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Service and non-marketing performance conditions are included in calculation of the number of RSUs and options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(m) Share-based payment (continued)

(i) *Equity-settled share-based payment transactions (continued)*

At the end of each reporting period, the Group revises its estimates of the number of RSUs and options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(ii) *Cash-settled share-based payment transactions*

The cost of cash-settled transactions is measured at fair value of the liability. The liability is re-measured at each reporting date up to and at the date of settlement, with any changes in fair value recognized in profit or loss for the year.

(n) Revenue recognition

The Group principally derives revenue from sales of products and provision of internet services.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes. The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

(i) *Sales of products*

The Group sells products, mainly including smartphones, IoT and lifestyle products, to customer through its own sales channel or through distributors, who usually sell the products to end customers as a principal. In March 2024, the Group launched its smart EV and sales of smart EV to customers also became one of the main revenue generating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(n) Revenue recognition (continued)

(i) Sales of products (continued)

Revenue from the sales of products is recognized when control of the goods has been transferred, being when the products are accepted by the customers. Since the acceptance of the products, the customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

In some sales transactions, customers may have right to return the products within a specified period. The Group bases its estimates of sales return on historical results, taking into consideration the type of customers, the type of products and the specifics of each arrangement.

(ii) Internet services

Internet services mainly comprise advertising services and internet value-added services.

(i) Advertising services

Advertising revenues comprise mainly display-based and performance-based advertisements.

Revenue from display-based advertisements to the users of smartphones and other devices is recognized on a straight-line basis over the contracted period in which the advertisements are displayed.

Revenue from performance-based advertisements is recognized based on actual performance measurement. The Group recognizes the revenue when the performance obligation is satisfied: (i) per-click when the users click on the content, (ii) per-impression when the advertising contents are displayed to users, or (iii) per-download when the customers' apps are downloaded by users.

(ii) Internet value-added services

The Group's internet value-added services revenue mainly includes online game and fintech business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)**2.1 Summary of material accounting policies (continued)****(n) Revenue recognition (continued)*****(ii) Internet services (continued)******(iii) Internet value-added services (continued)***

For online game, revenue recognized on a gross or net basis depending on whether the Group is acting as a principal or an agent. Revenue is recognized over the estimated user relationship periods, given there is an explicit or implicit obligation of the Group to maintain the relevant applications and allow users to have access to them.

Fintech business

The Group's fintech revenues are primarily consist of financial interest income through provision of loan to customers in the supply chain factoring business. Financial interest income is recognized in the consolidated income statement based on carrying amount of loan receivables, the duration and the effective interest rate.

The Group also provides intermediary services to the borrowers and third-party funding parties (the lenders) as an agent and generated intermediary services income from the facilitation services; revenue is recognized when the facilitation services are completed and confirmed by each party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(n) Revenue recognition (continued)

(iii) *Principal or agent assessment*

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal if the Group obtains control through any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

(iv) *Financing component*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.1 Summary of material accounting policies (continued)

(o) Earnings per share (continued)

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.2 Summary of other accounting policies

(a) Separate financial statements

Investments in subsidiaries (including controlled structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial information of the investee's net assets including goodwill.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.2 Summary of other accounting policies (continued)

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollar ("US\$"). The Company's primary subsidiaries were incorporated in mainland China and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within mainland China, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(iii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. Foreign exchange gains and losses are presented in the consolidated income statement within "other (losses)/gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.2 Summary of other accounting policies (continued)

(c) Foreign currency translation (continued)

(iii) *Group companies (continued)*

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

(iv) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(d) Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is recognized so as to write off the cost of investment properties to their residual values over their estimated useful lives of 30 to 40 years by using the straight-line method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.2 Summary of other accounting policies (continued)

(e) Receivables (other than loan receivables)

Trade and notes receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and notes receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value.

Majority of other receivables are amounts due from outsourcing partners for raw material delivered in the ordinary course of business, in which the outsourcing partners do not obtain control of these raw materials. They are generally due for settlement within one year and therefore all classified as current assets.

The Group holds the trade and notes receivables and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 2.1(g)(iii) for a description of the Group's impairment policies for trade and notes receivables and other receivables.

(f) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(g) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.2 Summary of other accounting policies (continued)

(h) Employee benefits

Liabilities arising from short-term obligation for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period, and they are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

Liabilities that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. It is presented as current liabilities in the consolidated balance sheet if the entity does not have a right, at the end of the reporting period, to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(i) Pension obligations

The Group's subsidiaries operating in mainland China have to make contribution to various defined contribution retirement benefit plans organized and managed by local government authorities in accordance with the relevant rules and regulations. The contributions borne by the Group under the government mandated multi-employer defined contribution scheme are principally determined based on certain percentages of the salaries of employees, subject to certain ceilings. Contributions to these schemes are charged to the consolidated income statement as and when incurred and not reduced by contributions forfeited by those who leave the plans prior to vesting fully in the contributions. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees under these plans and the Group has no legal or constructive obligations to pay further contributions. The Group doesn't operate any defined benefits for its employees in mainland China.

The Group also make contributions to kinds of pension plans for its employees in other countries or regions in which the Group operated business. However, as the Group only has few employees located in these countries or regions, the impact to the Group was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.2 Summary of other accounting policies (continued)

(h) Employee benefits (continued)

(iii) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(iii) *Bonus plans*

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(i) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(i) *Warranty provision*

For the smartphones and IoT and lifestyle products, the Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under the basic limited warranty provision provided to customers. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labor associated with warranty repair and service actions. The period ranges from one to six years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)**2.2 Summary of other accounting policies (continued)****(i) Provisions (continued)****(i) Warranty provision (continued)**

For the smart EV sold, the Group also provides warranty to customers, which cover all materials and labor to repair defects of the EV. The warranty periods are categorized based on key parts, consumable parts, and the entire vehicle. The Group accrues warranty provision based on the best estimate of projected costs to repair or replace items under warranties. These estimates are made primarily based on actual claims incurred to date and the estimates of the nature, frequency and costs of future claims.

The Group reevaluates its estimates on an annual basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

(j) Interest income

Interest income on financial assets at amortized cost and debt instruments carried at fair value through other comprehensive income calculated using the effective interest method is presented in the consolidated income statement as part of finance income or presented as revenue, depending on whether it is generated from the ordinary business of the Group.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income earned from loan receivables that generated from the factoring business (Note 2.1(n)(ii)(ii)) is presented as revenue.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(k) Government grants

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognized in the consolidated income statement over the period necessary to match them with the expense that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.2 Summary of other accounting policies (continued)

(k) Government grants (continued)

Government grants relating to the property, plant and equipment, and other non-current assets are included in the liabilities and are credited to consolidated income statement on a straight-line basis over the expected lives of the related assets.

(l) Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.2 Summary of other accounting policies (continued)

(l) Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Summary of accounting policies (continued)

2.2 Summary of other accounting policies (continued)

(l) Leases (continued)

Payments associated with short-term leases of cloud servers are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(n) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(o) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income. However, the investment may need to be tested for impairment as a consequence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The transactions of the Company are denominated and settled majority in its functional currency, US\$. The Group's subsidiaries operate in mainland China have transactions that with recognized assets and liabilities denominated in US\$ and expose the Group to foreign exchange risk when receiving or to receive foreign currencies from or paying or to pay foreign currencies to overseas business partners.

For the group entities whose functional currency is RMB, if RMB had strengthened/weakened by 5% against US\$ with all other variables held constant, the profit before income tax for the year ended December 31, 2024 would have been approximately RMB35,096,000 lower/higher (2023: RMB148,572,000 higher/lower), as a result of net foreign exchange loss (2023: net foreign exchange gain) on translation of net monetary assets (2023: net monetary liabilities) denominated in US\$.

The Group's oversea subsidiaries also have transactions with their business partners (sometimes the business partners were also the group entities) that denominated in US\$ or RMB, which are different with their respective functional currencies. This also exposes the Group to foreign exchange risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

For the group entities whose functional currency is US\$, if RMB had strengthened/weakened by 5% against US\$ with all other variables held constant, the profit before income tax for the year ended December 31, 2024 would have been approximately RMB370,124,000 (2023: RMB63,629,000) higher/lower, as a result of net foreign exchange gains on translation of net monetary assets denominated in RMB.

(ii) Interest rate risk

The Group's interest rate risk primarily arose from borrowings with floating and fixed rates, long-term investments measured at amortized cost, term bank deposits, short-term investments measured at fair value through other comprehensive income, short-term investments measured at amortized cost, loan receivables, and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The Group's floating rates assets or liabilities are mainly cash and cash equivalents and bank borrowings.

If the interest rate of cash and cash equivalents had been 50 basis points higher/lower, the profit before income tax for the year ended December 31, 2024 would have been RMB168,307,000 (2023: RMB168,157,000) higher/lower.

If the interest rate of borrowings with floating rate had been 50 basis points higher/lower, the profit before income tax for the year ended December 31, 2024 would have been approximately RMB23,488,000 (2023: RMB23,652,000) lower/higher. This analysis does not include the effect of interest capitalized.

The fair value interest rate risk arises from financial assets and liabilities carried at fixed rates is not significant for the Group.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to price risk primarily in respect of its investments in ordinary shares and preferred shares that classified in the consolidated balance sheet as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.

(b) Credit risk

The Group is exposed to credit risk in relation to its long-term investments measured at amortized cost, term bank deposits, loan receivables, trade and notes receivables, other receivables, short-term investments measured at amortized cost, short-term investments measured at fair value through other comprehensive income, short-term investments measured at fair value through profit or loss, bills receivables measured at fair value through other comprehensive income (which were bank acceptance notes), cash and cash equivalents, and restricted cash. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage risk arising from cash and cash equivalents, term bank deposits, restricted cash, short-term investments measured at fair value through profit or loss and bills receivables measured at fair value through other comprehensive income, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to those financial institutions.

For short-term investments measured at fair value through other comprehensive income, long-term investments measured at amortized cost and short-term investments measured at amortized cost, mainly including debt securities whose contractual cash flows are solely principal and interest, management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experiences. In view of the sound rating of debtors, management believes that the credit risk inherent in those investments is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and notes receivables and bills receivables measured at FVOCI

To manage risk arising from trade and notes receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group's expected loss rates are mainly determined based on the corresponding historical credit loss rates which are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has considered the expected changes in macroeconomic factors, such as Consumer Price Index ("CPI"), Gross Domestic Product ("GDP") and Retail Sales of Consumer Goods, etc., and accordingly adjusts the historical loss rates based on expected changes in all factors identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and notes receivables and bills receivables measured at FVOCI (continued)

The loss allowance provisions for trade receivables as of December 31, 2024 and 2023 are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	Over 6 months past due	Total
December 31, 2024:					
Expected loss rate	0.68%	2.60%	31.25%	38.81%	
Gross carrying amount (RMB'000)	9,992,819	1,528,001	197,994	943,246	12,662,060
Loss provision (RMB'000)	67,674	39,736	61,865	366,048	535,323
December 31, 2023:					
Expected loss rate	0.68%	3.57%	6.94%	50.64%	
Gross carrying amount (RMB'000)	6,385,387	2,896,056	753,327	219,152	10,253,922
Loss provision (RMB'000)	43,493	103,444	52,310	110,981	310,228

As of December 31, 2024 and 2023, the credit loss allowance for notes receivables and bills receivables measured at FVOCI is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Other Receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding other receivable balances due from them is not significant.

Loan Receivables

To manage risk arising from loan receivables, the Group performs standardized credit management procedures:

- For pre-approval assessment, the Group uses its platform and systems using big data technology to optimize the review process, including credit analysis, assessment of collectability of borrowers, possibility of misconduct and fraudulent activities.
- In terms of credit examining management, the Group has established specific policies and procedures to assess loans offering.
- For subsequent monitoring, the Group has implemented credit examination on each borrower every three months. For unqualified borrowers, credit facilities granted previously could be terminated immediately. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors.
- In post-loan supervision, the Group has established risk monitoring alert system through periodical monitoring, system alert, and corresponding solutions to identify impaired loans.

The Group rarely modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. The Group considers the impact from such modification is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Loan Receivables (continued)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

Expected credit loss model for loan receivables, as summarized below:

- The loan receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The impairment of loan receivables was provided based on the 'three-stages' model by referring to the changes in credit quality since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Loan Receivables (continued)

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(1) Significant increase in credit risk (SICR)

The Group considers loan receivables to have experienced a significant increase in credit risk when backstop criteria has been met. A backstop is applied and the loan receivables considered to have experienced a significant increase in credit risk if the borrower is more than 1 day past due on its contractual payments.

(2) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.

(3) Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each portfolio. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summarized. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the business climate index as the key economic variables impacting credit risk and expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)**3.1 Financial risk factors (continued)****(b) Credit risk (continued)*****Loan Receivables (continued)****(4) Forward-looking information incorporated in the ECL models (continued)*

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(5) Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modeled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The credit loss allowance recognized in the year is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the year, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized, as well as releases for loan receivables derecognized in the year;
- Loan receivables derecognized and write-offs of allowances related to assets that were written off during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Loan Receivables (continued)

The following tables explain the gross carrying amount and credit loss allowance of loan receivables:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As of December 31, 2024				
Gross carrying amount	12,323,506	10,394	4,848	12,338,748
Loss allowance	(65,562)	(6,848)	(4,848)	(77,258)
	12,257,944	3,546	—	12,261,490
As of December 31, 2023				
Gross carrying amount	9,832,099	6,237	806,808	10,645,144
Loss allowance	(62,755)	(4,075)	(805,725)	(872,555)
	9,769,344	2,162	1,083	9,772,589

Note:

During the years ended December 31, 2024 and 2023, majority of new loans receivables were originated from the factoring loan business; and the transfer between stages were immaterial during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Loan Receivables (continued)

The following tables explain the movement of the credit loss allowance for loan receivables for the years ended December 31, 2024 and 2023:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Loss allowance as of January 1, 2024	62,755	4,075	805,725	872,555
Transfer between stages	(1,882)	1,187	695	—
Provision of expected credit losses	4,383	1,556	12,659	18,598
Write-offs	—	—	(814,439)	(814,439)
Foreign exchange	306	30	208	544
Loss allowance as of December 31, 2024	65,562	6,848	4,848	77,258
Loss allowance as of January 1, 2023	42,429	16,950	736,738	796,117
Transfer between stages	(902)	(21,006)	21,908	—
Provision of expected credit losses	21,051	8,119	110,918	140,088
Write-offs	—	—	(63,904)	(63,904)
Foreign exchange	177	12	65	254
Loss allowance as of December 31, 2023	62,755	4,075	805,725	872,555

Write-off policy

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

The Group may write off loan receivables that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been written off due to no reasonable expectation of full recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements. There are loan covenants terms for certain borrowings. As of December 31, 2024 and 2023, there is no breach of such loan covenants.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining year at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 year and 2 years RMB'000	Between 2 years and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At December 31, 2024					
Borrowings	13,995,172	553,647	4,036,079	18,351,515	36,936,413
Trade payables	98,280,585	—	—	—	98,280,585
Other payables	20,385,746	—	—	—	20,385,746
Lease liabilities	2,722,181	1,660,925	1,126,426	975,922	6,485,454
Payables for purchase of intangible assets	2,481,254	1,223,345	279,615	—	3,984,214
Liabilities to investors	916,457	—	8,281,420	3,247,812	12,445,689
At December 31, 2023					
Borrowings	6,740,387	8,359,245	2,454,025	15,826,470	33,380,127
Trade payables	62,098,500	—	—	—	62,098,500
Other payables	14,972,032	—	—	—	14,972,032
Lease liabilities	804,641	425,136	708,479	268,386	2,206,642
Payables for purchase of intangible assets	2,503,564	2,014,199	843,978	—	5,361,741
Liabilities to investors	—	—	11,574,737	2,228,308	13,803,045
Off-balance sheet guarantee liabilities	5,772	—	—	—	5,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and share premium) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group has strong cash positions, continuously generating operating profits with a low level of indebtedness.

3.3 Fair value estimation

The table below analyzes the Group's main financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2024:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Long-term investments measured at fair value through profit or loss (Note 19)	6,613,312	—	55,498,876	62,112,188
Short-term investments measured at fair value through profit or loss (Note 19)	—	—	28,123,777	28,123,777
Short-term investments measured at fair value through other comprehensive income (Note 19)	1,681,062	—	—	1,681,062
Bills receivables measured at fair value through other comprehensive income	—	—	1,255,767	1,255,767
	8,294,374	—	84,878,420	93,172,794
Liabilities				
Liabilities to investors (Note 29(a))	—	—	3,757,399	3,757,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2023:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Long-term investments measured at fair value through profit or loss (Note 19)	5,992,430	—	54,207,368	60,199,798
Short-term investments measured at fair value through profit or loss (Note 19)	—	—	20,193,662	20,193,662
Short-term investments measured at fair value through other comprehensive income (Note 19)	582,131	—	—	582,131
Bills receivables measured at fair value through other comprehensive income	—	—	125,661	125,661
	6,574,561	—	74,526,691	81,101,252
Liabilities				
Liabilities to investors (Note 29(a))	—	—	2,228,308	2,228,308

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets mainly include long-term investments measured at fair value through profit or loss and short-term investments measured at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the years ended December 31, 2024 and 2023:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	54,207,368	51,432,588
Additions	5,399,872	3,789,213
Disposals	(5,506,801)	(2,458,853)
Changes in fair value	527,641	2,427,596
Transfer to investments accounted for using the equity method	—	(458,544)
Transfer from investments accounted for using the equity method	1,315,051	1,975,719
Transfer to level 1 financial instruments	(813,011)	(2,872,137)
Currency translation differences	368,756	371,786
At the end of the year	55,498,876	54,207,368
Net unrealized gains for the year	1,683,292	1,631,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the years ended December 31, 2024 and 2023:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	20,193,662	9,845,910
Additions	104,506,976	53,357,701
Disposals	(97,088,274)	(43,272,307)
Changes in fair value	495,734	292,701
Currency translation differences	15,679	(30,343)
At the end of the year	28,123,777	20,193,662
Net unrealized gains for the year	120,090	71,186

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included long-term investments measured at fair value through profit or loss in unlisted companies and certain listed companies for which sale is restricted for a specified period (Note 19), and short-term investments measured at fair value through profit or loss (Note 19). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows or market approach, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair values		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
	As of December 31,			As of December 31,		
	2024	2023		2024	2023	
	RMB'000	RMB'000				
Long-term investments measured at fair value through profit or loss (Note 19)	41,326,558	43,743,711	Expected volatility	33%–96%	15%–103%	The higher the expected volatility, the lower the fair value
— Ordinary shares investments and preferred shares investments			Discount for lack of marketability (“DLOM”)	3%–30%	4%–30%	The higher the DLOM, the lower the fair value
— Treasury investments and other investments	14,172,318	10,463,657	Risk-free rate Note(a)	1.1%–6.7%	1.9%–7%	
Short-term investments measured at fair value through profit or loss (Note 19)	28,123,777	20,193,662	Expected rate of return	0.65%–5.85%	0.25%–3.25%	The higher the expected rate of return, the higher the fair value

Note:

- (a) The fair value of these investments (treasury investments and other investments) was determined based on the net asset value of the investments, whose underlying assets and liabilities were measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

If the fair values of the ordinary shares and preferred shares held by the Group, which was included in long-term investments measured at fair value through profit or loss had been 5% higher/lower, the profit before income tax for the year ended December 31, 2024 would have been approximately RMB2,396,994,000 (2023: RMB2,486,807,000) higher/lower.

There were no material transfers between level 1, 2 and 3 of fair value hierarchy classifications during the year ended December 31, 2024, except that certain financial assets were transferred out of level 3 of fair value hierarchy to level 1 classifications due to the conversion to ordinary shares as the result of the initial public offering or lifting of sale restriction of the investee companies.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, restricted cash, term bank deposits, short-term investments measured at amortized cost, long-term investments measured at amortized cost, trade and notes receivables, loan receivables and other receivables, and the Group's financial liabilities that are not measured at fair value, including borrowings, trade payables and other payables, approximate their fair values due to short maturities or the interest rates are close to the market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Classification and measurement of the value of unlisted securities

The Group measures ordinary share investments and preferred share investments in unlisted companies other than those accounted for using the equity method at fair value through profit or loss (collectively the “**Unlisted Securities**”), amounting to RMB35,751,031,000 as of December 31, 2024. The classification, initial recognition and subsequent measurement of the Unlisted Securities require management to analyze certain complex contract terms, make corresponding judgments on the Group’s business models of managing them, as well as estimate their cashflows. The Group identified its various rights and evaluated the financial impacts based on key terms from relevant legal documents.

Fair value of these Unlisted Securities, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3.

(b) Impairment of loan receivables

The Group follows the guidance of IFRS 9 to determine the expected credit loss of a loan receivable. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration of receivables and the financial health, collection history of debtors and expected future change of credit risks, including the consideration of factors such as general economy measures, changes in macroeconomic indicators etc. Further details are included in Note 3.1 to the consolidated financial statements.

(c) Taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be probable due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 Critical accounting estimates and judgments (continued)

(c) Taxation (continued)

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future or the reversal of temporarily taxable difference.

The Group is also subject to other taxation in different jurisdictions. Significant judgment is required in determining the worldwide provision of other taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain.

(d) Inventory provision

Inventories are stated at the lower of cost and net realizable value. Management makes provision for inventories based on historical experience and estimation of future market condition and sales. The actual net realizable value maybe higher or lower than previously estimated. This requires significant judgment and estimation.

(e) Recoverability of non-financial assets and investments accounted for using the equity method

The Group tests annually or more frequently if events or changes in circumstances indicate a potential impairment whether goodwill has suffered any impairment. Other non-financial assets, mainly including property, plant and equipment, intangible assets, investment properties, right-of-use assets as well as investments accounted for using the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of non-financial assets is the greater of its fair value less costs of disposal and value in use. In determining fair values, various applicable valuation techniques (e.g. discounted cash flows or market approach) are used, with significant unobservable inputs including expected volatility, discount for lack of marketability and risk-free rates, etc. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgment relating to level of revenue, operating costs and discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 Critical accounting estimates and judgments (continued)

(e) Recoverability of non-financial assets and investments accounted for using the equity method (continued)

Judgment is required select key assumptions applied in the adopted valuation models, including projected cash flows, discount rates and volatility, etc. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated income statement.

(f) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of products sold under warranty, historical and anticipated rates of warranty claims on those products, and estimated cost per claim to satisfy the warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate.

(g) Revenue

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, significant judgments include determining whether the Group is acting as the principal in a transaction. The Group is a principal in a transaction if the Group obtains control of the products sold or services provided before they are transferred to customers. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Segment information and revenue

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company that makes strategic decisions.

The Group officially launched smart EV on March 28, 2024 and also launched other new initiatives to maintain its sustainable development ability. As the smart EV and other new initiatives have dissimilar products, production process and different stages of development with the Group's Smartphone × AIoT businesses, and the CODM reviewed the Smartphone × AIoT businesses and smart EV and other new initiatives separately to assess the performance and allocate resources, thus the smart EV and other new initiatives were regarded as a separate segment in the consolidated financial statements.

In this connection, the Group determined that it has the following reportable segments:

- Smartphone × AIoT
 - Smartphones
 - IoT and lifestyle products
 - Internet services
 - Other related businesses
- Smart EV and other new initiatives

These changes of presentation of segment information align with the manner in which the Group's CODM uses financial information to evaluate the performance of, and to allocate resources to, each of the segments. The prior year's segment operating results have been retrospectively recast to conform to the current year presentation as applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Segment information and revenue (continued)

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

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment:

- (a) Smartphone × AIoT: Revenues from smartphones are derived from the sale of smartphones. Revenues from the IoT and lifestyle products primarily comprise revenues from sales of smart large home appliances, smart TVs, tablets, wearables and other IoT and lifestyle products. Revenues from internet services are derived from advertising services and internet value-added services (including online game and fintech business). Other related business revenues in Smartphone × AIoT segment primarily comprise revenue from the hardware repairment services for products, installation services for certain IoT products and sale of materials.
- (b) Smart EV and other new initiatives: Revenues from smart EV and other new initiatives segment are mainly derived from the sale of smart EV, revenues from other new initiatives are immaterial to the Group.

The cost of sales from each segment comprises:

- (a) Smartphone × AIoT: The Group's cost of sales for smartphones and IoT and lifestyle products primarily consist of (i) procurement cost of raw materials and components, (ii) assembly cost charged by the Group's outsourcing partners, (iii) royalty fees for certain technologies embedded in the products, (iv) costs, in the forms of production costs and profit-sharing, paid to the Group's partners for procuring ecosystem products, (v) warranty expenses, and (vi) provision for impairment of inventories. The Group's cost of sales for internet services primarily consists of (i) content fees to game developers, (ii) bandwidth, server custody and cloud service related costs, and (iii) fintech costs. Cost of sales for other related business in Smartphone × AIoT segment primarily consists of hardware consumed, installation costs and costs of the sold materials.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Segment information and revenue (continued)

- (b) Smart EV and other new initiatives: The Group's cost of sales for smart EV and other new initiatives segment primarily consist of (i) procurement cost of direct parts and raw materials, (ii) labor costs, (iii) manufacturing costs (including depreciation of assets associated with the production), (iv) provision of warranty, and (v) write-down of the inventory to its estimated net realizable value.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the consolidated financial statements. Other than the inventory information by segment, there were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

There were no material inter-segment sales during the years ended December 31, 2024 and 2023. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated income statement.

The segment results and revenue information for the years ended December 31, 2024 and 2023 are as follows:

	Year ended December 31, 2024						
	Smartphone × AIoT				Smart EV		Total
	Smartphones	IoT and	Internet	Other	Subtotal	and other	
		lifestyle products	services	related businesses		new initiatives	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenues	191,759,315	104,103,874	34,115,373	3,174,148	333,152,710	32,753,640	365,906,350
Cost of sales	(167,505,466)	(83,011,803)	(7,968,553)	(4,157,041)	(262,642,863)	(26,703,293)	(289,346,156)
Gross profit/(loss)	24,253,849	21,092,071	26,146,820	(982,893)	70,509,847	6,050,347	76,560,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Segment information and revenue (continued)

	Year ended December 31, 2023						
	Smartphone × AIoT					Smart EV	
	Smartphones	IoT and	Internet	Other	Subtotal	and other	Total
		lifestyle		related		new	
		products		businesses		initiatives	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment revenues	157,461,309	80,107,740	30,107,494	3,293,598	270,970,141	—	270,970,141
Cost of sales	(134,480,722)	(67,029,144)	(7,773,544)	(4,210,492)	(213,493,902)	—	(213,493,902)
Gross profit/(loss)	22,980,587	13,078,596	22,333,950	(916,894)	57,476,239	—	57,476,239

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

For the revenue generated from contract with customers under IFRS 15, majority of revenue were recognized at point of time; and revenue from sources other than contract with customers under IFRS 15 were immaterial to the Group.

For the years ended December 31, 2024 and 2023, the geographical information on the total revenues is as follows:

	Year ended December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Mainland China	212,562,449	58.1	149,189,720	55.1
Rest of the world (Note (a))	153,343,901	41.9	121,780,421	44.9
	365,906,350		270,970,141	

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Segment information and revenue (continued)

The major customers which contributed more than 10% of the total revenue of the Group for the years ended December 31, 2024 and 2023 are listed as below:

	Year ended December 31,	
	2024 %	2023 %
Customer A	10.5	12.2

All the revenues derived from other single external customer were less than 10% of the Group's total revenues for the years ended December 31, 2024 and 2023.

The following table shows inventory information by reportable segment as of December 31, 2024 and 2023.

	As of December 31,	
	2024 RMB'000	2023 RMB'000
Smartphone × AIoT	60,905,907	44,354,214
Smart EV and other new initiatives	1,603,775	68,623
	62,509,682	44,422,837

6 Other income

Other income mainly includes government grants, dividend income and refunds of value-added tax and other tax.

During the year ended December 31, 2024, majority of the government grants recognized in other income was relating to expenses. As it is reasonable assurance that the Group have met these attached conditions and the related expenses have incurred, the Group credited the other income from deferred government grants in the year of 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

7 Other (losses)/gains, net

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Gains on disposal and deemed disposal of investments accounted for using the equity method	635,599	1,580,123
Foreign exchanges (losses)/gains, net	(319,630)	124,405
Impairment on investments accounted for using the equity method (Note 11(b))	(161,668)	(7,138)
Others	(164,635)	(679)
	(10,334)	1,696,711

8 Expenses by nature

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cost of inventories sold and royalty fees	267,014,217	192,822,082
Provision for impairment of inventories (Note 23)	5,762,582	3,861,753
Employee benefit expenses (Note 9)	22,902,540	18,935,182
Depreciation of property, plant and equipment, right-of-use assets and investment properties (Note 14, 16, 17)	3,626,279	2,401,979
Amortization of intangible assets (Note 15)	2,691,990	2,434,308
Promotion and advertising expenses	8,011,251	6,996,492
Content fees to game developers and video providers	3,111,503	3,245,179
Net impairment losses on financial assets	195,938	321,528
Consultancy and professional service fees	1,761,720	1,491,329
Cloud service, bandwidth and server custody fees	2,427,860	2,208,314
Warranty expenses	4,447,006	4,801,995
Auditor's remuneration	69,569	65,283
— Audit services	54,674	52,744
— Non-audit services	14,895	12,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 Expenses by nature (continued)

During the year ended December 31, 2024, the Group incurred research and development expenses of approximately RMB24,050,484,000 (2023: RMB19,097,699,000), which mainly comprised of employee benefits expenses of RMB14,578,653,000 (2023: RMB11,845,739,000). No significant development expenses had been capitalized during the year (2023: Nil).

9 Employee benefit expenses

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and bonuses	14,963,862	11,981,862
Share-based compensation expenses (Note 28)	3,726,085	3,378,670
Contributions to pension plans	1,650,417	1,410,904
Other social security costs, housing benefits and other employee benefits	2,562,176	2,163,746
	22,902,540	18,935,182

(i) Pensions — defined contribution plans

During the year ended December 31, 2024, no forfeited contributions were utilized by the Group to reduce its contributions for the current year (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 Employee benefit expenses (continued)

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group do not include any director of the Company for the years ended December 31, 2024 and 2023. All of these individuals have not received any emolument from the Group as an inducement to join the Group or compensation for loss of office during the years ended December 31, 2024 and 2023. The emoluments payable to the five highest paid individuals during the years ended December 31, 2024 and 2023 are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Wages and salaries	10,851	10,654
Share-based compensation expenses	388,885	402,227
Contributions to pension plans	313	312
Discretionary bonuses	13,600	3,300
Other social security costs, housing benefits and other employee benefits	488	444
	414,137	416,937

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2024	2023
Hong Kong dollar ("HK\$")25,500,001 to HK\$26,000,000	—	1
HK\$28,500,001 to HK\$29,000,000	1	—
HK\$33,500,001 to HK\$34,000,000	1	—
HK\$37,500,001 to HK\$38,000,000	2	—
HK\$40,000,001 to HK\$40,500,000	—	1
HK\$46,000,001 to HK\$46,500,000	—	1
HK\$52,500,001 to HK\$53,000,000	—	1
HK\$298,000,001 to HK\$298,500,000	—	1
HK\$316,500,001 to HK\$317,000,000	1	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 Employee benefit expenses (continued)

(iii) Benefits and interests of directors

The remuneration of every director is set out below:

During the year ended December 31, 2024:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive Directors						
LEI, Jun	—	—	—	—	—	—
LIN, Bin	—	—	—	—	—	—
LIU, De	—	—	—	—	—	—
Non-executive Director						
LIU, Qin	—	—	—	—	—	—
Independent non-executive Directors						
CHEN, Dongsheng	547	—	—	—	—	547
WONG, Shun Tak (a)	1,003	—	—	—	—	1,003
TONG Wai Cheung Timothy (b)(c)	22	—	—	—	—	22
CAI, Jingjing (c)	547	—	—	—	—	547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 Employee benefit expenses (continued)

(iii) Benefits and interests of directors (continued)

During the year ended December 31, 2023:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive Directors						
LEI, Jun	—	—	—	—	—	—
LIN, Bin	—	—	—	—	—	—
LIU, De	—	—	—	—	—	—
Non-executive Director						
LIU, Qin	—	—	—	—	—	—
Independent non-executive Directors						
CHEN, Dongsheng	540	—	—	—	—	540
WONG, Shun Tak (a)	991	—	—	—	—	991
TONG Wai Cheung Timothy (b)(c)	991	—	—	—	—	991

Notes:

- (a) HK\$500,000 was paid to Mr. Wong Shun Tak during the years ended December 31, 2024 and 2023 in connection with his service as director or other service in respect of management of the affairs of the Company's subsidiary undertakings.
- (b) HK\$11,000 was paid to Prof. Tong Wai Cheung Timothy from January 1 to 8, 2024 (during the year ended December 31, 2023: HK\$500,000) in connection with his service as director or other service in respect of management of the affairs of the Company's subsidiary undertakings.
- (c) Prof. Tong Wai Cheung Timothy has resigned as independent non-executive director of the Company with effect from January 8, 2024. Meanwhile, Ms. Cai Jinqing was appointed as an independent non-executive director of the Company with effect from January 8, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 Employee benefit expenses (continued)**(iv) Directors' termination benefits**

No director's termination benefit subsisted as of December 31, 2024 and 2023 or at any time during all the years presented.

(v) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted as of December 31, 2024 and 2023 or at any time during all the years presented.

(vi) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted as of December 31, 2024 and 2023 or at any time during all the years presented.

(vii) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as of December 31, 2024 and 2023 or at any time during all the years presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

10 Finance income and costs

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	3,836,204	3,558,347

Interest income mainly represents interest income from bank deposits, including bank balances and term bank deposits.

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Finance costs:		
(Gains)/losses arising from liabilities due to fund investors (Note 29)	(1,119,698)	405,724
Interest expense from borrowings (Note 33), lease liabilities (Note 16) and deferred consideration of intangible assets (Note 29, 31)	1,332,145	1,154,965
Less: amount capitalized	—	(4,719)
	212,447	1,555,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11(a) Major subsidiaries and controlled structured entities

As of December 31, 2024 and 2023, the Company had the following major subsidiaries (including controlled structured entities):

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held			
				As of December 31,		As of the date of this report	Principal activities
2024		2023					
Subsidiaries							
Directly held:							
Xiaomi H.K. Limited	Hong Kong, limited liability company	April 7, 2010	HK\$10,000	100%	100%	100%	Wholesale and retail of smartphones and ecosystem partners' products
Fast Pace Limited	British Virgin Islands, limited liability company	January 8, 2013	US\$2	100%	100%	100%	Investment holding and investment activities
Best Ventures Limited	British Virgin Islands, limited liability company	March 21, 2013	US\$1	100%	100%	100%	Investment holding and investment activities
Xiaomi Singapore Pte. Ltd.	Singapore, limited liability company	December 23, 2013	Singapore Dollar ("SGD")1 and US\$641,879,420	100%	100%	100%	Sales of smart hardware
Xiaomi Best Time International Limited	Hong Kong, limited liability company	December 20, 2018	US\$30,000,000	100%	100%	100%	Intra-group capital supervision, collection, remittance, credit guarantee and interest rate risk management
Indirectly held:							
Xiaomi Communications Co., Ltd.	Mainland China, limited liability company	August 25, 2010	US\$320,000,000	100%	100%	100%	Sales of smartphones, sales of ecosystem partners' products and provision of customer services
Beijing Xiaomi Electronics Co. Ltd.	Mainland China, limited liability company	January 9, 2012	US\$27,000,000	100%	100%	100%	Sales of smart hardware

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11(a) Major subsidiaries and controlled structured entities (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held			
				As of December 31, 2024	2023	As of the date of this report	Principal activities
Subsidiaries							
Indirectly held: (continued)							
Beijing Xiaomi Mobile Software Co., Ltd. ("Xiaomi Mobile")	Mainland China, limited liability company	May 8, 2012	RMB1,288,000,000	100%	100%	100%	Software and hardware development and provision of software related services
Zhuhai Xiaomi Communications Co., Ltd.	Mainland China, limited liability company	January 25, 2013	RMB2,000,000	100%	100%	100%	Procurement and sales of smartphones, ecosystem partners' products and spare parts, procurement of raw materials
Guangzhou Xiaomi Communications Co., Ltd.	Mainland China, limited liability company	September 22, 2016	RMB951,000,000	100%	100%	100%	Sales of smart hardware
Xiaomi Technology India Private Limited ("Xiaomi India")	India, limited liability company	October 7, 2014	Indian Rupees ("INR")207,450	100%	100%	100%	Sales of smartphones and ecosystem partners' products
Guangzhou Xiaomi Information Service Co., Ltd.	Mainland China, limited liability company	December 29, 2016	RMB1,000,000	100%	100%	100%	Provision of advertising and promotion services
Xiaomi Home Commercial Co., Ltd.	Mainland China, limited liability company	June 27, 2017	RMB100,000,000	100%	100%	100%	Operation of retail stores
Red Better Limited	British Virgin Islands, limited liability company	October 8, 2013	—	100%	100%	100%	Investment activities
Green Better Limited	British Virgin Islands, limited liability company	December 9, 2013	US\$1	100%	100%	100%	Investment activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11(a) Major subsidiaries and controlled structured entities (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held			
				As of December 31,		As of the date of this report	Principal activities
2024		2023					
Subsidiaries							
Indirectly held: (continued)							
People Better Limited	British Virgin Islands, limited liability company	April 22, 2014	US\$1,000,001	100%	100%	100%	Investment activities
Xiaomi Home Technology Co., Ltd.	Mainland China, limited liability company	January 20, 2017	RMB80,000,000	100%	100%	100%	Operation of retail stores
PT. Xiaomi Technology Indonesia	Indonesia, limited liability company	April 23, 2018	Indonesian Rupiah ("IDR") 13,000,000,000	100%	100%	100%	Sales and production of smartphones, sales of television
Shenzhen Xiaomi Information Technology Co., Ltd.	Mainland China, limited liability company	September 29, 2019	RMB591,000,000	100%	100%	100%	Sales of smart hardware and provision of advertising and promotion services
Xiaomi Technology Netherlands B.V.	Netherlands, limited liability company	October 29, 2018	Euro ("EUR") 1,000,000	100%	100%	100%	Sales of smart hardware
Tianxing Digital Technology Co., Ltd.	Mainland China, limited liability company	December 26, 2013	RMB2,313,630,000	100%	100%	100%	Electronic payment technology services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11(a)Major subsidiaries and controlled structured entities (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held			
				As of December 31,		As of the	Principal activities
				2024	2023	date of this report	
Subsidiaries							
Indirectly held: (continued)							
Xiaomi Technology (Thailand) Limited	Thailand, limited liability company	July 4, 2018	Thai Baht ("THB") 200,000,000	99.99%	99.99%	99.99%	Sales of smart hardware
Airstar (Tianjin) Commercial Factoring Co., Ltd.	Mainland China, limited liability company	October 17, 2023	RMB800,000,000	100%	100%	100%	Commercial factoring business
Xiaomi Smart Appliances (Wuhan) Co., Ltd.	Mainland China, limited liability company	October 30, 2023	RMB500,000	100%	100%	100%	Sales of smart hardware
Controlled structured entities (Note (a)):							
Xiaomi Inc.	Mainland China, limited liability company	March 3, 2010	RMB1,850,000,000	100%	100%	100%	E-commerce business
Tianjin Jinxing Venture Investment Co., Ltd.	Mainland China, limited liability company	December 26, 2013	RMB2,476,557,552	100%	100%	100%	Investment activities
Beijing Duokan Technology Co., Ltd.	Mainland China, limited liability company	February 10, 2010	RMB10,000,000	100%	100%	100%	Sales of e-book
Beijing Wali Internet Technologies Co., Ltd.	Mainland China, limited liability company	June 1, 2009	RMB2,100,000	100%	100%	100%	Provision of internet services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11(a) Major subsidiaries and controlled structured entities (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held			
				As of December 31, 2024	2023	As of the date of this report	Principal activities
Controlled structured entities (Note (a)): (continued)							
Hubei Xiaomi Yangtze River Industry Investment Fund Partners (Limited Partnership)	Mainland China, limited partnership	December 7, 2017	RMB6,848,117,465	29%	24%	29%	Investment activities
Youpin Information Technology Co., Ltd.	Mainland China, limited liability company	April 4, 2018	RMB50,000,000	100%	100%	100%	E-commerce business
Beijing Xiaomi Zhizao Equity Investment Fund Partners (Limited Partnership)	Mainland China, limited partnership	September 18, 2021	RMB5,917,085,714	43%	35%	43%	Investment activities
Xiaomi EV Technology Co., Ltd.	Mainland China, limited liability company	November 18, 2021	RMB665,735,674	100%	100%	100%	Smart electric vehicle business, technical services

Notes:

- (a) The Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as structured entities of the Company.
- (b) The Company considered that the non-wholly owned subsidiaries with non-controlling interests are not significant to the Group, therefore, no summarized financial information of these non-wholly owned subsidiaries is presented separately.
- (c) As of December 31, 2024, cash and cash equivalents, term bank deposits and restricted cash of the Group, amounting to RMB79,962,917,000 were held in mainland China and they are subject to local exchange control and other financial and treasury regulations. The local exchange control, and other financial and treasury regulations provide for restrictions, on payment of dividends, share repurchase and offshore investments, other than through normal activities.
- (d) The English names of the subsidiaries incorporated in mainland China are direct translation or transliteration of their Chinese registered names.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11(b) Investments accounted for using the equity method

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Investments in associate accounted for using the equity method		
— Listed entities (Note [a])	1,078,253	1,421,275
— Unlisted entities	5,072,802	5,500,966
	6,151,055	6,922,241
	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	6,922,241	7,932,192
Additions	80,000	72,407
Disposals and deemed disposals	(819,796)	(1,128,679)
Share of net profits	276,845	45,615
Share of other comprehensive (loss)/income	(31,402)	9,326
Share of changes of other reserves	13,327	38,532
Dividends from associates	(128,492)	(40,014)
Impairment provision	(161,668)	(7,138)
At the end of the year	6,151,055	6,922,241

Note:

- [a] As of December 31, 2024, the fair value of the investments in associates which were listed entities was RMB4,241,316,000 (2023: RMB2,284,313,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11(b) Investments accounted for using the equity method (continued)

Management has assessed the level of influence that the Group exercises on certain associates and determined that it has significant influence through the board representation and other relevant facts and circumstances, even though the respective shareholding of some investments is below 20%. Accordingly, these investments have been classified as associates.

As of December 31, 2024, there were no individually material associates that are accounted for using the equity method.

There are no contingent liabilities relating to the Group's interests in the associates.

12 Income tax expenses

The income tax expenses of the Group during the years ended December 31, 2024 and 2023 are analyzed as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Current income tax	5,381,527	3,908,395
Deferred income tax (Note 34)	(833,323)	628,456
Income tax expenses	4,548,204	4,536,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 Income tax expenses (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	28,126,653	22,011,047
Tax calculated at statutory income tax rate of 25%	7,031,663	5,502,762
Tax effects of:		
— Effect of different tax rates in other jurisdictions (Note (a),(b),(c))	(1,040,668)	717,310
— Preferential income tax rates applicable to subsidiaries (Note (d))	(2,395,583)	(2,641,645)
— Tax losses and temporary differences for which no deferred income tax assets was recognized	3,271,449	2,030,571
— Expenses not deductible for income tax purposes	433,856	558,903
— Utilization of previously unrecognized deductible tax losses and temporary differences	(450,887)	(91,147)
— Recognition of previously unrecognized tax losses and temporary differences	(8,936)	354,861
— Super Deduction for research and development expenses (Note (e))	(2,263,077)	(1,301,676)
— Income not subject to tax	(512,314)	(771,008)
— Reversal of deferred income tax assets	250,356	—
— Others	232,345	177,920
Income tax expenses	4,548,204	4,536,851

Notes:

(a) Cayman Islands and British Virgin Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. As such, the operating results reported by the Company, including the share-based payments (Note 28), are not subject to any income tax in Cayman Islands.

The Group entities established under the International Business Companies Acts of British Virgin Islands ("BVI") are exempt from BVI income taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 Income tax expenses (continued)

Notes: (continued)

(b) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the assessable profits for the years presented, based on the existing legislation, interpretations and practices in respect thereof.

(c) India income tax

The income tax provision for India entities were calculated at a rate of 25.17% on the assessable profits for the years presented, based on the existing legislation, interpretations and practices in respect thereof.

(d) Preferential EIT rate

Certain subsidiaries in mainland China are entitled to preferential tax rates ranging from 10% to 15%. Main subsidiaries with preferential EIT rates are as follows:

Xiaomi Mobile was qualified as a "Key Software Enterprise" in the third quarter of 2018 and renewed this qualification annually, hence it enjoyed a preferential income tax rate of 10% from 2017 to 2023. The directors of the Company consider Xiaomi Mobile can still be qualified upon annual renewal in the first half of 2025 and hence continues to enjoy the preferential income tax rate of 10% for the year ended December 31, 2024.

Xiaomi Technology (Wuhan) Co., Ltd was qualified as a "High and New Technology Enterprise" in December 2023, hence it enjoys a preferential income tax rate of 15% from 2023 to 2025.

(e) Super Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The State Taxation Administration of The People's Republic of China ("**STA**") announced in March 2023 that enterprises engaging in research and development activities were entitled to claim 200% of their research and development expenses as Super Deduction from January 1, 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 Income tax expenses (continued)

Notes: (continued)

(f) Withholding tax in mainland China (“WHT”)

According to the New Corporate Income Tax Law (“New CIT Law”), distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings of these subsidiaries was accrued as of the end of each reporting period.

(g) Organization for Economic Co-operation and Development (“OECD”) Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules and Pillar Two legislation was enacted from January 1, 2024 in several of tax jurisdictions in which the group entities are incorporated or operated. The Group applies the IAS 12 exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Under the Pillar Two legislation, the Group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (“GloBE”) effective tax rate in each jurisdiction and the 15% minimum rate. The Group has assessed that the estimated annual effective tax rate for the year ended December 31, 2024 is not lower than 15% in all jurisdictions with Pillar Two legislation enacted in which the Group operates.

Pillar Two legislation will come into effect from January 1, 2025 in other tax jurisdictions in which the group entities are incorporated or operated. The Group would continually evaluate the impact of the Pillar Two income tax exposure in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 Earnings per share

(a) Basic

Basic earnings per share for the years ended December 31, 2024 and 2023 are calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2024	2023
Net profit attributable to the owners of the Company (RMB'000)	23,658,126	17,475,173
Weighted average number of ordinary shares in issue (thousand shares)	24,825,170	24,884,874
Basic earnings per share (expressed in RMB per share)	0.95	0.70

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the inclusion of potential ordinary shares from the convertible bonds would be anti-dilutive, it is not included in the calculation of diluted earnings per share for the year ended December 31, 2024.

	Year ended December 31,	
	2024	2023
Net profit attributable to the owners of the Company (RMB'000)	23,658,126	17,475,173
Weighted average number of ordinary shares in issue (thousand shares)	24,825,170	24,884,874
Adjustments for RSUs and share options granted (thousand shares)	675,563	440,117
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	25,500,733	25,324,991
Diluted earnings per share (expressed in RMB per share)	0.93	0.69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 Property, plant and equipment

	Factory and production equipment RMB'000	Transport equipment RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Office Buildings RMB'000	Structure and leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2024								
Cost	3,387,693	69,295	2,663,208	43,016	5,014,389	2,093,698	4,226,971	17,498,270
Accumulated depreciation	(113,253)	(30,358)	(1,587,334)	(26,832)	(441,416)	(1,578,252)	—	(3,777,445)
Net book amount	3,274,440	38,937	1,075,874	16,184	4,572,973	515,446	4,226,971	13,720,825
Year ended December 31, 2024								
Opening net book amount	3,274,440	38,937	1,075,874	16,184	4,572,973	515,446	4,226,971	13,720,825
Additions	813,828	167,025	1,151,250	3,251	2,110	1,239,913	3,078,188	6,455,565
Transfers	1,785,484	—	25,267	—	1,234,119	—	(3,044,870)	—
Transfer to investment properties	—	—	—	—	(16,847)	—	—	(16,847)
Disposals	(106,051)	(21,265)	(58,091)	(90)	(3,005)	(102,579)	(139,106)	(430,187)
Depreciation charge (Note 8)	(451,088)	(42,764)	(507,970)	(4,253)	(77,153)	(557,360)	—	(1,640,588)
Currency translation differences	—	—	247	(178)	—	(1,254)	—	(1,185)
Closing net book amount	5,316,613	141,933	1,686,577	14,914	5,712,197	1,094,166	4,121,183	18,087,583
At December 31, 2024								
Cost	5,852,772	182,765	3,768,071	45,558	6,219,992	3,146,877	4,121,183	23,337,218
Accumulated depreciation	(536,159)	(40,832)	(2,081,494)	(30,644)	(507,795)	(2,052,711)	—	(5,249,635)
Net book amount	5,316,613	141,933	1,686,577	14,914	5,712,197	1,094,166	4,121,183	18,087,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 Property, plant and equipment (continued)

	Factory and production equipment RMB'000	Transport equipment RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Office Buildings RMB'000	Structure and leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2023								
Cost	127,396	64,772	2,202,218	32,897	4,740,067	2,184,779	2,877,312	12,229,441
Accumulated depreciation	(3,565)	(11,431)	(1,243,284)	(22,412)	(265,572)	(1,544,956)	—	(3,091,220)
Net book amount	123,831	53,341	958,934	10,485	4,474,495	639,823	2,877,312	9,138,221
Year ended December 31, 2023								
Opening net book amount	123,831	53,341	958,934	10,485	4,474,495	639,823	2,877,312	9,138,221
Additions	209,338	3,545	512,007	8,595	—	430,947	4,416,125	5,580,557
Transfers	3,055,936	1,195	2,947	—	6,388	—	(3,066,466)	—
Transfer from investment properties	—	—	—	—	271,577	—	—	271,577
Disposals	(14,767)	(261)	(20,578)	(51)	—	(48,451)	—	(84,108)
Depreciation charge (Note 8)	(103,541)	(18,883)	(378,386)	(3,164)	(175,844)	(509,604)	—	(1,189,422)
Currency translation differences	3,643	—	950	319	(3,643)	2,731	—	4,000
Closing net book amount	3,274,440	38,937	1,075,874	16,184	4,572,973	515,446	4,226,971	13,720,825
At December 31, 2023								
Cost	3,387,693	69,295	2,663,208	43,016	5,014,389	2,093,698	4,226,971	17,498,270
Accumulated depreciation	(113,253)	(30,358)	(1,587,334)	(26,832)	(441,416)	(1,578,252)	—	(3,777,445)
Net book amount	3,274,440	38,937	1,075,874	16,184	4,572,973	515,446	4,226,971	13,720,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 Property, plant and equipment (continued)

Construction in progress as of December 31, 2024 and 2023 mainly comprises new office buildings, factories and production equipments being constructed in mainland China.

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cost of sales	331,088	147,454
Research and development expenses	623,238	451,219
Selling and marketing expenses	418,148	388,218
Administrative expenses	268,114	202,531
	1,640,588	1,189,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 Intangible assets

	Goodwill (Note (a)) RMB'000	License RMB'000	Trademarks, patents and domain name RMB'000	Others RMB'000	Total RMB'000
At January 1, 2024					
Cost	1,696,639	11,159,486	2,246,985	1,263,547	16,366,657
Accumulated amortization	—	(5,843,665)	(1,263,898)	(630,355)	(7,737,918)
Net book amount	1,696,639	5,315,821	983,087	633,192	8,628,739
Year ended December 31, 2024					
Opening net book amount	1,696,639	5,315,821	983,087	633,192	8,628,739
Additions	—	1,825,427	—	406,477	2,231,904
Disposals	—	(5)	—	(18,413)	(18,418)
Amortization charge (Note 8)	—	(2,156,080)	(230,593)	(305,317)	(2,691,990)
Currency translation differences	—	—	1,008	1,478	2,486
Closing net book amount	1,696,639	4,985,163	753,502	717,417	8,152,721
At December 31, 2024					
Cost	1,696,639	12,984,878	2,250,911	1,655,558	18,587,986
Accumulated amortization	—	(7,999,715)	(1,497,409)	(938,141)	(10,435,265)
Net book amount	1,696,639	4,985,163	753,502	717,417	8,152,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 Intangible assets (continued)

	Goodwill (Note (a)) RMB'000	License RMB'000	Trademarks, patents and domain name RMB'000	Others RMB'000	Total RMB'000
At January 1, 2023					
Cost	1,696,639	4,592,900	2,239,030	857,031	9,385,600
Accumulated amortization	—	(3,292,644)	(1,023,784)	(439,496)	(4,755,924)
Net book amount	1,696,639	1,300,256	1,215,246	417,535	4,629,676
Year ended December 31, 2023					
Opening net book amount	1,696,639	1,300,256	1,215,246	417,535	4,629,676
Additions	—	6,004,245	3,882	426,621	6,434,748
Disposals	—	—	(318)	(4,390)	(4,708)
Amortization charge (Note 8)	—	(1,988,681)	(237,347)	(208,280)	(2,434,308)
Currency translation differences	—	1	1,624	1,706	3,331
Closing net book amount	1,696,639	5,315,821	983,087	633,192	8,628,739
At December 31, 2023					
Cost	1,696,639	11,159,486	2,246,985	1,263,547	16,366,657
Accumulated amortization	—	(5,843,665)	(1,263,898)	(630,355)	(7,737,918)
Net book amount	1,696,639	5,315,821	983,087	633,192	8,628,739

Note:

(a) Impairment test for goodwill

For the purpose of impairment tests of goodwill, goodwill is allocated to groups of CGUs. Such groups of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purpose.

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2024 and 2023 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on VIU calculations by using the discounted cash flow method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 Intangible assets (continued)

Note (continued):

(a) Impairment test for goodwill (continued)

(i) Impairment test for goodwill of Zimi

On July 5, 2021, the Group completed the acquisition of Zimi which mainly engages in the design, manufacture and sales of mobile charges and related products, and recognized goodwill amounting to RMB1,382,143,000, which was allocated to Zimi as it was monitored by management at Zimi level and goodwill impairment assessment was performed accordingly as of December 31, 2021. Under an internal group reorganization as completed in 2022, the Group has integrated Zimi with a business unit of the Group which has similar business with Zimi to maximize the synergy from the acquisition of Zimi. Accordingly, the goodwill arising from the acquisition of Zimi was reallocated to the aforesaid business unit as identified at the lowest level which management monitors the related goodwill for internal purposes.

The VIU was determined using discounted cash flows calculation which derived from the five-year financial projections plus a terminal value related to cash flows beyond the projection period (five-year period) extrapolated using estimated perpetual growth rate. For the impairment test as of December 31, 2024, the key assumptions used by management for VIU calculation include:

- (1) the annual growth rate of revenue for a five-year period ranging from 2%–12% (2023: 2%–4%) for the business, the gross profit range from 21%–22% (2023: 20%–21%), which was determined by the management based on past performance and its expectation for market development;
- (2) pre-tax discount rate of 23% (2023: 22%) was estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk-free rate, market return, beta of comparable public companies etc. and the specific risk of the business;
- (3) the estimated perpetual growth rate used in the VIU calculation for period beyond the projected period was 2.0% (2023: 2.2%), after making reference to long term inflation rate of the PRC.

As of December 31, 2024, the recoverable amount calculated based on VIU exceeded carrying value by RMB1,144,496,000 (2023: RMB183,770,000). Had annual revenue for a five-year period been 5% lower or the pre-tax discount rate been 1% higher, the headroom would be decreased to RMB985,726,000 or RMB990,985,000 (2023: RMB69,283,000 or RMB63,342,000) respectively.

Reasonably possible changes in other key assumptions used in the impairment test of goodwill will not lead to the goodwill impairment loss as of December 31, 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 Intangible assets (continued)

Note (continued):

(a) Impairment test for goodwill (continued)

(ii) Impairment test for goodwill of others

The other goodwill is mainly generated from the acquisitions of Duokan International Group Inc. amounting to RMB141,360,000 and Wali International amounting to RMB106,807,000 before 2015. Management forecasted the average annual revenue growth rate in five-year period is 5%, and the cash flows beyond the five-year period were extrapolated using the estimated annual growth rates of 2.0% (2023: 2.2%). Pre-tax discount rate of 23% was used to reflect market assessment of time value and the specific risks relating to the CGUs.

The management performed impairment test for the goodwill and determined such goodwill was not impaired. Reasonably possible changes in key assumptions will not lead to the goodwill impairment loss as of December 31, 2024 and 2023.

Amortization charges were expensed off in the following categories in the consolidated income statement:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cost of sales	2,081,820	1,207,569
Research and development expenses	395,725	1,105,618
Selling and marketing expenses	7,680	7,600
Administrative expenses	206,765	113,521
	2,691,990	2,434,308

The Group tests annually whether goodwill and other intangible assets with an indefinite useful life have suffered any impairment. During the years ended December 31, 2024 and 2023, no goodwill or other identifiable intangible assets have been impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 Leases

(i) The consolidated balance sheet includes the following amounts relating to leases:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets (Note (a))		
Land use rights	7,818,616	8,142,639
Servers and other equipment	2,358,316	70,060
Properties	3,238,992	1,766,195
	13,415,924	9,978,894
Lease liabilities (Note (b))		
Current	(2,238,842)	(712,011)
Non-current	(3,169,514)	(1,256,155)
	(5,408,356)	(1,968,166)

Notes:

- (a) Included in the line item 'Other non-current assets' in the consolidated balance sheet. The addition of right-of-use assets for the year ended December 31, 2024 is RMB7,553,707,000 (2023: RMB927,317,000).
- (b) Current lease liabilities and non-current lease liabilities are included in the line item 'Other payables and accruals' and 'Other non-current liabilities' in the consolidated balance sheet, respectively.

(ii) The consolidated income statement includes the following amounts relating to leases:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note (a))	1,928,872	1,149,698
Interest expense (included in finance costs)	165,770	83,117
Expense relating to short-term leases not included in lease liabilities (included in cost of sales and research and development expenses)	—	403,839
Expense relating to variable lease payments not included in lease liabilities (included in selling and marketing expenses)	305,103	215,031
	2,399,745	1,851,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 Leases (continued)

Besides land use rights, the Group leases offices, warehouses, retail stores and servers.

The total cash outflow in financing activities for leases during the year ended December 31, 2024 was RMB2,476,524,000 (2023: RMB1,197,692,000), including principal elements of lease payments of approximately RMB2,310,754,000 (2023: RMB1,114,575,000) and related interest paid of approximately RMB165,770,000 (2023: RMB83,117,000), respectively.

Note:

- (a) The depreciation charge in the consolidated income statement relating to land use rights, servers and other equipment and properties for the year ended December 31, 2024 are RMB77,106,000 (2023: RMB217,725,000), RMB1,079,642,000 (2023: RMB420,845,000) and RMB772,124,000 (2023: RMB511,128,000), respectively.

17 Other non-current assets

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets (Note 16)	13,415,924	9,978,894
Investment properties (Note (a))	2,254,160	2,287,548
Long-term deposits to suppliers	1,014,972	1,000,402
Prepayments for property, plant and equipment	903,370	1,064,273
Others	832,801	573,143
	18,421,227	14,904,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 Other non-current assets (continued)

Note:

(a) Investment properties

	Buildings and facilities RMB'000	Land use rights RMB'000	Total RMB'000
COST			
At January 1, 2024	1,362,237	1,214,806	2,577,043
Transfer from property, plant and equipment	22,439	—	22,439
Transfer from right-of-use assets	—	7,901	7,901
At December 31, 2024	1,384,676	1,222,707	2,607,383
ACCUMULATED DEPRECIATION			
At January 1, 2024	(91,367)	(198,128)	(289,495)
Charge for the year (Note 8)	(32,493)	(24,326)	(56,819)
Transfer from property, plant and equipment	(5,592)	—	(5,592)
Transfer from right-of-use assets	—	(1,317)	(1,317)
At December 31, 2024	(129,452)	(223,771)	(353,223)
NET BOOK VALUE			
At December 31, 2024	1,255,224	998,936	2,254,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 Other non-current assets (continued)

Note (continued):

(a) Investment properties (continued)

	Buildings and facilities RMB'000	Land use rights RMB'000	Total RMB'000
COST			
At January 1, 2023	1,656,378	1,493,759	3,150,137
Transfer to property, plant and equipment	(294,141)	—	(294,141)
Transfer to right-of-use assets	—	(278,953)	(278,953)
At December 31, 2023	1,362,237	1,214,806	2,577,043
ACCUMULATED DEPRECIATION			
At January 1, 2023	(77,260)	(209,010)	(286,270)
Charge for the year (Note 8)	(36,671)	(26,188)	(62,859)
Transfer to property, plant and equipment	22,564	—	22,564
Transfer to right-of-use assets	—	37,070	37,070
At December 31, 2023	(91,367)	(198,128)	(289,495)
NET BOOK VALUE			
At December 31, 2023	1,270,870	1,016,678	2,287,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 Other non-current assets (continued)

Note (continued):

(a) Investment properties (continued)

- (i) Details of the Group's main investment properties and information about the fair value hierarchy as of December 31, 2024 and 2023 are as follows:

	As of December 31,			
	2024		2023	
	Carrying	Fair value	Carrying	Fair value
	amount	(level 3)	amount	(level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Main investment properties	2,193,574	2,444,300	2,272,703	2,604,900

The Group's investment properties located in Haidian and Yizhuang, Beijing and Haizhu, Guangzhou were valued at December 31, 2024 by Asia-Pacific Consulting and Appraisal Limited, which is an independent qualified valuer. The valuation was determined on the basis of capitalization of the net rental income with due provisions for reversionary income potential of the respective properties as of December 31, 2024. The key inputs were term yield and reversionary yield which ranged from 3% to 7% (2023: from 3% to 6%).

- (iii) Property rental income earned during the year ended December 31, 2024 was approximately RMB99,751,000 (2023: RMB103,981,000). The investment property units have committed tenants for the next 1 years to 9 years (2023: 2 years to 10 years). As of December 31, 2024, as a lessor, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
No later than 1 year	104,827	96,550
Later than 1 year and no later than 10 years	180,286	203,370
	285,113	299,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 Financial instruments by category

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Assets as per balance sheet		
Financial assets measured at fair value:		
— Long-term investments measured at fair value through profit or loss (Note 19)	62,112,188	60,199,798
— Short-term investments measured at fair value through profit or loss (Note 19)	28,123,777	20,193,662
— Short-term investments measured at fair value through other comprehensive income (Note 19)	1,681,062	582,131
— Bills receivables measured at fair value through other comprehensive income	1,255,767	125,661
Financial assets measured at amortized costs:		
— Trade and notes receivables (Note 21)	14,588,579	12,150,928
— Loan receivables (Note 20)	12,261,490	9,772,589
— Other receivables	14,226,479	10,103,353
— Long-term investments measured at amortized cost (Note 19)	3,219,462	364,476
— Short-term investments measured at amortized cost (Note 19)	700,163	502,816
— Term bank deposits (Note 24(c))	94,870,576	71,091,507
— Restricted cash	5,476,417	4,794,031
— Cash and cash equivalents (Note 24(a))	33,661,442	33,631,313
	272,177,402	223,512,265
Liabilities as per balance sheet		
Financial liabilities measured at fair value:		
— Liabilities to investors	3,757,399	2,228,308
Financial liabilities measured at amortized cost:		
— Trade payables (Note 30)	98,280,585	62,098,500
— Other payables	20,018,732	14,619,660
— Borrowings (Note 33)	30,603,018	27,857,345
— Liabilities to investors	8,688,290	11,574,737
— Lease liabilities (Note 16)	5,408,356	1,968,166
	166,756,380	120,346,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 Investments

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Current assets		
Short-term investments measured at		
— Amortized cost (i)	700,163	502,816
— Fair value through other comprehensive income (ii)	1,681,062	582,131
— Fair value through profit or loss (iii)	28,123,777	20,193,662
	30,505,002	21,278,609
Non-current assets		
Long-term investments measured at amortized cost (ii)	3,219,462	364,476
Long-term investments measured at fair value through profit or loss		
— Ordinary shares investments (iv)	14,401,979	15,291,625
— Preferred shares investments (v)	33,537,891	34,444,516
— Treasury investments (vi)	10,339,549	6,846,562
— Other investments (vii)	3,832,769	3,617,095
	65,331,650	60,564,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 Investments (continued)

Movement of long-term investments measured at fair value through profit or loss is as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	60,199,798	55,979,974
Additions and transfers	7,379,556	5,691,031
Disposals	(6,417,997)	(5,183,986)
Change in fair value	517,577	3,238,848
Currency translation differences	433,254	473,931
At the end of the year	62,112,188	60,199,798

(i) Short-term investments measured at amortized cost

The Group placed short-term deposits amounting to RMB700,000,000 in its associate Chongqing Xiaomi Consumer Finance Co., Ltd., with an interest rate of 3.27% per annum. The deposits are held for collection of contractual cash flows qualifying for solely payments of principal and interest and thus classified and measured as short-term investments measured at amortized cost.

(ii) Short-term investments measured at fair value through other comprehensive income and long-term investments measured at amortized cost

Short-term investments measured at fair value through other comprehensive income and long-term investments measured at amortized cost are mainly debt securities, denominated in HK\$, US\$ and RMB, where the contractual cash flows are solely principal and interest. The securities are mainly issued by corporates and banks and the fair value of such debt securities was determined based on quoted price on bond market. None of these investments are past due.

Debt securities that are only held for collection of contractual cash flows are measured at amortized cost. Debt securities that are held for both collection of contractual cash flows and for selling, are measured at fair value through other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 Investments (continued)

(iii) Short-term investments measured at fair value through profit or loss

The short-term investments measured at fair value through profit or loss are wealth management products, denominated in RMB and US\$, with expected rates of return ranging from 0.65% to 5.85% per annum for the year ended December 31, 2024 (2023: 0.25% to 3.25%). None of these investments are past due.

(iv) Ordinary shares investments

	As of December 31,	
	2024 RMB'000	2023 RMB'000
Listed	12,188,839	11,388,792
Unlisted	2,213,140	3,902,833
	14,401,979	15,291,625

The fair values of the listed securities are determined based on the closing prices quoted in active markets (level 1: quoted price (unadjusted) in active markets). For certain listed securities which are restricted for sale in a specified period, their fair values are determined based on quoted market prices and unobservable inputs (i.e. discount rate for lack of marketability) and hence classified as level 3 of the fair value hierarchy.

The fair values of unlisted securities are measured using a valuation technique with unobservable inputs and hence classified as Level 3 of the fair value hierarchy. Refer to Note 3.3 for the major assumptions used in the valuation for investment in private companies.

(v) Preferred shares investments — unlisted

The preferred shares investments in these investees are convertible redeemable preferred shares or ordinary shares with preferential rights. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. As the Group doesn't bear substantially the risk and reward of ordinary shares, these investments are measured as financial assets at fair value through profit or loss. Refer to Note 3.3 for the major assumptions used in the valuation for investment in private companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 Investments (continued)

(vi) Treasury investments

Treasury investments mainly represent investments in the debt instruments issued by certain reputable banks or non-bank financial institutions or entities purchased in the secondary market. As these investments were classified as debt investments and returns are not solely payments of principal and interest, they are measured at fair value through profit or loss.

(vii) Other investments

Other investments primarily consist of investments in private equity investment funds. As fund investments were classified as debt investments and returns are not solely payments of principal and interest, they are measured at fair value through profit or loss.

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

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Long-term investments measured at fair value through profit or loss		
— Ordinary shares investments	(181,552)	1,401,934
— Preferred shares investments	445,134	1,690,946
— Treasury and other investments	167,546	120,695
Short-term investments measured at fair value through profit or loss	495,734	292,701
	926,862	3,506,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

20 Loan receivables

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Unsecured loan	12,338,748	10,645,144
Less: credit loss allowance	(77,258)	(872,555)
	12,261,490	9,772,589

Loan receivables are loans mainly derived from subsidiaries of the Group which engage in the factoring business. Such amounts are recorded at the principal amount less expected credit loss. Loan receivables are denominated in RMB and US\$.

Detail of the credit risk assessment of loan receivables is disclosed in Note 3.1.

21 Trade and notes receivables

Details of trade and notes receivables are as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Trade receivables	12,662,060	10,253,922
Notes receivables	2,468,572	2,213,964
	15,130,632	12,467,886
Less: credit loss allowance	(542,053)	(316,958)
	14,588,579	12,150,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 Trade and notes receivables (continued)

The carrying amounts of the Group's trade and notes receivables are denominated in the following currencies:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
RMB	8,328,768	7,763,251
US\$	3,034,645	1,987,801
INR	897,100	717,317
EUR	698,286	886,786
IDR	453,600	168,554
Others	1,176,180	627,219
	14,588,579	12,150,928

Movements on the Group's credit loss allowance of trade and notes receivables are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	(316,958)	(205,340)
Credit loss allowance recognized	(245,625)	(116,902)
Receivables written off as uncollectable	20,530	5,284
At the end of the year	(542,053)	(316,958)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 Trade and notes receivables (continued)

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

	As of December 31,	
	2024 RMB'000	2023 RMB'000
Up to 3 months	12,652,651	9,108,133
3 to 6 months	851,454	1,666,418
6 months to 1 year	526,725	522,612
1 to 2 years	224,018	1,016,563
Over 2 years	875,784	154,160
	15,130,632	12,467,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 Prepayments and other receivables

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Receivables from subcontractors for outsourcing of raw materials	9,883,334	7,591,022
Recoverable value-added tax and other taxes	9,852,853	7,248,105
Prepayments to suppliers	3,599,583	1,786,057
Deposits to suppliers	863,613	735,031
Receivables from market development fund	665,967	190,617
Prepaid fees for patent expenses and other prepaid expenses	1,629,608	1,148,975
Receivables related to share options and RSUs granted to employees	605,693	261,239
Operating and finance lease receivables	390,809	417,435
Others	1,817,063	908,009
	29,308,523	20,286,490
Less: credit loss allowance	(208,407)	(207,615)
	29,100,116	20,078,875

As of December 31, 2024 and 2023, the carrying amounts of other receivables were primarily denominated in RMB and US\$ and approximated their fair value at each of the reporting dates. Other receivables were considered to be of low credit risk, and thus the impairment provision recognized during the years ended December 31, 2024 and 2023 was limited to 12 months expected losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

23 Inventories

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Raw materials	14,321,504	11,455,435
Finished goods	40,837,606	27,132,256
Work in progress	5,446,620	3,564,974
Spare parts	3,800,223	3,494,076
Others	579,858	952,492
	64,985,811	46,599,233
Less: provision for impairment	(2,476,129)	(2,176,396)
	62,509,682	44,422,837

Provision for impairment movements for the years ended December 31, 2024 and 2023 are as below:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	(2,176,396)	(3,470,360)
Provision for impairment	(5,762,582)	(3,861,753)
Transfer to cost of sales	5,462,849	5,155,717
At the end of the year	(2,476,129)	(2,176,396)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Cash at bank and in hand	29,150,161	26,909,303
Term bank deposits with initial terms within three months	4,511,281	6,722,010
	33,661,442	33,631,313

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
RMB	20,033,787	18,661,376
US\$	10,121,484	9,956,424
EUR	1,311,583	1,216,482
HK\$	442,828	771,113
INR	75,701	354,090
Others	1,676,059	2,671,828
	33,661,442	33,631,313

(b) Restricted cash

As of December 31, 2024, among the restricted cash, INR47,042,193,000 (2023: INR45,321,947,000), which was equivalent to RMB4,016,462,000 (2023: RMB3,874,120,000), was restricted by India authorities due to the in-progress investigation described in Note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 Cash and bank balances (continued)

(c) Term bank deposits

An analysis of the Group's term deposits as of December 31, 2024 and 2023 are listed as below:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Term bank deposits included in current assets:		
US\$	21,629,189	34,275,937
RMB	14,720,937	18,521,889
INR	145	31
	36,350,271	52,797,857
Term bank deposits included in non-current assets:		
RMB	54,313,459	16,808,185
US\$	4,206,800	1,485,314
INR	46	151
	58,520,305	18,293,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

25 Share capital and treasury shares

(a) Share capital

Authorized:

As of December 31, 2024 and 2023, the total authorized number of ordinary shares is 270,000,000,000 shares with par value of US\$0.0000025 per share.

Issued:

As of December 31, 2024, the number of issued share capital of Class A and Class B Share is 4,517,510,134 and 20,581,641,676, respectively. Each Class A ordinary share will entitle the holder to exercise 10 votes, and each Class B ordinary share will entitle the holder to exercise one vote, on any resolution tabled at the Company's general meetings, except for resolution with respect to a limited number of reserved matters, in relation to which each ordinary share is entitled to one vote.

	Note	Number of ordinary shares '000	Nominal value of ordinary shares US\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
As of January 1, 2024		25,073,427	62	407	60,778,287
Exercise of share options and RSUs		54,485	—	—	710,988
Shares repurchased and cancelled		(272,648)	—	(5)	(3,702,564)
Issuance of ordinary shares to Share Scheme Trusts	(a)	238,583	—	—	—
Release of ordinary shares from Share Scheme Trusts	(a)	—	—	5	2,268,200
Share issued for acquisition of Zimi completed in 2021		5,305	—	—	62,747
As of December 31, 2024		25,099,152	62	407	60,117,658
As of January 1, 2023		24,951,334	62	406	59,483,288
Exercise of share options and RSUs		59,868	—	2	658,545
Shares repurchased and cancelled		(119,200)	—	(2)	(1,216,642)
Issuance of ordinary shares to Share Scheme Trusts	(a)	176,120	—	—	—
Release of ordinary shares from Share Scheme Trusts	(a)	—	—	1	1,788,344
Share issued for acquisition of Zimi completed in 2021		5,305	—	—	64,752
As of December 31, 2023		25,073,427	62	407	60,778,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

25 Share capital and treasury shares (continued)

(a) Share capital (continued)

Issued (continued):

Note:

- (a) The Company issued ordinary shares with respect to the share options and RSUs under the employees share-based compensation scheme to be exercised by certain grantees of the Company to trusts, which were established to hold the shares for and on behalf of the grantees (collectively, "Share Scheme Trusts").

(b) Treasury shares

	Number of shares '000	Amounts RMB'000
As of January 1, 2024	32,828	438,291
Shares repurchased	260,375	3,531,531
Shares cancelled	(272,648)	(3,702,569)
Release of ordinary shares from Share Scheme Trusts	(16,342)	(232,575)
As of December 31, 2024	4,213	34,678
As of January 1, 2023	20,289	190,795
Shares repurchased	133,677	1,485,385
Shares cancelled	(119,200)	(1,216,644)
Release of ordinary shares from Share Scheme Trusts	(1,938)	(21,245)
As of December 31, 2023	32,828	438,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

25 Share capital and treasury shares (continued)

(b) Treasury shares (continued)

During the year ended December 31, 2024, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

Month/Year	Number of shares '000	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
January 2024	112,100	15.54	12.30	1,533,096
February 2024	26,000	12.78	12.08	324,556
March 2024	14,941	15.00	14.76	222,663
April 2024	18,200	15.98	15.42	285,886
May 2024	5,600	17.74	17.40	98,786
June 2024	42,334	18.00	16.44	728,525
July 2024	39,500	17.00	16.08	656,099
September 2024	1,700	18.50	18.42	31,379
	260,375			3,880,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

26 Other reserves

	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve RMB'000	General reserve RMB'000	Capital reserve RMB'000	Conversion option RMB'000	Others RMB'000	Total RMB'000
At January 1, 2024	8,309,244	1,432,953	3,335,429	67,886	308,168	1,764,799	265,139	15,483,618
Appropriation to statutory reserves (Note (a))	—	—	304,467	—	—	—	—	304,467
Appropriation to general reserves	—	—	—	(16,015)	—	—	—	(16,015)
Employees share-based compensation scheme:								
— value of employee services (Note (c) and Note 28)	3,761,843	—	—	—	—	—	—	3,761,843
— exercise of share options and RSUs	(617,499)	—	—	—	—	—	—	(617,499)
Share of other comprehensive loss of investments accounted for using the equity method (Note 11(b))	—	—	—	—	—	—	(31,402)	(31,402)
Share of other reserves of investments accounted for using the equity method (Note 11(b))	—	—	—	—	13,327	—	—	13,327
Release of ordinary shares from Share Scheme Trust (Note 25(a)(a))	(2,493,210)	—	—	—	—	—	—	(2,493,210)
Transfer of share of other comprehensive loss to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method	—	—	—	—	—	—	2,846	2,846
Transfer from other reserves to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method	—	—	—	—	(32,740)	—	—	(32,740)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	—	(85,302)	(85,302)
Share consideration for acquisition of Zimi completed in 2021	—	—	—	—	(62,747)	—	—	(62,747)
Capital repurchased from non-controlling interest shareholder	—	—	—	—	22,909	—	—	22,909
Others	—	—	—	—	—	—	(275)	(275)
Currency translation differences (Note (b))	—	863,428	—	—	—	—	—	863,428
At December 31, 2024	8,960,378	2,296,381	3,639,896	51,871	248,917	1,764,799	151,006	17,113,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

26 Other reserves (continued)

	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve RMB'000	General reserve RMB'000	Capital reserve RMB'000	Conversion option RMB'000	Others RMB'000	Total RMB'000
At January 1, 2023	7,415,315	381,026	2,632,834	52,225	420,118	1,764,799	284,691	12,951,008
Appropriation to statutory reserves (Note (a))	—	—	704,678	—	—	—	—	704,678
Appropriation to general reserves	—	—	—	15,661	—	—	—	15,661
Employees share-based compensation scheme:								
— value of employee services (Note (c) and Note 28)	3,280,371	—	—	—	—	—	—	3,280,371
— exercise of share options and RSUs	(580,578)	—	—	—	—	—	—	(580,578)
Share of other comprehensive income of investments accounted for using the equity method (Note 11(b))	—	—	—	—	—	—	9,326	9,326
Share of other reserves of investments accounted for using the equity method (Note 11(b))	—	—	—	—	38,532	—	—	38,532
Release of ordinary shares from Share Scheme Trust (Note 25(a)(a))	(1,805,864)	—	—	—	—	—	—	(1,805,864)
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method	—	—	—	—	—	—	(2,167)	(2,167)
Transfer from other reserves to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method	—	—	—	—	(85,730)	—	—	(85,730)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	—	(26,711)	(26,711)
Share consideration for acquisition of Zimi completed in 2021	—	—	—	—	(64,752)	—	—	(64,752)
Others	—	—	(2,083)	—	—	—	—	(2,083)
Currency translation differences (Note (b))	—	1,051,927	—	—	—	—	—	1,051,927
At December 31, 2023	8,309,244	1,432,953	3,335,429	67,886	308,168	1,764,799	265,139	15,483,618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

26 Other reserves (continued)

Notes:

- (a) In accordance with the Company Law of the People's Republic of China and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in mainland China, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both statutory surplus reserve fund and discretionary reserves fund can be capitalized as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the People's Republic of China on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in mainland China, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve fund. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not to be made. With approvals obtained from respective boards of directors of these companies, the reserve fund can be used to offset accumulated deficit or to increase capital.

- (b) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the preparation of this consolidated financial statements.
- (c) Share-based compensation reserve arises from equity-settled share-based payments granted to employees of the Group, see Note 28 for detail.

27 Dividends

No dividends have been paid or declared by the Company during the years ended December 31, 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Share-based payments

On May 5, 2011, the Board of Directors of the Company approved the establishment of the "Xiaomi Corporation 2011 Employee Stock Option Plan" ("**2011 Plan**") with the purpose of attracting, motivating, retaining and rewarding certain employees and directors. The 2011 Plan was valid and effective for 10 years from the approval of the Board of Directors. The maximum number of shares that may be issued under 2011 Plan shall be 35,905,172 Class B ordinary shares (which were adjusted to 1,436,206,880 shares after the 1 to 4 share split on March 14, 2014 and further 1 to 10 Share Subdivision on June 17, 2018). The 2011 Plan permits the awards of options and RSUs.

Subsequently in August 2012, the 2011 Plan was superseded in its entirety as the "2012 Employee Stock Incentive Plan" ("**Pre-IPO ESOP**"). The purpose of Pre-IPO ESOP is same as the 2011 Plan. The Pre-IPO ESOP was valid and effective for 10 years from the approval of the Board of Directors. Through Pre-IPO ESOP, the Company may grant equity-based incentive up to 45,905,172 Class B ordinary shares initially (which were adjusted to 1,836,206,880 shares after the 1 to 4 share split on March 14, 2014 and further 1 to 10 Share Subdivision on June 17, 2018). The aggregate number of reserved Class B ordinary shares approved was 2,512,694,900. The Pre-IPO ESOP permits the awards of options and RSUs.

On June 17, 2018, the Board of Directors of the Company adopted the establishment of the 2018 Share Option Scheme. The purpose of 2018 Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The total number of Class B ordinary shares available for grant under 2018 Share Option Scheme was 1,568,094,311 shares.

On June 17, 2018, the Board of Directors of the Company adopted the establishment of the 2018 Share Award Scheme. The purpose of the 2018 Share Award Scheme are (1) to align the interests of eligible persons with those of the Group through ownership of Class B ordinary shares, dividends and other distributions paid on shares and/or the increase in value of the Class B ordinary shares, and (2) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The aggregate number of Class B ordinary shares underlying all grants made pursuant to the 2018 Share Award Scheme will not exceed 1,118,806,541 shares without shareholders' approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Share-based payments (continued)

On June 8, 2023, the Board of Directors of the Company adopted the 2023 Share Scheme. The purpose of the 2023 Share Scheme are (1) to align the interests of eligible persons with those of the Group through ownership of Class B ordinary shares, dividends and other distributions paid on shares and/or the increase in value of the Class B ordinary shares, and (2) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The aggregate number of Class B ordinary shares underlying all grants made pursuant to the 2023 Share Scheme will not exceed 2,503,959,565 shares without shareholder's approval.

On June 6, 2024, the Group approved the establishment of the 2024 Xiaomi HK Share Scheme. The purpose of the 2024 Xiaomi HK Share Scheme are to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

Pre-IPO ESOP**Share options granted**

Movements in the number of share options granted under Pre-IPO ESOP and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (US\$)
Outstanding as of January 1, 2024	270,705,124	0.02
Forfeited during the year	(5,513,472)	0.12
Transferred to Share Scheme Trust (Note 25(a)(a))	(9,092,348)	0.10
Exercised during the year	(45,602,180)	0.29
Outstanding as of December 31, 2024	210,497,124	0.21
Exercisable as of December 31, 2024	175,447,124	0.23
Outstanding as of January 1, 2023	345,873,793	0.05
Forfeited during the year	(10,565,000)	0.11
Transferred to Share Scheme Trust (Note 25(a)(a))	(4,735,000)	0.12
Exercised during the year	(59,868,669)	0.18
Outstanding as of December 31, 2023	270,705,124	0.02
Exercisable as of December 31, 2023	238,753,023	0.25

The weighted average remaining contract life for outstanding share options was 2.01 years and 2.51 years as of December 31, 2024 and 2023, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Share-based payments (continued)

2018 Share Option Scheme

Share options granted

Movements in the number of share options granted under 2018 Share Option Scheme and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (HK\$)
Outstanding as of January 1, 2024	120,700,000	24.53
Granted during the year	—	—
Forfeited during the year	—	—
Exercised during the year	(3,000,000)	13.60
Outstanding as of December 31, 2024	117,700,000	24.82
Exercisable as of December 31, 2024	13,775,000	25.06
Outstanding as of January 1, 2023	120,700,000	24.53
Granted during the year	—	—
Forfeited during the year	—	—
Exercised during the year	—	—
Outstanding as of December 31, 2023	120,700,000	24.53
Exercisable as of December 31, 2023	10,537,500	22.54

The weighted average remaining contract life for outstanding share options was 5.70 years and 6.69 years as of December 31, 2024 and 2023, respectively.

Fair value of share options

The Group has used Binomial option-pricing model to determine the fair value of the share option as of the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Share-based payments (continued)

2018 Share Award Scheme

RSUs granted

Movements in the number of RSUs granted under 2018 Share Award Scheme and the respective weighted average grant date fair value are as below:

	Number of RSUs	Weighted average grant date fair value per RSU (HK\$)
Outstanding as of January 1, 2024	614,195,710	15.24
Granted during the year	—	—
Forfeited during the year	(36,860,739)	15.71
Transferred to Share Scheme Trust (Note 25(a)(a))	(182,387,598)	15.90
Outstanding as of December 31, 2024	394,947,373	14.90
Outstanding as of January 1, 2023	569,589,764	16.86
Granted during the year	238,816,959	11.69
Forfeited during the year	(61,701,292)	16.42
Transferred to Share Scheme Trust (Note 25(a)(a))	(132,509,721)	15.25
Outstanding as of December 31, 2023	614,195,710	15.24

The weighted average remaining contract life for outstanding RSUs was 7.63 years and 8.38 years as of December 31, 2024 and 2023, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Share-based payments (continued)

2023 Share Scheme

RSUs granted

Movements in the number of RSUs granted under 2023 Share Scheme and the respective weighted average grant date fair value are as below:

	Number of RSUs	Weighted average grant date fair value per RSU (HK\$)
Outstanding as of January 1, 2024	145,582,239	13.39
Granted during the year	278,267,045	18.05
Forfeited during the year	(22,761,054)	14.82
Transferred to Share Scheme Trust (Note 25(a)(a))	(36,521,599)	13.55
Outstanding as of December 31, 2024	364,566,631	16.84
Outstanding as of January 1, 2023	—	—
Granted during the year	150,622,365	13.37
Forfeited during the year	(5,040,126)	12.83
Transferred to Share Scheme Trust (Note 25(a)(a))	—	—
Outstanding as of December 31, 2023	145,582,239	13.39

The weighted average remaining contract life for outstanding RSUs was 7.85 years and 9.64 years as of December 31, 2024 and 2023, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Share-based payments (continued)

2024 Xiaomi HK Share Scheme

Share options granted

Movements in the number of share options granted under 2024 Xiaomi HK Share Scheme and their related weighted average exercise price are as below:

	Number of share options	Average exercise price per share option (US\$)
Outstanding as of January 1, 2024	—	—
Granted during the year	510,335,236	0.10
Forfeited during the year	(27,299,942)	0.10
Outstanding as of December 31, 2024	483,035,294	0.10

Fair value of share options

The Group has used Binomial Option-pricing model to determine the fair value of the share options as of the grant date. Key assumptions are set as below:

	Year ended December 31, 2024
Exercise price	US\$0.10
Risk-free interest rate	4.36%–4.58%
Dividend yield	—
Expected volatility	46.89%–47.87%
Expected terms	10 years

The total expenses recognized in the consolidated income statement in connection with share-based payments schemes granted to the Group's employees are RMB3,761,843,000 and RMB3,279,535,000 for the years ended December 31, 2024 and 2023, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Share-based payments (continued)

Employee fund

On August 31, 2014, the Board of Directors of the Company approved the establishment of Employee Fund with the purpose of which is to invest in companies within the business ecosystem of the Group. The Company invited certain employees to participate, with the condition that they would only receive the original investment sum with interest should they decide to resign from the Group within 5 years from the establishment date (the “Lockup Period”). Upon the end of the Lockup Period, the holders would become the limited partners of the Employee Fund. According to the arrangement of Employee Fund, the limited partners of the Employee Fund can demand the Company to buy back the shares at fair value or continue to hold the shares when they resign after the Lockup Period. A liability was recognized and measured at fair value for the obligation to payment in cash when demand. The duration of the Employee Fund expired and the units held by the limited partners was repurchased by the Group in December 2024, as a result of this, the balance of liabilities related to this cash-settled share-based payments was nil as of December 31, 2024.

The total expenses reversed and recognized in the consolidated income statement for the Employee Fund granted to the Group’s employees are RMB35,758,000 and RMB99,135,000 for the years ended December 31, 2024 and 2023, respectively.

Share based awards granted to Lei Jun

On June 17, 2018, Lei Jun was granted 42,070,000 share options in Xiaomi Finance Inc. (“Xiaomi Finance”) pursuant to the first share option scheme adopted by Xiaomi Finance. Such share options were vested immediately, and Lei Jun can exercise these share options with exercise price of RMB3.8325 for each share option for the following 20 years commencing on June 17, 2018.

No share option was exercised for the years ended December 31, 2024 and 2023, respectively.

29 Other non-current liabilities

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Liabilities to investors (Note (a))	11,529,232	13,803,045
Lease liabilities (Note 16)	3,169,514	1,256,155
Payables for purchase of intangible assets	1,478,840	2,768,401
Deferred government grants	2,073,346	2,115,561
Others	61,268	71,111
	18,312,200	20,014,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 Other non-current liabilities (continued)

Note:

- (a) It mainly represents the funds injected by the third party investors under Hubei Xiaomi Yangtze River Industry Investment Fund Partners (Limited Partnership) (湖北小米長江產業基金合夥企業(有限合夥)) (the "Hubei Fund") and Beijing Xiaomi Zhizao Equity Investment Fund Partners (Limited Partnership) (北京小米智造股權投資基金合夥企業(有限合夥)) (the "Beijing Fund"). The Group controls the Hubei Fund and the Beijing Fund as the Group is exposed to and has rights to variable returns from its involvement with the Hubei Fund and the Beijing Fund, and has the ability to affect those returns through its power over the Hubei Fund and the Beijing Fund.

For the amount raised from limited partners of the Hubei Fund, the Group has contractual obligation to settle the liability with the limited partners and therefore is classified as a financial liability measured at amortized cost in the consolidated financial statements. The carrying amount of this financial liability approximates to its fair value.

For the amount raised from limited partners of the Beijing Fund, the Group has contractual obligation to settle the liability with the limited partners and the management designates it as a financial liability measured at fair value through profit or loss in the consolidated financial statements.

30 Trade payables

Trade payables primarily include payables for inventories. As of December 31, 2024 and 2023, the carrying amounts of trade payables were primarily denominated in RMB, US\$ and INR.

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

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Up to 3 months	68,064,824	52,493,579
3 to 6 months	18,694,125	4,809,809
6 months to 1 year	9,035,928	3,039,535
1 to 2 years	1,626,560	1,001,272
Over 2 years	859,148	754,305
	98,280,585	62,098,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 Other payables and accruals

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Amounts collected for third parties	1,111,377	858,632
Payroll and welfare payables	4,397,878	3,120,400
Deposits payable	7,897,341	4,761,399
Accrual expenses	4,227,784	2,742,593
Payables for construction cost	2,145,851	2,220,127
Other taxes payables	2,101,538	1,648,291
Lease liabilities (Note 16)	2,238,842	712,011
Deposits from customers	2,222,025	1,519,475
Deferred government grants	3,949,644	2,771,695
Payables for purchase of intangible assets	2,381,930	2,390,221
Others	3,697,825	2,869,806
	36,372,035	25,614,650

The carrying amounts of other payables were primarily denominated in RMB and US\$ and approximate their fair values as of December 31, 2024 and 2023.

32 Advance from customers

Advance from customers mainly included contract liabilities, which are the Group's obligations to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. As of December 31, 2024, the total contract liabilities amounted to RMB15,086,463,000 (2023: RMB12,612,179,000), which will be recognized as revenue within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Borrowings

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Included in non-current liabilities		
Secured borrowings (Note (a))	1,827,365	—
Unsecured borrowings (Note (b))	15,448,356	16,631,078
Convertible bonds (Note (c))	—	5,042,891
	17,275,721	21,673,969
Included in current liabilities		
Secured borrowings (Note (a))	73,094	—
Unsecured borrowings (Note (b))	7,893,845	6,183,376
Convertible bonds (Note (c))	5,360,358	—
	13,327,297	6,183,376

Notes:

- (a) As of December 31, 2024, RMB1,900,459,000 (2023: Nil) of borrowings were secured by buildings and land use rights amounting to approximately RMB2,619,484,000 (2023: Nil). The interest rate of these borrowings was 2.90% (2023: Nil) per annum.
- (b) As of December 31, 2024, other than the interest rate of 53.00% (2023: 49.00%) for unsecured borrowings in Turkish Lira ("TRY") 500,000,000 (2023: TRY200,000,000) which was equivalent to RMB102,555,000 (2023: RMB48,102,000), and the interest rate of 14.00% (2023: Nil) for unsecured borrowings in Bangladeshi Taka ("BDT") 280,000,000 (2023: Nil), which was equivalent to RMB16,847,600 (2023: Nil), the interest rate of the remaining unsecured borrowings was 2.22% to 5.22% (2023: 2.40% to 6.19%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Borrowings (continued)

Notes (continued):

- (c) On December 17, 2020, the Group completed the issuance of 7-Year US\$855,000,000 zero coupon guaranteed convertible bonds due on December 17, 2027 (the “**Bonds**”) to third party professional investors (the “**bondholders**”). The bondholders have the right, at any time on or after January 27, 2021 up to the 10 days prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Group at a conversion price of HK\$36.74 per share, subject to adjustments. The bondholders also has the right to require the Group to redeem all or some of the bond on December 17, 2025; and to require the Group to redeem all or some Bonds on some specified events. The outstanding principal amount of the Bonds is repayable by the Group upon the maturity of the Bonds on December 17, 2027, if not previously redeemed, converted or purchased and cancelled.

The specified redeem events has not incurred, however, as the bondholders has the right to require the Group to redeem the bond within 12 months as of December 31, 2024, the Bonds is classified as current liabilities as of December 31, 2024.

The liability component of the Bonds recognized in the balance sheet are calculated as follows:

	RMB'000
Liability component as of January 1, 2024	5,042,891
Interest accrued	239,647
Effect of foreign currency translation	77,820
Liability component as of December 31, 2024	5,360,358
Liability component as of January 1, 2023	4,734,741
Interest accrued	226,884
Effect of foreign currency translation	81,266
Liability component as of December 31, 2023	5,042,891

The equity component of the Bonds of RMB1,764,799,000 was included in “Other reserves” (Note 26) of the Group as of December 31, 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Deferred income taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to be applied at the time of reversal of the temporary differences.

The amount of offsetting deferred income tax assets and liabilities is RMB1,224,886,000 as of December 31, 2024 (2023: RMB497,823,000). The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after 12 months	1,555,467	782,601
— to be recovered within 12 months	2,451,401	1,875,972
	4,006,868	2,658,573
Deferred income tax liabilities:		
— to be settled after 12 months	(2,472,267)	(1,957,295)
— to be settled within 12 months	(34,815)	(34,815)
	(2,507,082)	(1,992,110)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities during the years without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Accrued liabilities and provisions RMB'000	Provision for impairment of inventories RMB'000	Depreciation of property, plant and equipment and amortization of intangible assets RMB'000	Tax losses RMB'000	Fair value changes of financial assets RMB'000	Credit loss allowance RMB'000	Unrealized gain on intra-group transactions RMB'000	Lease RMB'000	Others RMB'000	Total RMB'000
At January 1, 2024	906,011	367,103	30,226	212,807	123,115	76,714	526,144	319,317	97,136	2,658,573
Credited/(debited) to consolidated income statement	255,429	88,252	10,288	(189,773)	133,041	(22,355)	254,103	553,380	265,930	1,348,295
At December 31, 2024	1,161,440	455,355	40,514	23,034	256,156	54,359	780,247	872,697	363,066	4,006,868
At January 1, 2023	686,101	491,545	43,176	452,826	89,846	41,439	622,024	463,436	86,193	2,976,586
Credited/(debited) to consolidated income statement	219,910	(124,442)	(12,950)	(240,019)	33,269	35,275	(95,880)	(144,119)	10,943	(318,013)
At December 31, 2023	906,011	367,103	30,226	212,807	123,115	76,714	526,144	319,317	97,136	2,658,573

Deferred income tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefits through future taxable profits is probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Deferred income taxes (continued)

Deferred income tax liabilities:

	Fair value changes of financial assets RMB'000	Depreciation of property, plant and equipment and amortization of intangible assets RMB'000	Unrealized exchange (loss)/gain RMB'000	Business combination RMB'000	Lease RMB'000	Others RMB'000	Total RMB'000
At January 1, 2024	(1,477,863)	(118,707)	—	(153,659)	(241,559)	(322)	(1,992,110)
(Debited)/credited to consolidated income statement	(19,537)	(6,929)	(10,081)	34,815	(513,237)	(3)	(514,972)
At December 31, 2024	(1,497,400)	(125,636)	(10,081)	(118,844)	(754,796)	(325)	(2,507,082)
At January 1, 2023	(773,742)	(147,944)	(140,282)	(188,473)	(430,989)	(237)	(1,681,667)
(Debited)/credited to consolidated income statement	(704,121)	29,237	140,282	34,814	189,430	(85)	(310,443)
At December 31, 2023	(1,477,863)	(118,707)	—	(153,659)	(241,559)	(322)	(1,992,110)

As of December 31, 2024, the Group did not recognize deferred income tax assets of RMB8,336,779,000 (2023: RMB3,262,716,000), in respect of deductible temporary differences and cumulative tax losses amounting RMB35,413,855,000 (2023: RMB18,415,305,000), that can be carried forward against future taxable income. The tax losses as of December 31, 2024 amounting to RMB4,205,949,000 (2023: RMB2,343,293,000) can be carried forward indefinitely, and the remaining amount of RMB23,161,627,000 (2023: RMB15,477,728,000) will expire within 12 years (2023: 11 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 Cash flow information

(a) Cash generated from operations

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	28,126,653	22,011,047
Adjustments for:		
— Depreciation of property, plant and equipment, right-of-use assets and investment properties	3,626,279	2,401,979
— Amortization of intangible assets	2,691,990	2,434,308
— Gains on disposal of property, plant and equipment	(9,147)	(12,510)
— Loss on early termination of land use rights	52,051	—
— Net impairment losses on financial assets	195,938	321,528
— Provision for impairment of inventories	5,762,582	3,861,753
— Impairment on investments accounted for using the equity method (Note 7)	161,668	7,138
— Interest income	(3,836,204)	(3,558,347)
— Interest expense	212,447	1,555,970
— Dividend income	(298,647)	(157,569)
— Share of net profits of investments accounted for using the equity method	(276,845)	(45,615)
— Gains on disposal and deemed disposal of investments accounted for using the equity method	(635,599)	(1,580,123)
— Fair value changes on financial instruments measured at fair value through profit or loss	(1,050,772)	(3,501,053)
— Share-based compensation	3,726,085	3,378,670
— Foreign exchange losses/(gains), net	319,630	(124,405)
Operating cash flows before changes in working capital		
— (Increase)/decrease in inventories	(24,131,971)	2,173,795
— Increase in trade and notes receivables	(8,387,158)	(1,652,782)
— Increase in loan receivables	(2,567,194)	(1,983,565)
— Increase in prepayments and other receivables	(8,319,875)	(2,426,241)
— Increase in restricted cash	(735,361)	(659,788)
— Increase in trade payables	36,092,511	11,147,623
— Increase in advance from customers	2,966,496	4,026,797
— Increase in provisions	1,243,112	1,537,927
— Increase in other payables and accruals	7,876,262	3,101,149
— (Decrease)/increase in other non-current liabilities	(42,214)	2,054,557
Cash generated from operations	42,762,717	44,312,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 Cash flow information (continued)**(b) Non-cash investing and financing transactions**

Other than addition of right-of-use assets and lease liabilities described in Note 16, transfer of investments accounted for using the equity method to financial assets at fair value through profit or loss as described in Note 11(b) and Note 19, addition of intangible assets in Note 15 with increase of payables for purchase of intangible assets in Note 29 and Note 31, addition of property, plant and equipment in Note 14 with payables for purchase of property, plant and equipment in Note 31, there were no material non-cash investing and financing transactions for the years ended December 31, 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 Cash flow information (continued)

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities					Total RMB'000
	Borrowing RMB'000	Interest payable RMB'000	Liabilities to investors RMB'000	Lease liabilities RMB'000	Payables for purchase of intangible assets RMB'000	
Liabilities from financing activities as of January 1, 2024	27,857,345	9,631	13,803,045	1,968,166	5,158,622	48,796,809
Cash flows	6,136,699	(121,344)	(113,749)	(2,476,524)	(3,182,954)	242,128
Accrued interest expenses	857,111	141,719	(1,119,698)	165,770	167,545	212,447
Foreign exchange adjustments	263,736	—	—	—	5,787	269,523
Other non-cash movements (Note (a))	(4,511,873)	—	(123,909)	5,750,944	1,711,770	2,826,932
Liabilities from financing activities as of December 31, 2024	30,603,018	30,006	12,445,689	5,408,356	3,860,770	52,347,839
Liabilities from financing activities as of January 1, 2023	23,644,002	157,830	14,859,228	2,412,128	—	41,073,188
Cash flows	4,262,857	(177,329)	(1,467,129)	(1,197,692)	(1,393,188)	27,519
Accrued interest expenses	839,025	193,288	405,724	83,117	39,535	1,560,689
Foreign exchange adjustments	271,122	—	—	—	—	271,122
Other non-cash movements (Note (a))	(1,159,661)	(164,158)	5,222	670,613	6,512,275	5,864,291
Liabilities from financing activities as of December 31, 2023	27,857,345	9,631	13,803,045	1,968,166	5,158,622	48,796,809

Note:

- (a) It mainly resulted from the addition of payables for purchase of intangible assets, the addition of leases and the maturity of discounted commercial bill acceptance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

36 Contingencies

The Group, in the ordinary course of its business, is involved in various claims, suits, and legal proceedings that arise from time to time. Since December 2021, Xiaomi India has been involved in various investigations and notifications initiated by relevant Indian authorities including the Income Tax Department, the Directorate of Revenue Intelligence and the Directorate of Enforcement in relation to compliance of relevant income tax regulations, custom duties regulations as well as foreign exchange regulations, respectively.

In this connection, Xiaomi India received orders alleging that it has inappropriately deducted certain costs and expenses, including purchase costs of mobile phones and royalty fees paid to overseas third parties as well as companies within the Group. As a result, certain of its bank accounts has been attached and thereby INR47,042,193,000 (equivalent to RMB4,016,462,000) has been considered as restrictive as of December 31, 2024. The cases are currently in the hearing stages and not yet concluded.

Management assessed the aforesaid matters related to Xiaomi India, after taking into considerations of opinions from professional advisors, it is concluded that Xiaomi India has valid grounds to respond to the relevant Indian authorities. The Group, hence, has not made any material provision as of December 31, 2024 pertaining to these matters.

Conclusions of legal proceedings, investigations and allegations could take a long period of time, and the Group could receive judgments or enter into settlements that may adversely affect its operating results or cash flows. Quantifying the related financial effects is not practical at this stage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

37 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the years but not yet incurred is as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Property, plant and equipment	1,358,296	1,068,216
Intangible assets	6,390	5,932
Investments	1,193,692	857,726
	2,558,378	1,931,874

(b) Operating lease commitments

The Group leases offices, warehouses, retail stores and servers under non-cancellable lease agreements. The Group has recognized right-of-use assets and lease liabilities for these leases, except for certain short-term leases, variable lease payments and leases contracted but before the commencement date as shown in the table below, see Note 16 for further information. The Group's future aggregate minimum lease payments under non-cancellable leases are as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Not later than 1 year	9,046	278,368
Later than 1 year and not later than 5 years	36,556	550,153
Later than 5 years	388	825,079
	45,990	1,653,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

38 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the years presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Significant transactions with related parties

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
(i) Sales of goods and services		
Associates of the Group	353,800	349,954
Associates of Lei Jun	2,248	47,254
	356,048	397,208
(ii) Purchases of goods and services		
Associates of the Group	43,724,394	32,017,985
Associates of Lei Jun	958	4,891
	43,725,352	32,022,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

38 Related party transactions (continued)

(b) Significant year end balances with related parties

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
(i) Trade receivables from related parties		
Associates of the Group	95,156	133,432
Associates of Lei Jun	2,666	2,921
	97,822	136,353
(ii) Trade payables to related parties		
Associates of the Group	10,418,355	9,698,412
Associates of Lei Jun	3,681	2,572
	10,422,036	9,700,984
(iii) Prepayments and other receivables from related parties		
Associates of the Group	442,112	251,536
Associates of Lei Jun	32,552	37,478
	474,664	289,014
(iv) Other payables and accruals to related parties		
Associates of the Group	116,504	78,141
Associates of Lei Jun	86,711	82,799
	203,215	160,940
(v) Advance from customers		
Associates of the Group	75,500	65,271
Associates of Lei Jun	10,510	10,570
	86,010	75,841

All the balances with related parties above were unsecured, non-interest bearing and repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

38 Related party transactions (continued)

(c) Loans to related parties

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loans to associates:		
At the beginning of the year	50,424	1,936
Loans advanced	—	50,000
Interest charged	2,826	424
Loans and interest repaid	(53,250)	(2,761)
Less: credit loss allowance	—	757
Currency translation differences	—	68
At the end of the year	—	50,424

(d) Key management compensation

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Wages and salaries	19,375	20,557
Discretionary bonuses	28,183	7,140
Share-based compensation expenses	458,005	384,205
Contributions to pension plans and other employee benefits	1,791	1,821
	507,354	413,723

39 Events after the reporting period

The Company repurchased 6,829,800 Class B ordinary shares of the Company during January 2025. The total considerations were approximately HK\$224,943,000. And the shares repurchased were subsequently cancelled on March 6, 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

40 Financial position and reserve movement of the Company

(a) Financial position of the Company

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Assets		
Non-current assets		
Property, plant and equipment	27	60
Investment in subsidiaries	42,888,797	41,000,871
Investment accounted for using the equity method	188,141	426,827
Other assets	—	79
	43,076,965	41,427,837
Current assets		
Prepayments and other receivables	22,877,669	24,466,383
Cash and cash equivalents	1,520,771	453,104
	24,398,440	24,919,487
Total assets	67,475,405	66,347,324
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	407	407
Reserves (Note 40(b))	63,464,008	62,775,595
Total equity	63,464,415	62,776,002
Liabilities		
Current liabilities		
Other payables and accruals	4,010,990	3,571,322
Total liabilities	4,010,990	3,571,322
Total equity and liabilities	67,475,405	66,347,324

The balance sheet of the Company was approved by the Board of Directors on March 18, 2025 and was signed on its behalf:

Lei Jun

Lin Bin

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

40 Financial position and reserve movement of the Company (continued)

(b) Reserve movement of the Company

	Treasury shares RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Conversion option RMB'000	Others RMB'000	Total RMB'000
At January 1, 2024	(438,291)	60,778,287	8,345,086	2,888,998	252,874	(10,808,995)	1,764,799	(7,163)	62,775,595
Loss for the year	—	—	—	—	—	(298,913)	—	—	(298,913)
Purchase of own shares	(3,531,531)	—	—	—	—	—	—	—	(3,531,531)
Cancellation of shares	3,702,569	(3,702,564)	—	—	—	—	—	—	5
Release of ordinary shares from Share Scheme Trust	232,575	2,268,200	(2,493,210)	—	—	—	—	—	7,565
Employees share-based compensation scheme:									
— value of employee services (Note 28)	—	—	3,742,366	—	—	—	—	—	3,742,366
— exercise of share options and RSUs (Note 28)	—	710,988	(617,499)	—	—	—	—	—	93,489
Share of other comprehensive loss of investments accounted for using the equity method	—	—	—	—	—	—	—	(19,573)	(19,573)
Share of other reserves of investments accounted for using the equity method	—	—	—	—	40,749	—	—	—	40,749
Share consideration for acquisition of Zimi completed in 2021	—	62,747	—	—	(62,747)	—	—	—	—
Currency translation differences (Note (a))	—	—	—	654,256	—	—	—	—	654,256
At December 31, 2024	(34,678)	60,117,658	8,976,743	3,543,254	230,876	(11,107,908)	1,764,799	(26,736)	63,464,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

40 Financial position and reserve movement of the Company (continued)

(b) Reserve movement of the Company (continued)

	Treasury shares RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Conversion option RMB'000	Others RMB'000	Total RMB'000
At January 1, 2023	(190,795)	59,483,288	7,491,132	2,154,679	318,783	(10,338,813)	1,764,799	(9,209)	60,673,864
Loss for the year	—	—	—	—	—	(470,182)	—	—	(470,182)
Purchase of own shares	(1,485,385)	—	—	—	—	—	—	—	(1,485,385)
Cancellation of shares	1,216,644	(1,216,642)	—	—	—	—	—	—	2
Release of ordinary shares from Share Scheme Trust	21,245	1,788,344	(1,805,864)	—	—	—	—	—	3,725
Employees share-based compensation scheme:									
— value of employee services (Note 28)	—	—	3,240,396	—	—	—	—	—	3,240,396
— exercise of share options and RSUs (Note 28)	—	658,545	(580,578)	—	—	—	—	—	77,967
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	—	—	—	—	2,046	2,046
Share of other reserves of investments accounted for using the equity method	—	—	—	—	(1,157)	—	—	—	(1,157)
Share consideration for acquisition of Zimi completed in 2021	—	64,752	—	—	(64,752)	—	—	—	—
Currency translation differences (Note (a))	—	—	—	734,319	—	—	—	—	734,319
At December 31, 2023	(438,291)	60,778,287	8,345,086	2,888,998	252,874	(10,808,995)	1,764,799	(7,163)	62,775,595

Note:

- (a) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of the Company as its functional currency in US\$, different from its presentation currency as RMB.

DEFINITIONS

“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the articles of association of the Company adopted on June 17, 2018 with effect from Listing as amended from time to time
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Beijing Digital Technology”	Beijing Xiaomi Digital Technology Co., Ltd.* (北京小米數碼科技有限公司), a limited liability company established under the laws of mainland China on December 21, 2010 and an indirect wholly-owned subsidiary of the Company
“Beijing Duokan”	Beijing Duokan Technology Co., Ltd.* (北京多看科技有限公司), a limited liability company established under the laws of mainland China on February 10, 2010 and a Consolidated Affiliated Entity of the Company
“Beijing Electronic Software”	Beijing Xiaomi Electronic Software Co., Ltd.* (北京小米電子軟件技術有限公司), a limited liability company established under the laws of mainland China on July 1, 2014 and a Consolidated Affiliated Entity of the Company
“Beijing Wali Culture”	Beijing Wali Culture Communication Co., Ltd.* (北京瓦力文化傳播有限公司), a limited liability company established under the laws of mainland China on May 8, 2014 and a Consolidated Affiliated Entity of the Company
“Beijing Wali Internet”	Beijing Wali Internet Technologies Co., Ltd.* (北京瓦力網絡科技有限公司), a limited liability company established under the laws of mainland China on June 1, 2009 and a Consolidated Affiliated Entity of the Company
“Beijing Wenmi”	Beijing Wenmi Culture Co., Ltd.* (北京文米文化有限公司), a limited liability company established under the laws of mainland China on December 28, 2016 and an indirect wholly-owned subsidiary of the Company

“Board”	our board of Directors
“CEO”	chief executive officer
“CFO”	chief financial officer
“CG Code”	the Corporate Governance Code set out in Appendix C1 of the Listing Rules
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.0000025 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.0000025 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings (save for any treasury Shares, the holders of which shall abstain from voting at the Company’s general meeting)
“Co-founder”	Hong Feng, Li Wanqiang, Lin Bin, Liu De, Wang Chuan, Wong Kong Kat and Zhou Guangping
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Xiaomi Corporation 小米集团 (formerly known as Top Elite Limited), a company with limited liability incorporated under the laws of the Cayman Islands on January 5, 2010
“Compliance Advisor”	Guotai Junan Capital Limited, being the compliance advisor of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

“Consolidated Affiliated Entities”, each a “Consolidated Affiliated Entity”	the entities we control through the Contractual Arrangements, namely the Onshore Holdcos and their respective subsidiaries
“Contractual Arrangements”	the set of agreements entered into by each of the WFOEs and the Onshore Holdcos for the purpose of operations of the Restricted Business of the Group in the PRC
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Lei Jun and the directly and indirectly held companies through which Lei Jun has an interest in the Company, namely, Smart Mobile Holdings Limited and Smart Player Limited
“Director(s)”	the director(s) of the Company
“Group”, “our Group”, or “the Group”	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements) from time to time
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standard
“Latest Practicable Date”	April 7, 2025, being the latest practicable date prior to the bulk printing and publication of this annual report
“Listing”	the listing of the Class B Shares on the Main Board of the Stock Exchange
“Listing Date”	July 9, 2018, the date on which the Shares were listed on the Stock Exchange

“Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“Onshore Holdcos” each a “Onshore Holdco”	(i) Beijing Wali Culture, (ii) Rigo Design, (iii) Xiaomi Inc., (iv) Beijing Duokan, (v) Beijing Wali Internet, (vi) Xiaomi Pictures, (vii) Beijing Electronic Software and (viii) Youpin Information Technology
“PRC”	the People’s Republic of China
“PRC Legal Advisor”	JunHe LLP
“Pre-IPO ESOP”	the pre-IPO employee stock incentive scheme adopted by the Company dated May 5, 2011 and superseded on August 24, 2012, as amended from time to time
“Prospectus”	the prospectus of the Company dated June 25, 2018
“Registered Shareholders”	the registered shareholders of the Onshore Holdcos
“Reporting Period”	the year ended December 31, 2024
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company

“Rigo Design”	Rigo Design (Beijing) Co., Ltd.* (美卓軟件設計(北京)有限公司), a limited liability company established under the laws of mainland China on April 24, 2012 and a Consolidated Affiliated Entity of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of mainland China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the Class A Shares and/or Class B Shares in the share capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tianjin Commercial Factoring”	Xiaomi Commercial Factoring (Tianjin) Co., Ltd* (小米商業保理(天津)有限責任公司), a limited liability company established under the laws of mainland China on March 21, 2018 and an indirect wholly-owned subsidiary of the Company
“treasury Shares”	has the meaning ascribed to it under the Listing Rules which came into effect on June 11, 2024, which, in the Company’s case, refers to the Class B Shares
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“weighted voting rights” or “WVR”	has the meaning ascribed to it under the Listing Rules

“WFOEs”, each a “WFOE”	Beijing Baien, Xiaomi Mobile Software, Beijing Wenmi, Beijing Digital Technology, Tianjin Commercial Factoring, Beijing Wali, Xiaomi Communications and Xiaomi Youpin Technology
“WVR Beneficiary”	has the meaning ascribed to it under the Listing Rules
“Xiaomi Communications”	Xiaomi Communications Co., Ltd* (小米通訊技術有限公司), a limited liability company established under the laws of mainland China on August 25, 2010 and an indirect wholly-owned subsidiary of the Company
“Xiaomi EV”	Xiaomi EV, Inc., an exempted company incorporated under the laws of the Cayman Islands on August 5, 2021 with limited liability and a direct wholly-owned Subsidiary of the Company
“Xiaomi Finance”	Xiaomi Finance Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands on February 15, 2018 and a direct wholly-owned subsidiary of the Company
“Xiaomi Finance Group”	Xiaomi Finance and its subsidiaries and consolidated affiliated entities from time to time
“Xiaomi HK”	Xiaomi H.K. Limited, a limited liability company incorporated under the laws of Hong Kong on April 7, 2010 and a subsidiary of the Company
“Xiaomi HK Group”	Xiaomi HK and its subsidiaries from time to time
“Xiaomi HK Shares”	ordinary share(s) in the share capital of Xiaomi HK
“Xiaomi Inc.”	Xiaomi Inc.* (小米科技有限責任公司), a limited liability company established under the laws of mainland China on March 3, 2010 and a Consolidated Affiliated Entity of the Company

“Xiaomi Pictures”	Xiaomi Pictures Co., Ltd.* (小米影業有限責任公司), a limited liability company established under the laws of mainland China on June 7, 2016 and a Consolidated Affiliated Entity of the Company
“Xiaomi Youpin Technology”	Xiaomi Youpin Technology Co. Ltd.* (小米有品科技有限公司), a limited liability company established under the laws of mainland China on May 8, 2018 and an indirect wholly-owned subsidiary of the Company
“XMF Share Option Scheme I”	the first share option scheme adopted by Xiaomi Finance on June 17, 2018, as amended from time to time
“XM Group”	our Group other than the Xiaomi Finance Group
“Youpin Information Technology”	Youpin Information Technology Co., Ltd.* (有品信息科技有限公司), a limited liability company established under the laws of mainland China on April 4, 2018 and a Consolidated Affiliated Entity of the Company
“2018 Share Award Scheme”	the share award scheme adopted by the Company on June 17, 2018
“2018 Share Option Scheme”	the share option scheme adopted by the Company on June 17, 2018, as amended from time to time
“2023 Share Scheme”	the share scheme adopted by the Company on June 8, 2023, as amended from time to time
“2024 Xiaomi HK Share Scheme”	the share scheme adopted by Xiaomi HK on June 6, 2024, being the date on which the scheme is approved by the Shareholders in a general meeting
“%”	per cent

* For identification purposes only

