

What's Hot Today:

► Xiaomi (1810 HK, \$32.44, HK\$841bn) Cyclical Dynamics in Consumer Electronics

Xiaomi reported a 4Q25 revenue of RMB117bn (+7% YoY/+3% QoQ), broadly in line with market expectations. Group GPM declined to 20.8% and net profit reached RMB6.5bn (-23.5% YoY/-47% QoQ), above market consensus of RMB6bn.

1). Weak performance from smartphones: segment revenue stood at RMB44.3bn (-14% YoY/ -4% QoQ) in line with expectations, representing a record low 38% of total revenue. Shipments fell 11.7% YoY to 37.7mn units, while ASP edged down 2.3% YoY to RMB1,175. It is believed that the demand was pressured by the fading effect of the subsidies and increasing price competition from peers. The decline in GPM both YoY and QoQ to 8.4% is attributable to the rising memory and storage costs. Consequently, the segment's gross profit contribution dropped from a peak of 46% in 2Q23 to 15%.

2). Slower sales of IoT & lifestyle products: Segment revenue came in at RMB24.6bn (-20% YoY/-11% QoQ), meeting market expectations and the segment accounted for 21% of total revenue. The weakness mainly stemmed from lower China sales of home appliances and TVs amid subsidy roll-off and fiercer competition, partially offset by stronger overseas tablet and TV revenue. Segment GPM fell both YoY and QoQ to 20.3%, with the segment's gross profit contribution at 20%.

3). Resilient internet services: Segment revenue stood at RMB9.6bn (+6% YoY, +5% QoQ), representing a stable 8% of total revenue. Growth was mainly driven by higher advertising revenue, partially offset by a slowdown in value-added services. Global MIUI MAUs rose 7% YoY to 754mn, while ARPU declined 1% YoY to RMB13. Benefiting from stronger advertising income, segment GPM rose to 76.8%, with its gross profit contribution up 3% QoQ to 31%.

4). Smart EV and AI/new initiatives enlarged their profit contribution: Segment revenue came in at RMB37.2bn (+123% YoY, +28% QoQ), with its revenue share rising to 32%. EV sales continued to climb to 145k units. ASP fell 3.8% QoQ to RMB250k due to lower shipments of the high-priced SU7 Ultra and a higher mix of YU7 models, dragging down segment GPM by 2.7ppt QoQ to 22.7%. Nevertheless, the segment's gross profit contribution improved to 35%, and core operating profit from the EV business continued to expand to an estimated RMB1bn in the quarter.

China & HK Indices	CLOSE	1D	YTD
HSI	24,768	-0.4%	-3.4%
HSCEI	8,377	-0.1%	-6.0%
HSCCI	4,146	-0.3%	3.3%
CSI300	4,477	-1.3%	-3.3%
Shanghai A	4,078	-1.1%	3.1%
Shanghai B	261	-0.2%	3.1%
Shenzhen A	2,664	-1.5%	0.6%
Shenzhen B	1,196	-0.8%	-5.4%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	45,960	-1.0%	-4.4%
S&P 500	6,477	-1.7%	-5.4%
Nasdaq	21,408	-2.4%	-7.9%
NIKKEI Index	52,721	-1.6%	4.7%
FTSE Index	9,972	-1.3%	0.4%
CAC Index	7,769	-1.0%	-4.7%
DAI Index	22,612	-1.5%	-7.7%

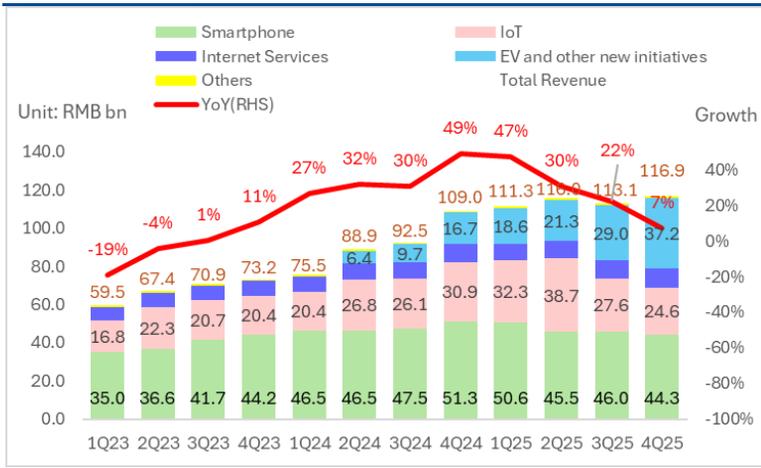
Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,376	-2.9%	1.8%
STEEL (US\$/oz.)	2,686	-0.8%	5.6%
SILVER (US\$/oz.)	68	-4.4%	-4.9%
CRUDE OIL (US\$/bbl)	94	4.6%	62.5%
COPPER (US\$/oz.)	12,147	0.4%	-2.2%
ALUMINIUM (US\$/oz.)	3,269	0.3%	9.1%
PLATINUM (US\$/oz.)	1,832	-4.8%	-10.6%
ZINC (US\$/oz.)	3,081	1.3%	-1.2%
WHEAT (US\$/bu)	605	1.2%	19.2%
CORN (US\$/bu)	467	-0.1%	4.1%
SUGAR (US\$/lb)	137	2.2%	
SOYBEAN (US\$/bu)	1,173	0.2%	10.4%
PVC (US\$/t)	5,639	-1.7%	45.8%
CRB	361	0.7%	3.0%
BDI			6.6%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.826	0.868	159.810	0.795	6.913
HKD	0.128		0.111	20.422	10.162	0.883
EUR	1.153	9.021		184.220	1.091	7.973
JPY	0.006	4.897	0.543		0.498	0.043
CHF	1.257	9.842	1.091	200.959		8.690
RMB	0.145	1.132	0.125	23.109	0.115	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	27	14.0%

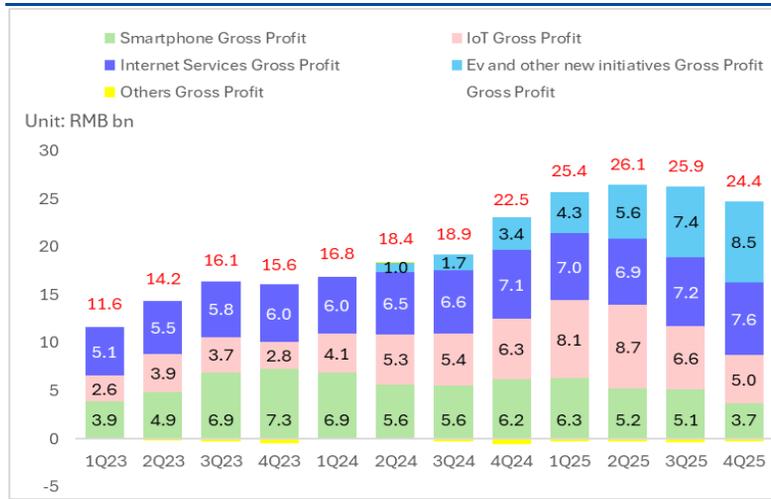
Source: Bloomberg

Fig 1: Total Revenue (RMB bn)



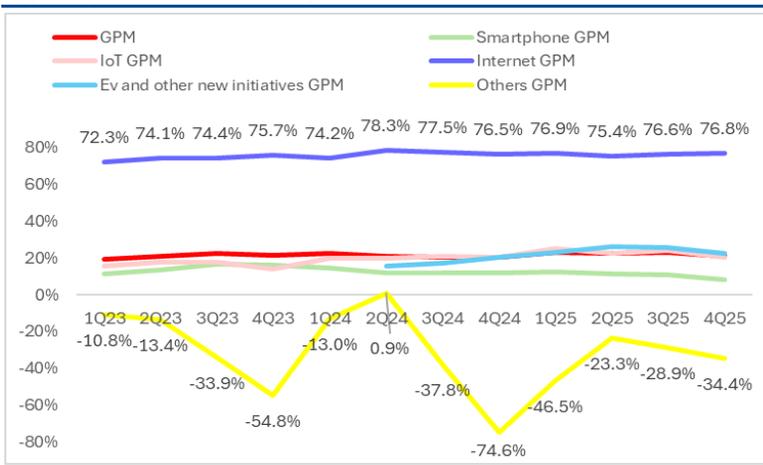
Source: Company Data, Sunwah Kingsway Research

Fig 2: Breakdown of Gross Profit (RMB bn)



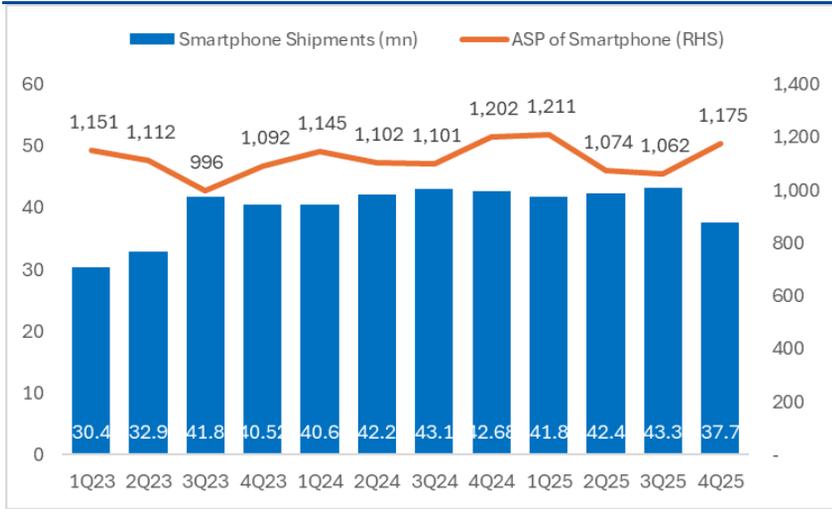
Source: Company Data, Sunwah Kingsway Research

Fig 3: Segment of Gross Profit Margin



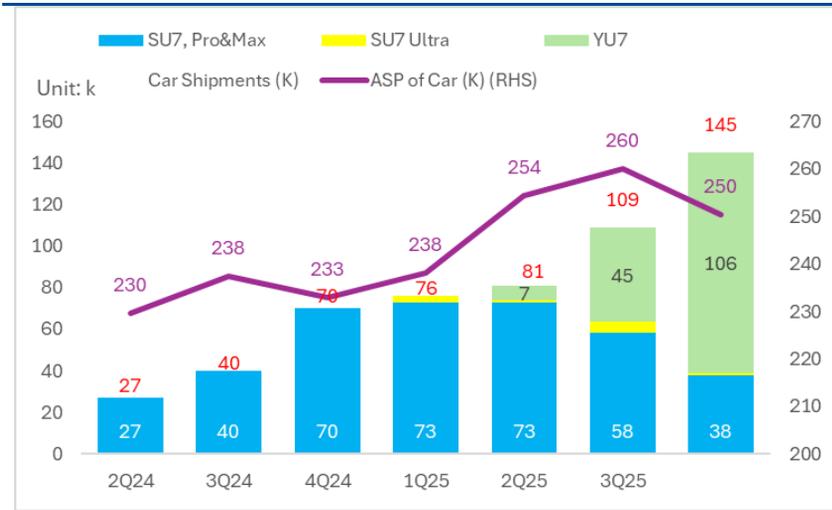
Source: Company Data, Sunwah Kingsway Research

Fig 4: Breakdown of Smartphone Shipments (mn) and ASP (RMB)



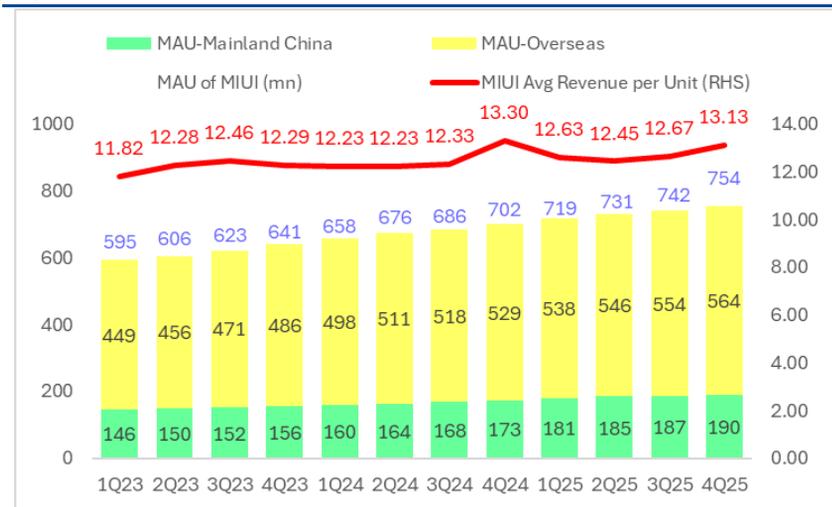
Source: Company Data, Sunwah Kingsway Research

Fig 5: Breakdown of Auto shipment (k) and ASP (RMB'k)



Source: Company Data, Sunwah Kingsway Research

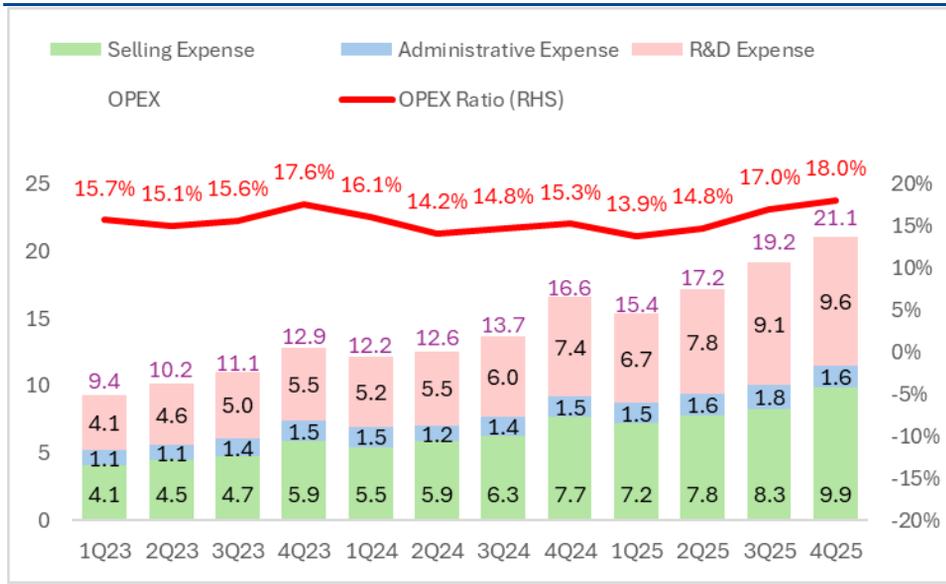
Fig 6: Breakdown of MAU numbers



Source: Company Data, Sunwah Kingsway Research

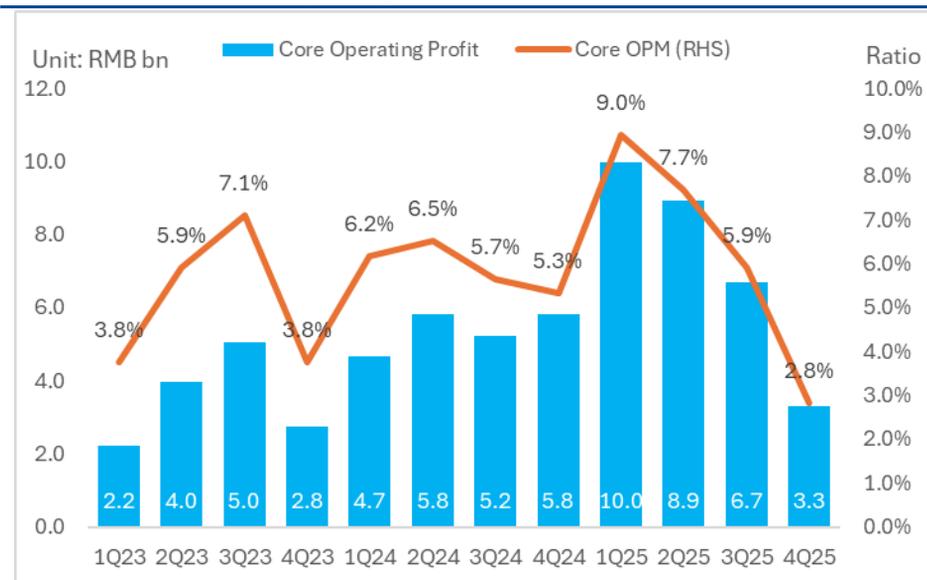
Profitability Pressured by Rising Memory Costs: The OPEX ratio edged up to 18%, mainly driven by ongoing R&D investments and higher operating expenses for the EV business. Core operating profit plunged to RMB3.3bn (-43.1% YoY, -51% QoQ), as weaker earnings from smartphones and IoT more than offset improved profitability from the EV segment. A decline in NPM to 5.6% led to net profit sliding to RMB6.5bn (-27.2% YoY, -47% QoQ).

Fig 7: Breakdown of OPEX (RMB bn)



Source: Company Data, Sunwah Kingsway Research

Fig 8: Breakdown of Core operating profit (RMB bn)



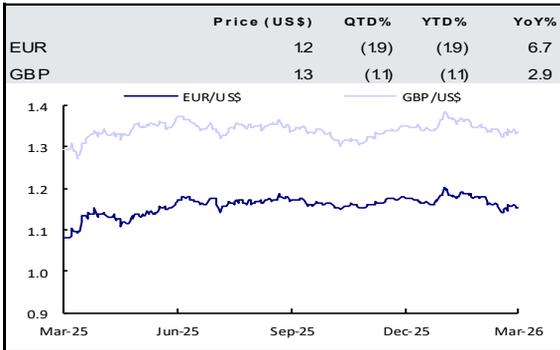
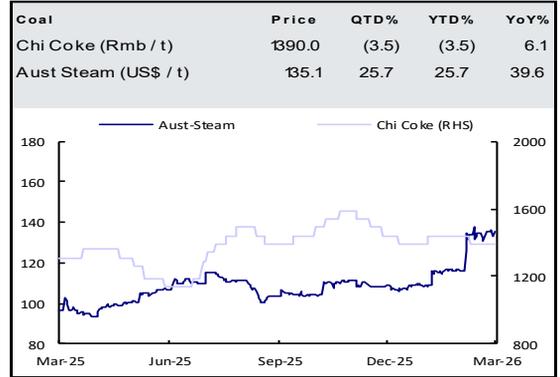
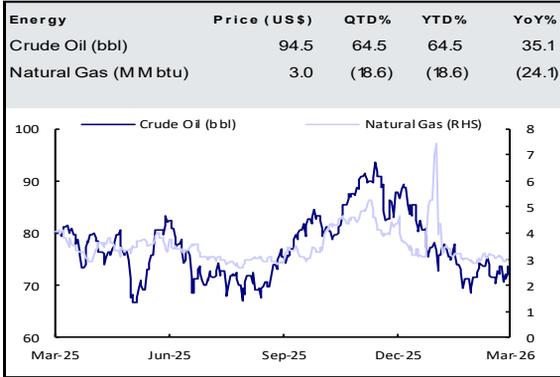
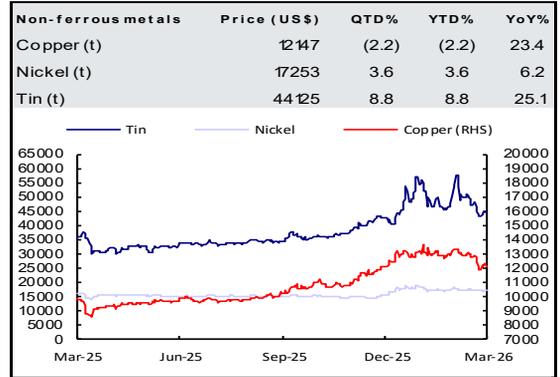
Source: Company Data, Sunwah Kingsway Research

Business outlook: The Mgt expects memory price hikes to persist through 2027, affecting smartphones the most, with moderate effect on EVs and the least to IoT. A diversified business mix eases revenue pressure, with stable memory supply supported by global partnerships. The Mgt will adjust prices prudently to protect market share while considering consumer interests. IoT boasts opportunities for premiumization with the low ASP only for now and an overseas market about 3x larger than China. It targets a 10% market share in China for air conditioners and 4–5% for refrigerators and washing machines, while Middle East exposure is small and manageable. The company expresses confidence in the new SU7 model, with a 2026 delivery target of 550k units. For 2026, total R&D expenditure is set to surpass RMB40bn, including RMB16bn allocated to AI and embodied intelligence, with overall AI investment reaching RMB60 bn over the next three years. MiMo-V2-Pro ranks 8th globally, and MiClaw mobile AI agent has begun testing, making Xiaomi the first OEM with on-device mobile AI agent.

Our views: Despite a YoY improvement in FY25 results, the company's profitability is experiencing challenges in 3Q25 and 4Q25 amid rising memory prices. With robust AI demand and a tight supply-demand balance, memory prices are expected to remain high. The company has built up raw material inventories in Q4 and moderated shipments, aiming to unlock higher GPM in 2026 under a more favorable pricing environment. For 2026, the fading effect of government subsidies may impact the IoT business, while the cyclical nature of consumer electronics poses risks of periodic revenue declines. The automotive segment has overcome supply shortages, with sharply improved delivery capacity. The updated SU7 has secured 30k new orders and the delivery lead time has been substantially reduced to the industry norm of about 10 weeks. The upcoming YU9 model and year-end overseas launch could be key catalysts. The company sets a conservative delivery target of 550k units, implying a possible slowdown in sales. However, in light of the cost pressures with the smart devices, the profit contribution from the EV segment would be the key profit driver going forward.

Over the medium to long term, advancements in AI LLM and the MiLoCo smart home ecosystem may drive a new wave of demand for consumer electronics product upgrades. Nevertheless, the company lacks immediate catalysts to further drive up its equity story and rising costs could be a near-term negative swing factor. The counter is trading at 21x FY26E P/E. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Initial Jobless Claims	WoW		26-Mar-26
Consumer Confidence	MoM		31-Mar-26
ISM Manufacturing PMI	MoM		1-Apr-26
Retail Sales	MoM		1-Apr-26
Business Inventories	MoM		1-Apr-26
Trade Balance	MoM		2-Apr-26
Employment Report	MoM		3-Apr-26
Durable Goods Orders	MoM		7-Apr-26
Personal Income & Spending	MoM		9-Apr-26
Wholesale Inventories	MoM		9-Apr-26
GDP	QoQ		9-Apr-26
Factory Orders	MoM		10-Apr-26
CPI	MoM		10-Apr-26
Existing Home Sales	MoM		13-Apr-26
PPI	MoM		14-Apr-26
Industrial Production	MoM		16-Apr-26
Housing Starts / Building Permits	MoM		29-Apr-26
New home Sales	MoM		5-May-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		31-Mar-26
Foreign Exchange Reserves	QoQ		7-Apr-26
Money Supply - M2	MoM		9-Apr-26
PPI	MoM		10-Apr-26
CPI	MoM		10-Apr-26
Trade Balance	MoM		14-Apr-26
Retail Sales	MoM		16-Apr-26
Industrial Production	MoM		16-Apr-26
GDP	YoY		16-Apr-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		31-Mar-26
Retail Sales	MoM		1-Apr-26
PMI	MoM		8-Apr-26
Foreign Currency Reserve	MoM		9-Apr-26
Unemployment Rate	MoM		23-Apr-26
CPI	MoM		23-Apr-26
Trade Balance	MoM		28-Apr-26
GDP	QoQ		5-May-26
Producer Prices Index	QoQ		12-Jun-26
Industrial Production	QoQ		12-Jun-26
Composite Interest Rate	MoM		

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KFS and/or its affiliates beneficially own shares of Xiaomi Corporation (1810 HK).

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