

# Xiaomi (1810 HK)

## 3Q23 beat on GPM and resilient smartphone; Reiterate BUY on EV upside in FY24E

Xiaomi's 3Q23 adj. net income of RMB 5.99bn (+183% YoY) is ahead of our estimate and consensus, mainly driven by strong GPM beat on smartphone/AIoTT, resilient smartphone and recovery in advertising/overseas internet businesses. Looking ahead, we believe strong earnings momentum will continue into 4Q23E and smartphone business will be boosted by strong Xiaomi 14 model shipment and Double 11 festival sales. We estimate 4Q revenue will deliver +17% YoY growth and adj. net profit will climb 189% YoY to RMB 4.23bn. Overall, we are positive on Xiaomi's strong smartphone shipment with new model launches and continued share gain, as well as upside of EV product launch in 1Q24E. We raised our FY23-25E EPS by 7-12% for strong margins and better smartphone outlook. We lifted our TP to HK\$20.25, based on same 24x FY24E P/E with higher earnings forecasts. Maintain BUY. Catalysts include EV progress and market share gain.

- 3Q23 beat on strong GPM in smartphone/AIoT and internet business recovery.** Xiaomi's smartphone shipment climbed 4% YoY with ASP decline of 5.8% YoY due to higher sales of lower-ASP models in emerging markets, partially offset by better ASP in China's market. By segment, SP/AIoT/Internet grew by -2%/9%/10% YoY, and strong internet revenue was boosted by advertising and overseas internet business recovery. SP/AIoT business GPM both reached record high at 16.6%/17.8% (+7.7/+4.3ppts YoY), backed by lower BOM cost tailwinds, SP overseas inventory write-down reversal and strong sales of high-margin tablet products. Looking into 4Q23E, we are positive on the continued momentum on seasonal demand, outstanding sales from Xiaomi 14 and Double-11 sales events. We expect 4Q23E rev/adj. net income to grow 17%/189% YoY.
- Key highlights: retail store efficiency improvement and preparation for Xiaomi EV in-store display.** Xiaomi's 3Q23 offline store GMV increased 28% YoY and 55% of China's premium smartphone sales came from offline channels (vs. 46% in 2Q23). Mgmt. highlighted that Xiaomi EV will be an integral part of Xiaomi's offline channel strategy, along with smartphone products to boost Xiaomi's AIoT ecosystem sales.
- Raise TP to HK\$20.25 on strong margin and better smartphone outlook; Positive on EV product progress.** We believe Xiaomi is on track to launch smart EV product in 1H24E, which will become a major catalyst in coming months. We raised our FY23-25E EPS by 7-12% to reflect stronger margins and better smartphone outlook, and our new TP of HK\$ 20.25 is based on the same 24x FY24E P/E (5-year hist. avg.). Maintain BUY.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	328,309	280,044	269,916	304,862	338,621
YoY growth (%)	33.5	(14.7)	(3.6)	12.9	11.1
Adjusted net profit (RMB mn)	22,039.5	8,518.0	18,480.5	19,695.9	21,293.2
EPS (Adjusted) (RMB)	0.88	0.34	0.74	0.79	0.86
Consensus EPS (RMB)	N/A	N/A	0.63	0.62	0.69
P/E (x)	26.8	30.7	20.2	18.9	17.5
P/B (x)	3.8	1.8	2.3	2.1	1.9
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	14.8	1.8	10.6	9.4	9.4
Net gearing (%)	96.0	70.9	54.7	50.9	38.7

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$20.25
(Previous TP)	HK\$18.91
Up/Downside	25.2%
Current Price	HK\$16.18

### China Technology

#### Alex NG

(852) 3900 0881  
alexng@cmbi.com.hk

#### Claudia LIU

claudialiu@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	329,133.6
Avg 3 mths t/o (HK\$ mn)	1,303.3
52w High/Low (HK\$)	16.80/9.34
Total Issued Shares (mn)	20342.0

Source: FactSet

### Shareholding Structure

Lin Bin	8.6%
Smart Mobile Holdings Ltd	8.6%

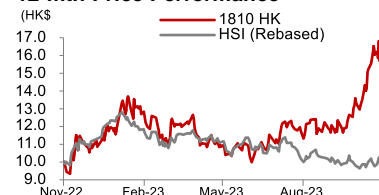
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	21.7%	17.5%
3-mth	37.8%	39.2%
6-mth	49.0%	63.0%

Source: FactSet

### 12-mth Price Performance



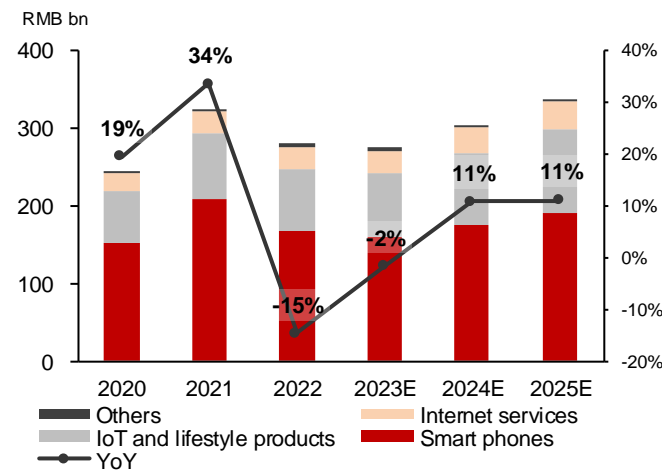
Source: FactSet

### Related Reports:

- Xiaomi (1810 HK): 3Q23E preview: Resilient smartphone sales with margin expansion; maintain BUY – 3 Nov 2023 ([link](#))
- Xiaomi (1810 HK): 2Q23 beat on record-high margin; Reiterate BUY-30 Aug 2023 ([link](#))
- Xiaomi (1810 HK): Key takeaways from product launch event: MIX Fold 3/Redmi K60 Ultra/Pad 6 Max/CyberDog 2 and more-15 Aug 2023 ([link](#))

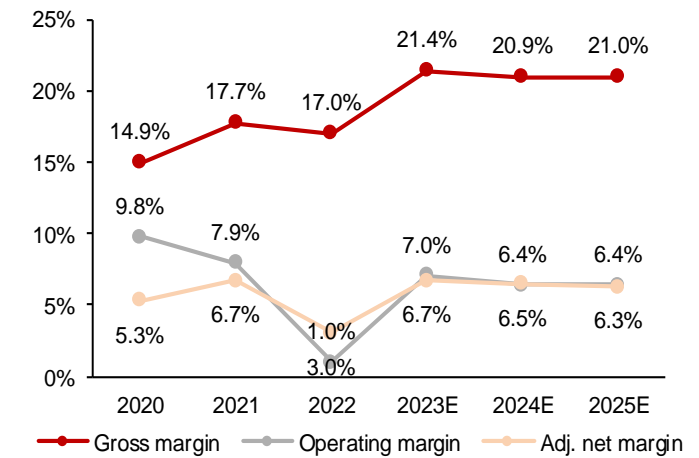
## Focus Charts

**Figure 1: Xiaomi's revenue trend**



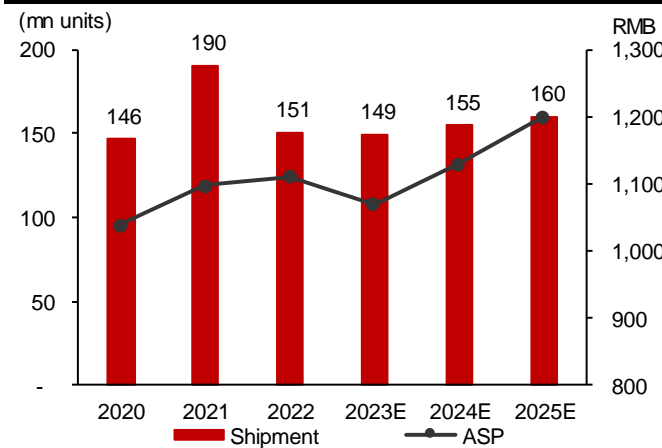
Source: Company data, CMBIGM estimates

**Figure 2: Xiaomi's margin trend**



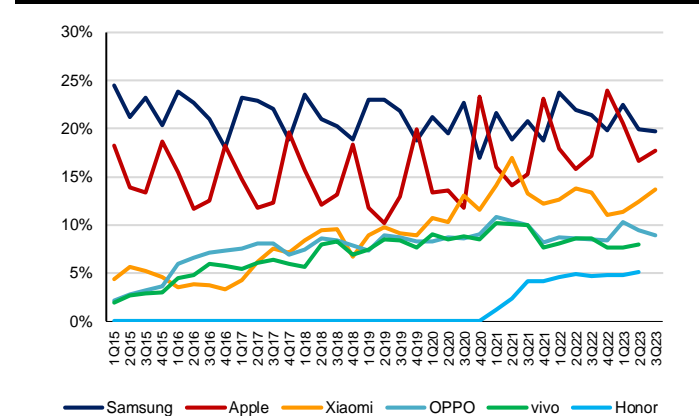
Source: Company data, CMBIGM estimates

**Figure 3: Xiaomi's smartphone shipment forecast**



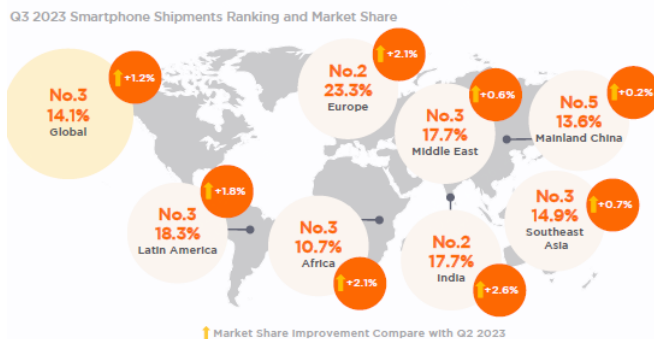
Source: Xiaomi, CMBIGM estimates

**Figure 4: Global smartphone market share**



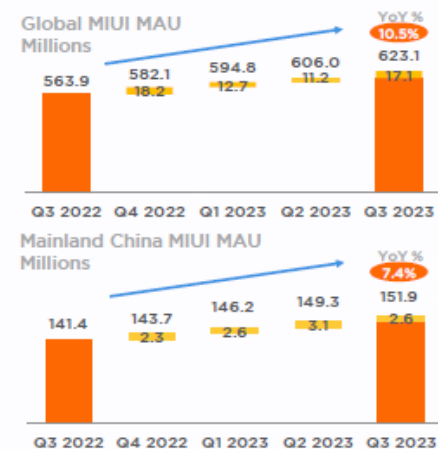
Source: IDC, CMBIGM estimates

**Figure 5: Smartphone market share gain in 3Q23**



Source: Company data, CMBIGM estimates

**Figure 6: Xiaomi's solid MIUI MAU growth**



Source: Company data, CMBIGM estimates

## 3Q23 review

Figure 7: 3Q23 results review

RMB mn	3Q22	4Q22	1Q23	2Q23	Actual 3Q23	QoQ	YoY	CMBIGM 3Q23E	Diff %
Revenue	70,474	66,047	59,477	67,355	70,894	5.3%	1%	69,566	2%
Gross profit	11,722	11,378	11,592	14,161	16,110	13.8%	37%	14,669	10%
Operating profit	(1,361)	3,356	5,900	4,041	5,011	24.0%	na	4,931	2%
Adj. net profit	2,117	1,461	3,233	5,140	5,990	16.5%	183%	4,490	33%
Adj. EPS (RMB)	0.08	0.06	0.13	0.21	0.24	16.5%	183%	0.18	33%
Gross margin	16.6%	17.2%	19.5%	21.0%	22.7%	1.7 ppt	6.1 ppt	21.1%	1.6 ppt
Operating margin	-1.9%	5.1%	9.9%	6.0%	7.1%	1.1 ppt	9 ppt	7.1%	0 ppt
Adj. net margin	3.0%	2.2%	5.4%	7.6%	8.4%	0.8 ppt	5.4 ppt	6.5%	2 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: Revenue breakdown

RMB mn	FY22	1Q23	2Q23	3Q23	4Q23E	FY23E	FY24E	FY25E
<b>Smart phones</b>	<b>167,217</b>	<b>34,985</b>	<b>36,595</b>	<b>41,649</b>	<b>46,200</b>	<b>159,429</b>	<b>175,150</b>	<b>192,000</b>
...YoY	-20%	-24%	-13%	-2%	26%	-5%	10%	10%
Shipment (mn)	150,500	30,400	32,900	41,800	44,000	149,100	155,000	160,000
...YoY	-21%	-21%	-16%	4%	35%	-1%	4%	3%
ASP (RMB)	1,111	1,152	1,112	997	1,050	1,069	1,130	1,200
...YoY	1.3%	-3.1%	2.8%	-5.8%	-6.4%	-3.8%	5.7%	6.2%
<b>IoT and lifestyle products</b>	<b>79,795</b>	<b>16,834</b>	<b>22,254</b>	<b>20,673</b>	<b>22,520</b>	<b>82,281</b>	<b>93,562</b>	<b>106,430</b>
...YoY	-6%	-14%	12%	8%	5%	3%	14%	14%
Smart TVs and laptops	23,700	4,700	4,700	4,982	6,825	21,207	23,328	25,661
...YoY	-15%	-24%	-19%	-23%	5%	-11%	10%	10%
Other IoTs	56,095	12,134	17,554	15,691	15,695	61,073	70,234	80,770
...YoY	-2%	-9%	32%	5%	5%	9%	15%	15%
<b>Internet services</b>	<b>28,321</b>	<b>7,028</b>	<b>7,444</b>	<b>7,756</b>	<b>7,678</b>	<b>29,905</b>	<b>31,889</b>	<b>35,078</b>
...YoY	0%	-1%	7%	10%	7%	6%	7%	10%
Advertising services	18,500	4,400	5,100	5,400	5,242	20,142	21,149	23,264
...YoY	2%	-3%	12%	16%	10%	9%	5%	10%
Internet value-added	9,821	2,628	2,344	2,356	2,435	9,763	10,740	11,813
...YoY	-3%	2%	-4%	-2%	1%	-1%	10%	10%
Gaming	4,100	1,345	1,013	1,075	1,100	4,533	4,987	5,485
...YoY	5%	16%	8%	6%	10%	11%	10%	10%
Other (incl. Youpin fintech, etc.)	5,721	1,283	1,331	1,281	1,335	5,230	5,753	6,328
...YoY	-8%	-10%	-11%	-7%	-5%	-9%	10%	10%
<b>Others</b>	<b>4,711</b>	<b>630</b>	<b>1,062</b>	<b>817</b>	<b>832</b>	<b>3,551</b>	<b>4,261</b>	<b>5,114</b>
...YoY	-25%	-37%	-5%	-55%	10%	-25%	20%	20%
<b>Total</b>	<b>280,044</b>	<b>59,477</b>	<b>67,355</b>	<b>70,894</b>	<b>77,230</b>	<b>275,166</b>	<b>304,862</b>	<b>338,621</b>
...YoY	-15%	-19%	-4%	1%	17%	-2%	11%	11%
<b>Gross margin</b>								
Smart phones	9.0%	11.2%	13.3%	16.6%	16.3%	14.6%	13.5%	13.5%
IoT and lifestyle products	14.4%	15.7%	17.6%	17.8%	17.8%	17.3%	17.3%	17.5%
Internet services	71.8%	72.3%	74.1%	74.4%	74.0%	73.7%	74.0%	74.0%
Others	16.2%	-10.8%	-13.4%	-33.9%	-15.0%	-17.2%	10.0%	10.0%
<b>Total</b>	<b>17.0%</b>	<b>19.5%</b>	<b>21.0%</b>	<b>22.7%</b>	<b>22.1%</b>	<b>21.4%</b>	<b>20.9%</b>	<b>21.0%</b>

Source: Company data, CMBIGM estimates

## Earnings Revision

### Our FY23-25E adj. EPS are 19-28% above consensus

We raised FY23-25E adj. EPS by 7-12% to reflect better GPM and stronger smartphone outlook. We estimate smartphone sales will decrease 5% in FY23E and increase 10%/10% YoY in FY24/25E, while AIoT will increase 3% YoY in FY23E and rebound strongly at 14%/14% YoY in FY24/25E. Our FY23-25E EPS is 19-28% above consensus mainly due to better GPM and operating leverage.

**Figure 9: CMBIGM earnings revision**

RMB mn	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	269,916	304,862	338,621	267,661	303,370	336,863	1%	0%	1%
Gross profit	58,958	63,155	70,246	55,845	62,686	69,707	6%	1%	1%
Operating profit	19,371	18,895	20,958	18,594	18,840	20,873	4%	0%	0%
Adj. net profit	18,480	19,696	21,293	16,494	18,406	19,931	12%	7%	7%
Adj. EPS (RMB)	0.74	0.79	0.86	0.66	0.74	0.80	12%	7%	7%
Gross margin	21.8%	20.7%	20.7%	20.9%	20.7%	20.7%	1 ppt	0.1 ppt	0.1 ppt
Operating margin	7.2%	6.2%	6.2%	6.9%	6.2%	6.2%	0.2 ppt	0 ppt	0 ppt
Adj. net margin	6.8%	6.5%	6.3%	6.2%	6.1%	5.9%	0.7 ppt	0.4 ppt	0.4 ppt

Source: Company data, CMBIGM estimates

**Figure 10: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	269,916	304,862	338,621	272,461	302,480	339,495	-1%	1%	0%
Gross profit	58,958	63,155	70,246	55,549	59,507	66,626	6%	6%	5%
Operating profit	19,371	18,895	20,958	16,873	16,350	18,440	15%	16%	14%
Adj. net profit	18,480	19,696	21,293	15,635	14,748	16,912	18%	34%	26%
Adj. EPS (RMB)	0.74	0.79	0.86	0.63	0.62	0.69	19%	28%	24%
Gross margin	21.8%	20.7%	20.7%	20.4%	19.7%	19.6%	1.5 ppt	1 ppt	1.1 ppt
Operating margin	7.2%	6.2%	6.2%	6.2%	5.4%	5.4%	1 ppt	0.8 ppt	0.8 ppt
Adj. net margin	6.8%	6.5%	6.3%	5.7%	4.9%	5.0%	1.1 ppt	1.6 ppt	1.3 ppt

Source: Bloomberg, CMBIGM estimates

**Figure 11: P&L forecast**

RMB mn	FY22	1Q23	2Q23	3Q23	4Q23E	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>280,044</b>	<b>59,477</b>	<b>67,355</b>	<b>70,894</b>	<b>77,230</b>	<b>269,916</b>	<b>304,862</b>	<b>338,621</b>
...YoY	-15%	-19%	-4%	1%	17%	-4%	13%	11%
Cost of sales	(232,467)	(47,886)	(53,194)	(54,785)	(60,134)	(215,998)	(241,708)	(268,375)
<b>Gross profit</b>	<b>47,577</b>	<b>11,592</b>	<b>14,161</b>	<b>16,110</b>	<b>17,096</b>	<b>58,958</b>	<b>63,155</b>	<b>70,246</b>
GPM (%)	17.0%	19.5%	21.0%	22.7%	22.1%	21.4%	20.9%	21.0%
...YoY	-18%	-9%	20%	37%	50%	24%	7%	11%
SG&A	(26,437)	(5,239)	(5,620)	(6,102)	(7,723)	(24,683)	(28,047)	(30,815)
...% of rev	-9.4%	-8.8%	-8.3%	-8.6%	-10.0%	-9.1%	-9.2%	-9.1%
R&D	(16,028)	(4,113)	(4,555)	(4,966)	(5,483)	(19,118)	(20,426)	(22,688)
...% of rev	-5.7%	-6.9%	-6.8%	-7.0%	-7.1%	-7.1%	-6.7%	-6.7%
<b>Operating profit</b>	<b>2,816</b>	<b>5,900</b>	<b>4,041</b>	<b>5,011</b>	<b>4,419</b>	<b>19,371</b>	<b>18,895</b>	<b>20,958</b>
OPM (%)	1.0%	9.9%	6.0%	7.1%	5.7%	7.0%	6.4%	6.4%
...YoY	-89%	-747%	133%	-	32%	588%	-2%	11%
<b>Adj. net profit</b>	<b>8,518</b>	<b>3,233</b>	<b>5,140</b>	<b>5,990</b>	<b>4,225</b>	<b>18,480</b>	<b>19,696</b>	<b>21,293</b>
NPM (%)	3.0%	5.4%	7.6%	8.4%	5.5%	6.8%	6.5%	6.3%
...YoY	-61%	13%	147%	183%	189%	117%	7%	8%

Source: Company data, CMBIGM estimates

## Valuation

### Maintain BUY with new TP of HK\$20.25 (25% upside)

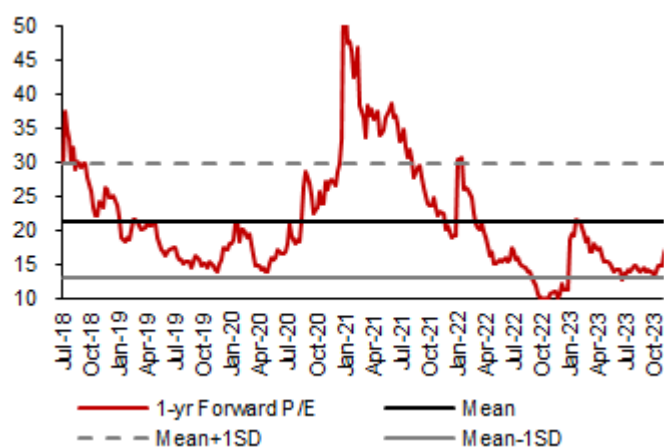
Our new TP of HK\$20.25 is based on same 24x FY24E P/E. The stock now trades at 18.9x FY24E P/E, and we view risk-reward as attractive given earnings recovery and smart EV upside. Catalysts include product launch, stronger shipment, share gain, internet revenue recovery and smart EV progress.

Figure 12: Peers' valuation

Company	Ticker	Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
<b>HK-listed</b>												
Xiaomi	1810 HK	BUY	51,879	16.2	20.3	25%	20.2	18.9	2.3	2.1	10.6	9.4
Sunny Optical	2382 HK	HOLD	10,302	73.2	64.1	-12%	48.3	27.5	3.1	2.9	6.4	10.6
AAC Tech	2018 HK	HOLD	3,011	19.6	14.0	-28%	34.4	19.7	0.9	0.9	2.7	4.6
BYDE	285 HK	BUY	10,929	37.8	44.2	17%	19.3	15.3	2.6	2.3	13.6	15.1
FIT Hon Teng	6088 HK	BUY	1,188	1.3	2.1	62%	8.4	6.8	0.4	0.4	5.2	6.3
Tongda	698 HK	BUY	196	0.2	0.2	8%	8.7	5.4	0.2	0.2	2.3	3.5
Q tech	1478 HK	BUY	705	4.6	3.6	-22%	16.6	8.7	1.0	0.9	5.9	10.3
TK Group	2283 HK	BUY	134	1.3	3.1	147%	4.5	3.3	0.6	0.5	13.3	16.3
<b>Average</b>							<b>22.2</b>	<b>14.5</b>	<b>1.5</b>	<b>1.4</b>	<b>6.8</b>	<b>8.8</b>
<b>Smartphone</b>												
Apple	AAPL US	NR	2,975,240	191.3	NA	NA	31.5	29.0	50.9	41.7	169.4	152.0
Lenovo	992 HK	NR	15,329	9.9	NA	NA	9.2	14.0	2.4	2.4	30.6	18.4
Samsung	005930 KS	NR	336,687	72,700.0	NA	NA	46.6	16.1	1.4	1.3	3.0	8.2
LG Elec	066570 KS	NR	13,533	106,600.0	NA	NA	11.6	7.6	0.9	0.8	7.9	10.8
<b>Average</b>							<b>24.7</b>	<b>16.7</b>	<b>13.9</b>	<b>11.5</b>	<b>52.7</b>	<b>47.4</b>
<b>IoT</b>												
Skyworth	751 HK	NR	921	2.9	NA	NA	9.2	7.9	0.4	0.4	4.2	4.4
Hisense	600060 CH	NR	4,379	24.0	NA	NA	14.1	11.9	1.6	1.5	11.6	12.3
Midea	000333 CH	NR	51,385	52.4	NA	NA	10.9	9.9	2.3	2.0	21.3	20.9
Gree	000651 CH	NR	25,764	32.8	NA	NA	6.9	6.3	1.6	1.4	24.5	22.9
<b>Average</b>							<b>10.3</b>	<b>9.0</b>	<b>1.5</b>	<b>1.3</b>	<b>15.4</b>	<b>15.1</b>

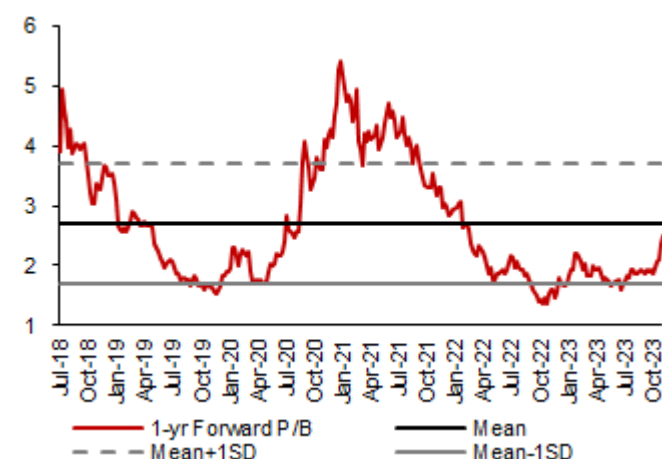
Source: Bloomberg, CMBIGM

Figure 13: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 14: 12M forward P/B band



Source: Bloomberg, CMBIGM

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	245,866	328,309	280,044	269,916	304,862	338,621
Cost of goods sold	(209,114)	(270,048)	(232,467)	(215,998)	(241,708)	(268,375)
Gross profit	36,752	58,261	47,577	53,918	63,155	70,246
Selling expense	(14,539)	(20,981)	(21,323)	(19,495)	(22,255)	(24,719)
Admin expense	(3,746)	(4,739)	(5,114)	(5,188)	(5,792)	(6,095)
R&D expense	(9,256)	(13,167)	(16,028)	(19,118)	(20,426)	(22,688)
Other income	643	827	1,136	1,067	1,067	1,067
Gain/loss on financial assets at FVTPL	13,173	8,132	(1,662)	2,678	2,678	2,678
Investment gain/loss	1,381	275	(400)	(18)	(18)	(18)
EBIT	24,035	26,029	2,816	19,371	18,895	20,958
Net Interest income/(expense)	(1,641)	(1,612)	1,117	1,525	1,525	1,525
Foreign exchange gain/loss	(372)	(2,580)	(1,369)	487	487	487
Others	0	0	0	0	0	0
Pre-tax profit	21,633	24,417	3,934	20,895	21,121	23,250
Income tax	(1,321)	(5,134)	(1,431)	(4,708)	(5,280)	(5,813)
Minority interest	(43)	(56)	29	(58)	181	199
Net profit	20,313	19,283	2,503	16,187	15,841	17,438
Adjusted net profit	13,006	22,039	8,518	18,480	19,696	21,293
Net dividends	0	0	0	0	0	0
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	176,283	185,851	160,415	179,674	199,958	221,366
Cash & equivalents	54,752	23,512	27,607	47,817	53,066	74,311
Account receivables	19,080	23,095	19,625	23,551	22,594	26,927
Inventories	41,671	52,398	50,438	45,561	61,553	57,384
Prepayment	16,182	19,852	18,578	18,578	18,578	18,578
ST bank deposits	17,599	31,041	29,875	29,875	29,875	29,875
Financial assets at FVTPL	22,376	30,910	9,846	9,846	9,846	9,846
Other current assets	4,623	5,045	4,446	4,446	4,446	4,446
Non-current assets	77,397	107,040	113,092	115,840	118,545	121,220
PP&E	6,306	6,965	9,138	11,886	14,591	17,266
Deferred income tax	2,011	1,662	2,278	2,278	2,278	2,278
Investment in JVs & assos	12,782	10,231	7,932	7,932	7,932	7,932
Intangibles	4,266	5,579	4,630	4,630	4,630	4,630
Financial assets at FVTPL	35,215	50,114	55,980	55,980	55,980	55,980
Other non-current assets	16,817	32,490	33,134	33,134	33,134	33,134
Total assets	253,680	292,892	273,507	295,514	318,503	342,586
Current liabilities	107,927	115,727	89,628	95,448	102,596	109,241
Short-term borrowings	6,962	5,527	2,151	2,151	2,151	2,151
Account payables	72,199	74,643	53,094	58,914	66,062	72,707
Tax payable	674	2,335	1,384	1,384	1,384	1,384
Other current liabilities	28,092	33,222	32,999	32,999	32,999	32,999
Non-current liabilities	21,739	39,732	39,957	39,957	39,957	39,957
Long-term borrowings	10,635	20,720	21,493	21,493	21,493	21,493
Deferred income	301	1,203	983	983	983	983
Other non-current liabilities	10,804	17,809	17,480	17,480	17,480	17,480
Total liabilities	129,666	155,459	129,584	135,404	142,553	149,198
Share capital	409	407	406	406	406	406
Other reserves	123,691	137,212	143,658	159,903	175,563	192,802
Total shareholders equity	124,014	137,432	143,923	160,110	175,951	193,388
Minority interest	322	220	265	207	388	586
Total equity and liabilities	253,680	292,892	273,507	295,514	318,503	342,586

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>21,633</b>	<b>24,417</b>	<b>3,934</b>	<b>20,895</b>	<b>21,121</b>	<b>23,250</b>
Depreciation & amortization	1,708	3,062	2,182	2,756	3,392	4,098
Tax paid	(1,126)	(2,442)	(2,382)	(4,708)	(5,280)	(5,813)
Change in working capital	4,320	(15,725)	(15,675)	6,770	(7,886)	6,482
Others	(3,830)	474	7,552	0	0	0
<b>Net cash from operations</b>	<b>22,706</b>	<b>9,785</b>	<b>(4,390)</b>	<b>25,713</b>	<b>11,346</b>	<b>28,018</b>
<b>Investing</b>						
Capital expenditure	(3,026)	(7,169)	(5,800)	(5,503)	(6,097)	(6,772)
Acquisition of subsidiaries/ investments	39	(1,086)	(25)	0	0	0
Net proceeds from disposal of short-term investments	190,494	166,947	23,136	0	0	0
Others	(205,186)	(203,699)	(1,763)	0	0	0
<b>Net cash from investing</b>	<b>(17,679)</b>	<b>(45,008)</b>	<b>15,549</b>	<b>(5,503)</b>	<b>(6,097)</b>	<b>(6,772)</b>
<b>Financing</b>						
Net borrowings	(2,004)	9,227	(2,791)	0	0	0
Proceeds from share issues	19,908	0	0	0	0	0
Share repurchases	(455)	(7,007)	(2,386)	0	0	0
Others	8,767	2,278	(2,677)	0	0	0
<b>Net cash from financing</b>	<b>26,216</b>	<b>4,499</b>	<b>(7,855)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	25,920	55,580	24,339	27,607	47,817	53,066
Exchange difference	(517)	791	0	0	0	0
<b>Cash at the end of the year</b>	<b>55,580</b>	<b>24,339</b>	<b>27,607</b>	<b>47,817</b>	<b>53,066</b>	<b>74,311</b>

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.



# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM
<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong. Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.