Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	52485.0	0.5	1.0	(0.8)	9.2
S&P 500	7489.7	0.7	1.0	0.1	9.4
FTSE 100	10868.1	(0.3)	1.2	1.8	9.4
AS30	9137.0	0.2	2.2	1.0	1.3
CSI 300	4588.2	0.8	(1.3)	(5.2)	(0.9)
FSSTI	5628.5	(0.8)	0.7	7.3	21.1
HSCEI	8612.2	(0.4)	4.1	11.8	(3.4)
HSI	25884.4	0.1	3.7	10.9	1.0
JCI	6236.1	0.8	0.6	6.1	(27.9)
KLCI	1724.9	0.3	1.4	2.7	2.7
KOSPI	6595.5	17.9	(1.4)	(18.5)	56.5
Nikkei 225	64362.0	4.0	(0.4)	(7.7)	27.9
SET	1623.6	1.6	(1.0)	0.8	28.9
TWSE	43119.8	8.0	(1.2)	(7.8)	48.9
BDI	2732	2.2	(0.4)	0.6	45.6
CPO (RM/mt)	4498	(0.4)	(1.0)	0.0	14.4
Brent Crude (US$/bbl)	84	(3.9)	(4.4)	17.1	38.8

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Virtual Meeting with i-Tail Corporation Public Company Limited (ITC TB)	Thailand	05 Aug	05 Aug
Virtual Meeting with UOB-Kay Hian Holdings Ltd (UOBK SP)	Singapore	11 Aug	11 Aug
Hybrid Meeting with UltraGreen.ai Ltd (UGAI SP)	Singapore	13 Aug	13 Aug
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Jul RatingDog China PMI (Mfg)	China	03 Aug
Jun Retail Sales (Value, Volumne)	Hong Kong	04 Aug
Jul RatingDog China PMI Composite	China	05 Aug
Jul RatingDog China PMI Services	China	05 Aug
Jul S&P Global Hong Kong PMI	Hong Kong	05 Aug
Jul Foreign Reserves	China	07 Aug
Jul Trade Balance, Exports, Imports	China	07 Aug
Jul Foreign Reserves	Hong Kong	07 Aug
Jul Inflation (PPI, CPI)	China	09 Aug
Jul Money Supply (M2, M1, M0)	China	9-15 Aug
Jul FDI YTD YoY CNY	China	11-17 Aug

Please click on the page number to move to the relevant page

Top Stories

Economics | PMI

Page 3

July's PMI was a negative surprise, with manufacturing PMI at 49.2 (-1.1ppt mom) and non-manufacturing PMI at 49.0 (-1.2ppt mom), both back in contraction and below Bloomberg's consensus. Domestic demand led the weakness, as new orders sub-indices fell sharply while the manufacturing new export orders index eased only marginally. The construction industry index hit a cycle low of 47.0 and all enterprise-sized composite indices contracted. The July Politburo meeting confirmed that there will be further demand-supportive measures in 2H26.

Sector Update | Macau Gaming

Page 5

Macau's Jul 26 GGR reached MOP20.3b, down 8% yoy, but up 9% mom. July's GGR figure missed market consensus by 2% and recovered to 83% of 2019's level. 1H26 cumulative visitations increased 9% yoy to 20.9m, up 3% vs 2019's level, with growth mainly driven by same-day visitor numbers which jumped 15% yoy, while overnight visitors remained largely flat.Maintain OVERWEIGHT; Galaxy remains our top pick.

Company Update | Plover Bay Technologies (1523 HK/**BUY**/HK$8.34/Target: HK$9.86)

Page 7

We held a luncheon with Plover Bay. Management sees ample opportunities from its recently-launched Orbit series, physical AI applications and upcoming edge AI products. Regarding investors' concern about SpaceX moving Chinese nationals out of the supply chain, there is no impact on Plover Bay as it is not its supplier. Management sees this as an opportunity, backed by its proven record of navigating challenges as an adaptive player. Maintain BUY and DCF-based target price of HK$9.86.

Company Update | Xiaomi Corp (1810 HK/**HOLD**/HK$28.78/Target: HK$31.50)

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We expect Xiaomi to register an 11.2% yoy revenue decline in 2Q26, with revenue up 3.9% qoq. Gross margin is estimated to decline 1.5ppt yoy and 1.0ppt qoq to 21.0%, and adjusted net profit to fall 45.7% yoy and 3.1% qoq to Rmb5,881m. We see weakness across the board as smartphones were impacted by memory costs; IoT moderated from a high base; and EV sales lagged behind estimates. Nevertheless, we maintain HOLD as this should be expected by investors already.

Disclaimer: *In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.*

Technical Analysis

Hang Seng Index And Hang Seng Tech Index Outlook Page 13

Economics

PMI Back In Contraction As Demand Weakens

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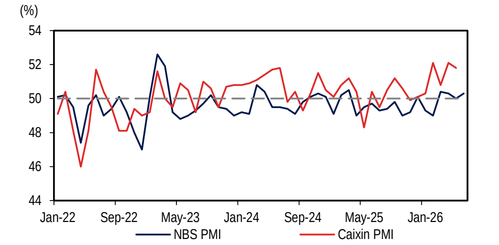
Highlights

- July's manufacturing PMI fell to 49.2 (-1.1ppt mom), below Bloomberg's consensus of 50.1, as the new orders sub-index dropped to 48.5 (-2.7ppt mom) and the manufacturing output sub-index slipped back into contraction at 49.9 (-1.5ppt mom). The new export orders index also eased, but only to 49.6 (-0.5ppt mom), suggesting the weakness was led by domestic demand.
- Non-manufacturing PMI fell to 49.0 (-1.2ppt mom), also below Bloomberg's consensus of 50.0, dragged by the construction industry index at 47.0 (-2.0ppt mom), a fresh cycle low, while the services industry index returned to contraction at 49.3 (-1.1ppt mom).
- The composite indices for all three enterprise sizes fell below 50 for the first time since Nov 25. The July Politburo meeting confirmed that there will be further demand-supportive measures in 2H26.

What's New

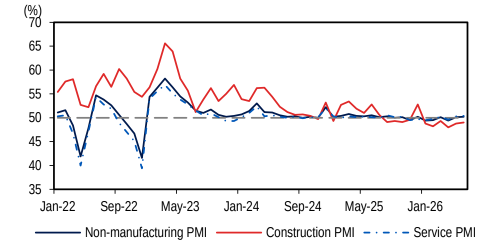
- **July's manufacturing PMI fell into the contractionary zone to 49.2 (-1.1ppt mom),** 0.9ppt below Bloomberg's consensus of 50.1. The new orders sub-index dropped to 48.5 (-2.7ppt mom), while the manufacturing output sub-index slipped back into contraction at 49.9 (-1.5ppt mom). The new export orders index also eased to 49.6 (-0.5ppt mom), but its smaller decline suggests the weakness was mainly led by domestic demand. The purchases index fell to 49.4 (-2.0ppt mom) and the imports index to 47.5 (-2.1ppt mom), pointing to more cautious input procurement, while the inventory of finished goods index rose to 48.6 (+0.9ppt mom), pointing to slower rundown of inventory. On the cost front, the purchase prices index eased to 53.2 (-1.0pt mom) but stayed expansionary, while the outdoor prices index fell further to 47.8 (-0.4pt mom), remaining in contractionary territory. With input costs still rising and output prices still falling, margin pressure persists. The employment sub-index rose to 49.0 (+0.5ppt mom), the only composite index to improve, with the business expectations index held at 54.1 (-0.2ppt mom).
- **Non-manufacturing PMI fell to 49.0 (-1.2ppt mom),** 1.0ppt below Bloomberg's consensus of 50.0. Construction industry index contracted sharply to 47.0 (-2.0ppt mom), a fresh cycle low, partly reflecting seasonal summer disruption to site activity, as seen in Jul 25 (-2.2ppt mom), but also showed continued property sector weakness. The services industry index slipped back below the threshold to 49.3 (-1.1ppt mom). The new orders sub-index fell to 44.4 (-3.6ppt mom), more than reversing June's gain, while the new export orders index for services eased to 47.0 (-0.9ppt mom). The input prices sub-index held flat at 49.7 (0.0ppt mom) against a softer selling prices sub-index (47.9, -0.5ppt mom), widening the gap to 1.8ppt and pointing to renewed margin pressure. The business expectations sub-index was resilient at 55.4 (+0.1ppt mom).
- **Enterprise PMI weakened across the board.** The large-sized enterprises composite index fell into contraction at 49.5 (-1.2pt mom), its first sub-50 reading since Nov 25 and the largest decline across firm sizes. The medium-sized enterprises composite index slipped to 49.7 (-0.8pt mom), giving up June's brief return to expansion. The small-sized enterprises composite index declined to 47.4 (-0.8pt mom), still lagging the other two.
- **July's PMI data is a clear negative surprise,** with both headline readings missing consensus and returning to contraction. The weakness was mainly led by domestic demand, as new orders sub-indices in both sectors fell

Manufacturing PMI



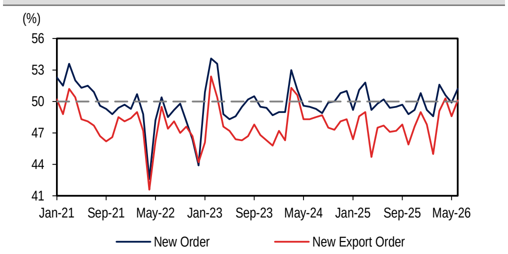
Source: NBS, Wind, UOB Kay Hian

Non-Manufacturing PMI



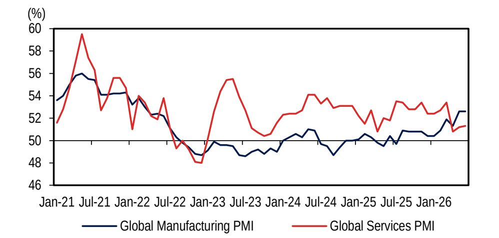
Source: NBS, Wind, UOB Kay Hian

New Orders And New Export Orders Sub-Indices Of Manufacturing PMI



Source: NBS, Wind, UOB Kay Hian

Global PMI



Source: Bloomberg, UOB Kay Hian

sharply and the construction industry index hit a cycle low, while manufacturing export orders eased marginally. With seasonality only partly explaining the decline, the July Politburo meeting confirmed that there will be further demand-supportive measures in 2H26.

Manufacturing PMI

		Jul 26	mom points chg	Jun 26	May 26
Manufacturing PMI		49.2	-1.1	50.3	50.0
Composite Indices	Manufacturing output	49.9	-1.5	51.4	51.2
	New orders	48.5	-2.7	51.2	49.9
	Raw material inventory	48.3	-0.1	48.4	48.6
	Employment	49.0	0.5	48.5	48.6
	Suppliers' delivery time	49.5	-0.4	49.9	49.2
Relevant Indices	New export orders	49.6	-0.5	50.1	48.6
	Imports	47.5	-2.1	49.6	48.8
	Purchases	49.4	-2.0	51.4	49.8
	Purchase prices	53.2	-1.0	54.2	60.5
	Outdoor prices	47.8	-0.4	48.2	51.9
	Inventory of finished goods	48.6	0.9	47.7	49.3
	Backlog orders	45.8	-1.3	47.1	46.8
	Business expectations	54.1	-0.2	54.3	53.9

Source: NBS, Wind, UOB Kay Hian

Non-Manufacturing PMI

		Jul 26	mom points chg	Jun 26	May 26
Non-manufacturing PMI		49.0	-1.2	50.2	50.1
Composite Indices	New orders	44.4	-3.6	48.0	45.0
	Input prices	49.7	0.0	49.7	52.2
	Selling prices	47.9	-0.5	48.4	48.8
	Employment	45.4	-0.4	45.8	45.6
	Business expectations	55.4	0.1	55.3	54.8
Relevant Indices	New export orders	47.0	-0.9	47.9	48.1
	Backlog orders	43.3	-0.9	44.2	43.8
	Inventory	45.1	-0.2	45.3	45.1
	Suppliers' delivery time	50.9	-0.4	51.3	51.2
Industry Indices	Construction	47.0	-2.0	49.0	48.8
	Services	49.3	-1.1	50.4	50.3

Source: NBS, Wind, UOB Kay Hian

PMI By Corporate Size

		Jul 26	mom points chg	Jun 26	May 26
Composite Indices	Large-sized enterprise	49.5	-1.2	50.7	51.1
	Mid-sized enterprise	49.7	-0.8	50.5	48.6
	Small-sized enterprise	47.4	-0.8	48.2	48.5

Source: NBS, Wind, UOB Kay Hian

Macau Gaming

Jul 26's GGR Misses Consensus By 2%

OVERWEIGHT
(Maintained)

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Highlights

- Macau's Jul 26 GGR reached MOP20.3b, down 8% yoy, but up 9% mom. July's GGR figure missed market consensus by 2%, and recovered to 83% of 2019's level.
- 1H26 cumulative visitations increased 9% yoy to 20.9m, up 3% vs 2019's level, with growth mainly driven by same-day visitors, which jumped 15% yoy, while overnight visitors remained largely flat
- Maintain OVERWEIGHT; Galaxy remains our top pick.

Analysis

- **Jul 26's GGR missed market consensus by 2%.** According to DICJ, Macau's Jul 26 gross gaming revenue (GGR) reached MOP20.3b, down 8% yoy but up 9% mom. July's GGR figure missed market consensus by 2%, and recovered to 83% of 2019's level (vs a recovery of 78% in Jun 26). For 7M26, GGR rose by 4% yoy to MOP147.2b.
- **Visitations to Macau increased 9% yoy and 3% vs 2019's level in 1H26.** According to the Statistics and Census Service (DSEC), in Jun 26, Macau's total visitations reached 2.8m, down 3% yoy and 20% mom, recovering to 90% of 2019's level. Of this, Mainland Chinese visitors reached 2.0m, down 2% yoy and 23% mom, and same-day visitors totalled 1.6m, up 2% yoy but down 24% mom. The average length of stay for visitors remained unchanged mom at 1.7 days. For 1H26, cumulative visitations increased 9% yoy to 20.9m, up 3% vs 2019's level, with growth mainly driven by same-day visitors, which jumped 15% yoy, while overnight visitors remained largely flat.
- **Hotel occupancy rates and average room rates fell mom due to World Cup in Jun 26.** The Macao Government Tourism Office reported a decrease in hotel occupancy rates to 88.5% in Jun 26 from 91.7% in May 26, and average room rates declined to MOP1,287 in Jun 26 from MOP1,387 in May 26 due to the FIFA World Cup.

Valuation/Recommendation

- **Maintain OVERWEIGHT; Galaxy remains our top pick.** We still prefer Galaxy, as its post-World Cup events calendar (Tencent Music Awards, i-dle and ENHYPEN concerts) should help capture incremental high-end demand amid a premium-driven recovery path in GGR. We maintain Galaxy's target price at HK$48.00, based on a 12.0x target 2026 EV/EBITDA ratio. The stock currently trades at 7.9x 2026 EV/EBITDA and 7.4x 2027 EV/EBITDA.

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
Galaxy	27 HK	BUY	34.20	48.00

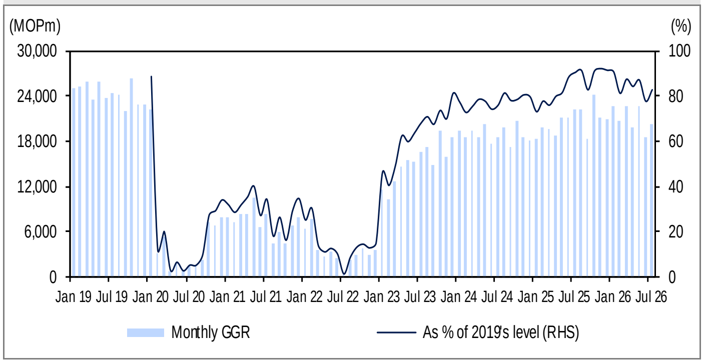
Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 31-Jul-26 (HK$)	Target Price (HK$)	Upside to TP (%)	Market Cap (US$m)	----------- PE ----------- 2026F (x)	2027F (x)	----------- P/B ---------- - 2026F (x)	2027F (x)	----- EV/EBITDA ----- 2026F (x)	2027F (x)	ROE 2026E (%)	Yield 2026F (%)
Galaxy	27 HK	BUY	34.20	48.00	40.4	19,097.96	13.6	12.8	1.7	1.6	7.9	7.4	12.8	4.9
Sands China	1928 HK	BUY	14.72	20.30	37.9	15,191.47	12.9	11.9	10.2	9.4	9.4	9.0	81.7	7.6

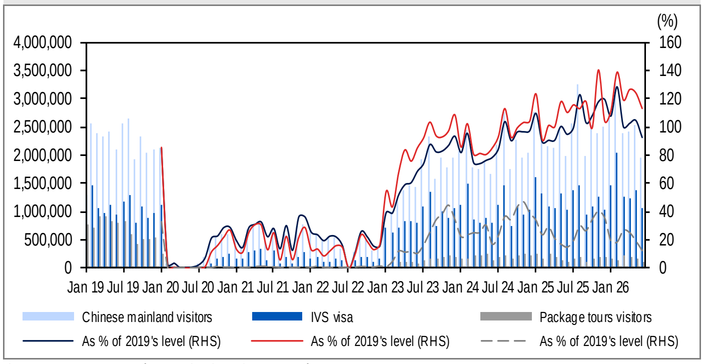
Source: Bloomberg, UOB Kay Hian

Monthly GGR Trend



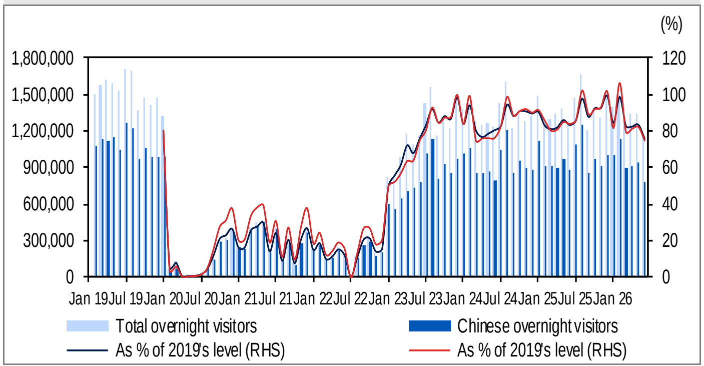
Source: DICJ, UOB Kay Hian

Mainland Visitors Under IVS And Group Tours



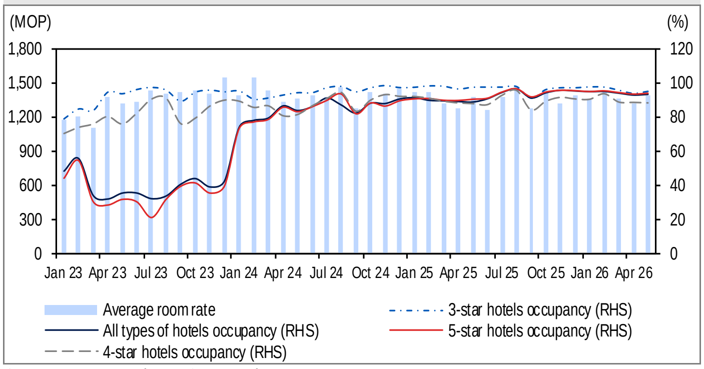
Source: Macao Tourism, DSEC, UOB Kay Hian

Monthly Overnight Visitors



Source: Macao Tourism, DSEC, UOB Kay Hian

Hotel Occupancy Rates And Room Rates



Source: Macao Tourism, UOB Kay Hian

Plover Bay Technologies (1523 HK)

Takeways From Luncheon: Positive Business Outlook

BUY (Maintained)	
Share Price	HK$8.34
Target Price	HK$9.86
Upside	18.2%

Highlights

- We held a luncheon with Plover Bay. Management remains positive on the business outlook and sees ample opportunities from its recently launched Orbit series, physical AI applications and upcoming edge AI products.
- Regarding investors' concern about SpaceX's exclusion of Chinese nationals from its supply chain, there is no impact as Plover Bay is not its supplier. Management sees this as an opportunity, backed by its proven record of navigating challenges as an adaptive player.
- Maintain BUY and DCF-based target price of HK$9.86.

Analyst(s)

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Analysis

- **Large-scale deployment boosts subscription take-up rates.** Management highlighted that central management for large fleets is operationally necessary and mission-critical (such as hundreds and thousands of branches for an enterprise), compared with optional subscriptions for small deployment. We see Plover Bay's continued software upgrades and solid pipeline for large-scale projects across different markets supporting higher subscription take-up rates (41.4% in Jun 26) in the future.
- **Opportunities from the Orbit Series and physical AI.** Plover Bay recently launched its Orbit Series products that bond multiple satellite connections such as Starlink, OneWeb and Iridium. In addition, it has seen meaningful physical AI applications such as mega infrastructure and tele-operated services that drove meaningful growth of its high-end products in 1H26. We see its Orbit Series and physical AI applications across verticals as emerging growth drivers ahead.
- **Edge AI products on the road.** Plover Bay sees edge AI products as a natural extension of its multi-WAN technology and is developing purpose-built products to provide reliable and mission-critical connectivity for AI workload at the edge.

Stock Data

GICS sector	Information Technology
Bloomberg ticker	1523 HK
Shares issued (m)	1,106
Market cap (HK$m)	9,926
Market cap (US$m)	1,183
3-mth avg daily t'over (US$m)	1.4

Price Performance (%)

52-week high/low				HK$9.85HK$5.66
1mth	3mth	6mth	1yr	YTD
4.9	10.8	20.5	26.1	40.4

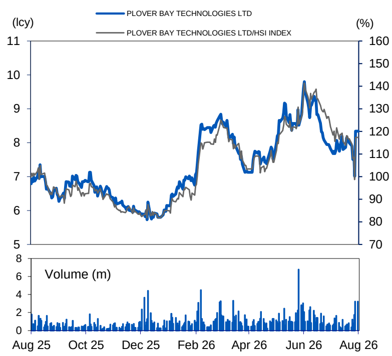
Major Shareholders

	%
Chan Wing Hong Alex	68.9%

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.06
FY26 Net Debt/Share (US$)	(0.05)

Price Chart



Source: Bloomberg

Company Description

Plover Bay specialises in the R&D of connectivity hardware and software, services and the sale of add-on software licences, warranty and support services.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	117	130	153	177	204
EBITDA	47	55	66	77	89
Operating profit	44	52	64	75	87
Net profit (rep./act.)	38	45	56	65	76
Net profit (adj.)	38	45	56	65	76
EPS (cents)	3.5	4.1	5.0	5.9	6.9
P/E (x)	30.9	25.9	21.2	18.1	15.6
P/B (x)	20.9	20.0	19.1	16.7	14.7
EV/EBITDA (x)	24.1	20.5	17.1	14.5	12.9
Dividend yield (%)	3.6	4.2	4.6	5.2	6.1
Net margin (%)	32.6	34.9	36.5	36.8	37.3
Net debt to equity (%)	(97.4)	(92.1)	(85.3)	(87.5)	(88.6)
Interest cover (x)	151.3	202.4	329.7	245.0	290.4
ROE (%)	71.4	78.9	92.3	98.2	100.5
Consensus net profit	-	-	56	65	76
UOBKH/Consensus (x)	-	-	1.00	1.00	1.00

Source: Plover Bay, Bloomberg, UOB Kay Hian

- **Concerns about SpaceX excluding Chinese nationals from the supply chain.** Regarding investors' concern about SpaceX moving Chinese nationals out of the supply chain, there is no impact as Plover Bay is not its supplier, management sees this as an industry-wide challenge and an opportunity for adaptive players like Plover Bay with a proven record of navigating challenges, such as COVID-19 and US tariffs.

Earnings Revision

- We keep our earnings forecasts unchanged.

Valuation/Recommendation

- **Maintain BUY with a target price of HK$9.86,** based on 10-year DCF model, assuming a 9.9% WACC and 2% terminal growth rate. The current price implies 18.1x 2027F PE, which is about 1SD above its historical mean of 13.6x, and a 4.6%/5.2%/6.1% dividend yield in 2026-28 respectively, assuming a payout ratio of 95%.

Profit & Loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	130	153	177	204
EBITDA	55	66	77	89
Deprec. & amort.	(3)	(2)	(2)	(2)
EBIT	52	64	75	87
Total other non-operating income	1	1	2	2
Net interest income/(expense)	1	1	1	1
Pre-tax profit	54	67	78	91
Tax	(9)	(11)	(13)	(15)
Minorities	-	-	-	-
Net profit	45	56	65	76
Net profit (adj.)	45	56	65	76

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	3	3	2	2
Other LT assets	2	2	3	3
Cash/ST investment	56	61	69	79
Other current assets	57	65	73	81
Total assets	118	131	147	165
ST debt	1	7	7	7
Other current liabilities	45	48	56	64
LT debt	1	1	1	1
Other LT liabilities	11	13	13	13
Shareholders' equity	59	62	71	81
Minority interest	0	0	0	0
Total liabilities & equity	118	131	147	165

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	52	54	68	78
Pre-tax profit	54	67	78	91
Tax	(9)	(11)	(13)	(15)
Deprec. & amort.	3	2	2	2
Working capital changes	(2)	(4)	0	(0)
Other operating cashflows	6	0	0	0
Investing	(8)	(2)	(2)	(2)
Capex (growth)	(1)	(2)	(2)	(2)
Others	(7)	-	-	-
Financing	(54)	(48)	(58)	(67)
Dividend payments	(44)	(53)	(57)	(66)
Issue of shares	1	-	-	-
Proceeds from borrowings	-	6	-	-
Loan repayment	(9)	-	-	-
Others/interest paid	(2)	(1)	(1)	(1)
Net cash inflow (outflow)	(10)	4	9	9
Beginning cash & cash equivalent	66	56	61	69
Changes due to forex impact	0	-	-	-
Ending cash & cash equivalent	56	61	69	79

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	57.0	58.2	58.4	58.5
Pre-tax margin	40.0	41.8	42.3	42.8
Net margin	34.9	36.5	36.8	37.3
ROE	78.9	92.3	98.2	100.5
ROA	39.8	44.8	46.8	48.6
Growth				
Turnover	11.4	17.4	15.7	15.2
Gross profit	15.5	19.9	16.1	15.3
Pre-tax profit	19.9	22.7	16.7	16.6
Net profit	19.5	22.7	16.7	16.6
EPS	19.3	22.4	16.7	16.6
Leverage				
Debt to total capital	1.7	5.9	5.1	4.5
Debt to equity	3.3	12.4	10.7	9.2
Net debt/(cash) to equity	(92.1)	(85.3)	(87.5)	(88.6)
Interest cover	202.4	329.7	245.0	290.4

Xiaomi Corp (1810 HK)

2Q26 Preview: EV Ramp Lifts Revenue 3.9% qoq But A Broad Margin Squeeze Holds Adjusted Net Profit At Rmb5.9b

HOLD (Maintained)	
Share Price	HK$28.78
Target Price	HK$31.50
Upside	+9.4%
Previous TP	HK$31.70

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Highlights

- We expect Xiaomi to register an 11.2% yoy revenue decline in 2Q26, with revenue up 3.9% qoq. Gross margin should drop 1.5ppt yoy and 1.0ppt qoq to 21.0%, and adjusted net profit should fall 45.7% yoy and 3.1% qoq to Rmb5,881m.
- We expect weakness across the board – smartphones impacted by memory costs; IoT moderating from a high base; and EV sales lagging behind estimates. That said, this should be already expected by the market.
- Maintain HOLD; trim target price to HK$31.50.

2Q26 Estimates

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26F	yoy (%)	qoq (%)
Revenue	115,956	99,142	103,009	(11.2)	3.9
Smartphones	45,520	44,273	40,058	(12.0)	(9.5)
IoT & Lifestyle products	38,712	24,681	29,615	(23.5)	20.0
Internet services	9,098	9,468	9,513	4.6	0.5
EV	21,263	19,864	23,824	12.0	19.9
Other	1,363	854	-	-	-
Gross Profit	26,101	21,810	21,640	(17.1)	(0.8)
Adjusted Net Profit	10,831	6,072	5,881	(45.7)	(3.1)
GPM (%)	22.5	22.0	21.0	(1.5)	(1.0)
Smartphones	11.5	10.1	8.7	(2.8)	(1.4)
IoT & Lifestyle products	22.5	25.2	20.4	(2.1)	(4.8)
Internet services	75.4	76.1	76.0	0.6	(0.1)
EV	26.4	20.1	20.5	(5.9)	0.4

Source: Xiaomi, UOB Kay Hian

Analysis

- **2Q26 results preview.** We expect Xiaomi Corp's (Xiaomi) 2Q26 revenue to decline 11.2% yoy but rise 3.9% qoq to Rmb103b, as the EV segment's sequential ramp more than offsets a smaller smartphone quarter. Blended gross margin is expected to decline 1.5ppt yoy and 1.0ppt qoq to 21.0%, and adjusted net profit is likely to decline 45.7% yoy and 3.1% qoq to Rmb5,881m. Our 2026 adjusted net profit estimate is 17.9%, below Bloomberg consensus, mainly on more conservative IoT and EV margin assumptions.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	365,906	457,287	476,269	523,110	565,462
EBITDA	29,504	40,300	33,593	45,953	57,577
Operating profit	23,186	31,543	27,187	38,612	49,586
Net profit (rep./act.)	23,658	41,643	25,882	35,204	46,136
Net profit (adj.)	27,235	39,166	25,882	35,204	46,136
EPS (Fen)	109.7	162.3	100.9	137.2	179.8
PE (x)	23.85	16.12	25.94	19.07	14.55
P/B (x)	4.52	3.97	3.44	2.52	2.30
EV/EBITDA (x)	22.31	16.33	19.59	14.32	11.43
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	6.5	9.1	5.4	6.7	8.2
Net debt/(cash) to equity (%)	(20.9)	1.0	(5.3)	(10.2)	(12.5)
Interest cover (x)	(6.4)	(18.1)	(11.1)	(13.0)	(10.2)
ROE (%)	15.4	17.2	9.3	11.4	13.2
Consensus net profit			31,519	42,129	51,730
UOBKH/Consensus (x)			0.82	0.84	0.89

Source: Xiaomi, Bloomberg, UOB Kay Hian

Stock Data

GICS sector:	Communications Equipment
Bloomberg ticker:	1810 HK
Shares issued (m):	25,748
Market cap (HK$m):	741,027
Market cap (US$m):	94,474
3-mth avg daily t'over (US$m):	654.5

Price Performance (%)

52-week high/low				HK$59.90/HK$21.30
1mth	3mth	6mth	1yr	YTD
33.0	(0.8)	(18.9)	(45.9)	(26.6)

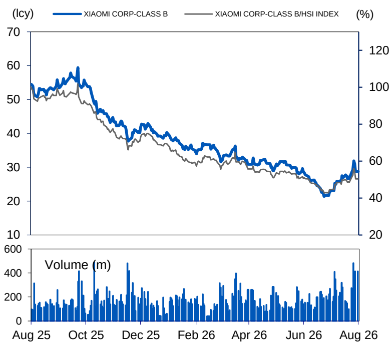
Major Shareholders

	%
Smart Mobile Holdings Ltd	8.54
Lin Bin	2.08

Balance Sheet Metrics

FY26 NAV/Share (HK$)	12.52
FY26 Net Cash/Share (HK$)	0.66

Price Chart



Source: Bloomberg

Company Description

Xiaomi Corp manufactures communication equipment and parts. The company produces and sells mobile phones, smart phone software, set-top boxes and related accessories. Xiaomi markets its products worldwide.

- **Smartphone revenue fell on lower shipments, with ASP still near a record high.** According to Omdia, Xiaomi's smartphone shipment declined 26% yoy and 8% qoq to 31.2m units as Xiaomi continued to slash production of the loss-making low-end smartphones. However, ASP should have remained at an elevated level, up 19.6% at Rmb1,284 and slightly down 2.0% qoq to Rmb1,284 thanks to the better mix. Gross margins are expected to trail down 2.8ppt yoy and 1.4ppt qoq to 8.7%, as Xiaomi has yet to face the full impact of the memory cost hikes.
- **IoT sales recovered sequentially amid promotional season.** We expect IoT revenue to decline 23.5% yoy against an exceptionally high base, but to recover 20.0% qoq to Rmb30b due to the 618 shopping festival. Segment gross margin is expected to decline 2.1ppt yoy and 4.8ppt qoq to 20.4%, due to: a) a high base in 2Q25 from government subsidies, and b) 2Q seasonality from promotional discounts.
- **Internet services remained the stable earner.** We expect revenue to grow 4.6% yoy and 0.5% qoq to Rmb9.5b, and gross margin to be broadly stable at 76.0% (+0.6ppt yoy, -0.1ppt qoq).
- **EV deliveries improved but mix deteriorated.** Industry data suggests that Xiaomi delivered 104,199 units of EVs, compared to only 80,900 units in 1Q26. However, as 2Q was primarily driven by the lower ASP of the new SU7 series, segment revenue is estimated to have only expanded by 12.0% yoy and 19.9% qoq to Rmb23.8b. Segment gross margin should also decline 5.9ppt yoy but improve 0.4ppt qoq to 20.5%, due to the deteriorating mix.

Valuation/Recommendation

- **Maintain HOLD and trim target price to HK$31.50,** based on: a) HK$12.91 for the core business, which is based on 15.0x 2026F PE; and b) HK$18.59 for the EV business which is based on a 10-year DCF valuation with a WACC of 10.8%. The valuation for the EV business also implies 3.8x 2026F EV/sales. Our target price implies 9.4% upside.

Earnings Revision/Risk

- We trim our 2026-28 adjusted net profit estimates by 0.9%/0.1%/0.1% respectively to Rmb25.9b/Rmb35.2b/Rmb46.1b. We have factored in a slightly lower internet services revenue assumption for 2026-28 as we expect headwinds to its gaming revenue in the foreseeable future.

Share Price Catalyst

- a) Delivery ramp of the Kunlun-based Sky Nomad models from September, b) moderation in memory price hikes, and c) 2Q26 results announcement (18 Aug 26) and guidance on 3Q26.

SOTP Valuation

EV		Core	
Intrinsic value (Rmb)	435,104	Intrinsic value (Rmb)	0.79
CNY to HKD	1.1	CNY to HKD	1.1
Intrinsic value (HK$)	478,615	Intrinsic value (HK$)	0.86
Valuation	$18.6	Valuation	$12.9
EV/Sales (2026) (x)	3.8	PE multiple (x)	15.0

Source: Xiaomi, UOB Kay Hian

Changes to Key Estimates

(Rmbm)	OLD			NEW			CHANGE (%)		
	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
Turnover	476,741	523,135	565,510	476,269	523,110	565,462	(0.0)	(0.0)	(0.0)
Smartphones	172,642	170,673	178,986	172,642	170,673	178,986	-	-	-
IoT and Lifestyle products	129,360	133,241	143,900	129,360	133,241	143,900	-	-	-
Internet services	39,767	41,933	43,200	39,732	41,912	43,151	(0.1)	(0.1)	(0.1)
EV	130,835	173,151	195,288	130,835	173,151	195,288	-	-	-
Margins (%)									
Smartphones	6.5	6.2	6.7	6.5	6.2	6.7	-	-	-
IoT and Lifestyle products	20.0	19.5	19.5	20.0	19.5	19.5	-	-	-
Internet services	76.0	76.0	76.0	76.0	76.0	76.0	-	-	-
EV	23.4	23.1	24.3	23.4	23.1	24.3	-	-	-

Source: Xiaomi, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	457,287	476,269	523,110	565,462
EBITDA	40,300	33,593	45,953	57,577
Deprec. & amort.	(8,757)	(6,406)	(7,341)	(7,991)
EBIT	31,543	27,187	38,612	49,586
Total other non-operating income	16,358	-	-	-
Associate contributions	326	-	-	-
Net interest income/(expense)	1,746	2,455	2,975	4,880
Pre-tax profit	49,647	29,642	41,587	54,466
Tax	(8,080)	(3,808)	(6,449)	(8,415)
Minorities	77	48	65	85
Net profit	41,643	25,882	35,204	46,136
Net profit (adj.)	39,166	25,882	35,204	46,136

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	27,950	37,696	47,182	56,469
Other LT assets	209,572	226,420	242,593	258,316
Cash/ST investment	26,914	45,056	62,808	76,195
Other current assets	243,660	231,512	213,028	252,552
Total assets	508,096	540,684	565,611	643,532
ST debt	6,649	6,649	6,649	6,649
Other current liabilities	185,756	192,510	182,299	214,168
LT debt	22,921	22,921	22,921	22,921
Other LT liabilities	26,446	26,446	26,446	26,446
Shareholders' equity	266,219	292,101	327,305	373,441
Minority interest	105	57	(8)	(94)
Total liabilities & equity	508,096	540,684	565,611	643,532

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	34,142	48,686	47,776	41,508
Pre-tax profit	49,647	29,642	41,587	54,466
Tax	(8,080)	(3,808)	(6,449)	(8,415)
Deprec. & amort.	8,757	6,406	7,341	7,991
Associates	(326)	-	-	-
Working capital changes	(12,677)	3,138	8,273	(7,654)
Non-cash items	(3,178)	13,308	(2,975)	(4,880)
Other operating cashflows	-	-	-	-
Investing	(71,679)	(33,000)	(33,000)	(33,000)
Capex (growth)	(13,000)	(13,000)	(13,000)	(13,000)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	(58,679)	(20,000)	(20,000)	(20,000)
Financing	30,766	2,455	2,975	4,880
Dividend payments	-	-	-	-
Issue of shares	-	-	-	-
Proceeds from borrowings	10,000	10,000	10,000	10,000
Loan repayment	(25,998)	(10,000)	(10,000)	(10,000)
Others/interest paid	46,764	2,455	2,975	4,880
Net cash inflow (outflow)	(6,770)	18,141	17,752	13,388
Beginning cash & cash equivalent	33,661	26,914	45,056	62,808
Changes due to forex impact	23	-	-	-
Ending cash & cash equivalent	26,914	45,056	62,808	76,195

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	22.3	20.5	20.7	21.3
Pre-tax margin	10.3	6.2	8.0	9.6
Net margin	9.1	5.4	6.7	8.2
ROA	8.6	4.9	6.4	7.6
ROE	17.2	9.3	11.4	13.2
Growth				
Turnover	25.0	4.2	9.8	8.1
EBITDA	36.6	(16.6)	36.8	25.3
Pre-tax profit	76.5	(40.3)	40.3	31.0
Net profit	76.0	(37.8)	36.0	31.1
Net profit (adj.)	43.8	(33.9)	36.0	31.1
EPS	48.0	(37.8)	36.0	31.1
Leverage				
Debt to total capital	5.8	5.5	5.2	4.6
Debt to equity	11.1	10.1	9.0	7.9
Net debt/(cash) to equity	1.0	(5.3)	(10.2)	(12.5)
Interest cover (x)	(18.1)	(11.1)	(13.0)	(10.2)

HSI and HS Tech Index Outlook

Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Hang Seng Index

Last close: 25,884.43

Expected moving range: 22,880 -26,845

Technical View:

Weekly Chart: Price has staged a sustained rebound following a successful defence of the resistance-turned-support zone. The RSI is holding firmly above its neutral 50-midline to confirm resilient buy-side control. Consequently, the multi-timeframe chart setup points to a decisive test at the overhead supply barrier; in the absence of a firm sell-side rejection at this level, it will heavily favour a continuation rally toward the index's peak.

Daily Chart: Price is actively testing its previous price high resistance zone, where structural exhaustion is becoming apparent following the appearance of a doji pattern followed immediately by a hanging man candlestick. The RSI is holding above its neutral 50-midline. Consequently, if a decisive bearish candle materialises in the next session, it will confirm top-building behaviour at this ceiling and signal a tactical reversal lower in the coming week.

Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Hang Seng Tech Index

Last close: 4,829.22

Expected moving range: 4,230-5,000

Technical View:

Weekly Chart: Price encountered supply and was strictly capped at the Fibonacci 62% retracement level, which aligns precisely with a gap resistance to reinforce a formidable overhead ceiling. The RSI continues to trade below its neutral 50-midline despite a temporary upward curl. This favours the dominant markdown phase, projecting further downside expansion towards lower support zones as long as this confluence resistance zone successfully caps any corrective rallies.

Daily Chart: Price is testing its overhead gap resistance zone, which serves as a critical supply barrier capping the recent corrective buying pressure. While the RSI has edged slightly above its neutral 50-midline to reflect short-term upward traction, the overarching trend remains dominated by broader sell-side forces. Price is projected to maintain its downward momentum and push lower towards underlying support targets as long as this gap zone successfully caps the rally.

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