**National Holiday Homework : Case Study: Xiaomi Inc.**

Xiaomi Inc., founded in 2010, began as a private limited company in China and has since grown into one of the world's largest smartphone manufacturers. In 2018, Xiaomi went public, transitioning to a public limited company (PLC) with a listing on the Hong Kong Stock Exchange. This strategic shift allowed the company to raise significant capital to support its growth objectives and enhance its brand presence globally.

Xiaomi's primary business objectives include:

1. **Growth and Expansion**: Increase market share in the smartphone and IoT sectors.
2. **Innovation**: Continuously invest in research and development to launch new and innovative products.
3. **Profitability**: Achieve sustainable profit margins while maintaining competitive pricing.
4. **Customer Satisfaction**: Focus on providing high-quality products and exceptional customer service.

**Questions**

1. Define a public limited company (PLC) and explain how it differs from a private limited company (Ltd). **(2 marks)**

A Public limited company is a company which has shareholder and stock, everyone could buy their stock. A Ltd differs with PLC are the company doesn’t go to public and it is always owned by family and friends.

**Mark Scheme:**

* 1 mark for a clear definition of PLC.
* 1 mark for explaining the difference from Ltd.

1. Explain two advantages of Xiaomi transitioning from a private limited company to a public limited company. **(4 marks)**

Firstly, the one advantage of Xiaomi is it would have more money to run the project because the investment from Hong Kong. Hong Kong has higher GDP per capita, so the people who live in Hong Kong have more save to invest.

Secondly, the other advantage is shares could sell without agreement of another shareholder. Therefore, it could decrease the risk of company the risk of mobility, it could also diversify investment risks.

**Mark Scheme:**

* 2 marks for explaining each advantage.
* Clear examples or elaboration for each advantage.

1. Analyze two reasons why Xiaomi may set growth as a key business objective. **(6 marks)**

Firstly, setting a key objective to be growth could help Xiaomi earn more profile. Xiaomi could produce more products and sell them to more people. The market size of Xiaomi’s smartphone would be expanded, after that it could build a brand image through the process of growth. Though it could raise a huge amount of money in a short time, it still has risks of cash flow breaking.

Secondly, setting a key objective to be growth could boost the development of product research. It could encourage innovation. The inner competition of Xiaomi would also increase, but high competition could lead to high pressure. This appearance would reduce people’s enthusiasm for working, it would decrease efficiency.

**Mark Scheme:**

* 2 marks for identifying each reason.
* 2 marks for analysis of each reason (impact, implications, etc.).

1. Discuss how the objectives of Xiaomi as a public limited company may differ from when it was a private limited company. **(10 marks)**

Xiaomi chose to transfer from Ltd to PLC in 2018, after that it sets primary business objectives to attract investment. There are some objectives that differ from Ltd.’s period but also have similar parts.

The similar parts of two forms are market expanded and technological innovation. Ltd and PLC both need to occupy more market share, because they want customers to spend more on their products. The advantage of it could increase the income of the firm and then company could decrease the cost because they could find cheaper suppliers. The disadvantage of it is that the demand of smartphones would reduce because of competition between different enterprises.

On the other hand, there are some differences between their objectives. When Xiaomi was a Ltd, its objectives were more focused on the survival of the company and the control from the founders. The profit could be used for long-term plan and did not need to report to the public. This way of management is more flexible.

However, after becoming a PLC, the objectives changed to meet the need of shareholders. The first objective is to make the shareholders feel satisfied, so Xiaomi must care about the stock price and pay dividends every year. This is a big pressure for the company. Also, as a PLC, Xiaomi has to show its financial reports to everyone. This transparency makes the company more trusted by investors, but it also means that competitors can see its data, which is a disadvantage for the business secret.

In conclusion, the change from Ltd to PLC made Xiaomi’s objectives shift from internal control to external satisfaction. But no matter which form, the company still wants to be successful in the market.

**Mark Scheme:**

* 1 mark for introducing the topic.
* 4 marks for discussing 2 objectives of Xiaomi as a PLC but similar to when it was Ltd.
* 4 marks for discussing 2 objectives of Xiaomi as Ltd that are different from when it went public.
* 1 mark for a conclusion or summary.

**Multiple-Choice Questions (MCQs)**

1. What is one advantage of being a public limited company?
   * A) Limited liability
   * B) Greater access to capital
   * C) More control for owners
   * D) Privacy in financial reporting
2. Which of the following is NOT a typical objective of a public limited company?
   * A) Maximizing shareholder value
   * B) Maintaining family control
   * C) Achieving market growth
   * D) Ensuring transparency
3. Xiaomi primarily operates in which industry?
   * A) Automotive
   * B) Technology and electronics
   * C) Fashion
   * D) Food and beverage
4. What is a primary benefit of going public for a company like Xiaomi?
   * A) Reduced competition
   * B) Increased brand visibility
   * C) More exclusive market access
   * D) Unlimited profit potential
5. Which financial metric is commonly prioritized by public limited companies?
   * A) Employee satisfaction
   * B) Customer loyalty
   * C) Profit margins
   * D) Product innovation
6. Which of the following describes a public limited company?
   * A) Cannot issue shares to the public
   * B) Must have at least two shareholders
   * C) Shares are traded privately
   * D) Has unlimited liability
7. Why might Xiaomi prioritize innovation as a business objective?
   * A) To reduce costs
   * B) To attract public funding
   * C) To remain competitive in a rapidly evolving market
   * D) To satisfy regulatory requirements
8. What type of business structure allows for more private control?
   * A) Public limited company
   * B) Sole trader
   * C) Private limited company
   * D) Cooperative
9. What is one challenge for Xiaomi as a public limited company?
   * A) Decreased market share
   * B) Pressure from shareholders for short-term results
   * C) Limited access to capital
   * D) Reduced product innovation
10. Which of the following best describes a key objective for private limited companies?
    * A) Maximizing profits for shareholders
    * B) Maintaining business stability and control
    * C) Expanding into international markets
    * D) Achieving high levels of public awareness

**True/False Questions (T/F)**

1. A public limited company can issue shares to the general public. T
2. Xiaomi's primary business objective is to maintain its private status. F
3. Private limited companies are subject to less regulatory scrutiny than public limited companies. T
4. Profit maximization is a common objective for both public and private limited companies. T
5. Xiaomi went public in 2020. F
6. Public limited companies typically have a limited number of shareholders. F
7. Shareholder satisfaction is a critical focus for public limited companies. T
8. A private limited company cannot raise funds through the public stock market. T
9. One objective of Xiaomi is to innovate in its product offerings. T
10. Public limited companies are allowed to operate with unlimited liability. F