

What's Hot Today:

► SMIC (0981HK, HK\$53.00, HK\$423bn) 2Q25 Results Less Than -Guided Decline, 3Q Demand Weak

2Q Revenue beat guidance, with shipment growth partially offsetting ASP pressure: SMIC, one of the leading foundries in the world, reported a 2Q25 revenue drop of 1.7% QoQ to US\$2.21bn, significantly outperforming management's prior guidance of a 4-6% QoQ drop. The better-than-expected decline was supported by a 4.3% QoQ rise in wafer shipments (2,390k 8-inch equivalent), which partially offset a 5.7% QoQ fall in ASP to US\$924/wafer. The ASP pressure persisted from 1Q25, mainly due to the fab yield issues from earlier production maintenance and adjustments, coupled with a higher mix of the lower ASP 8-inch wafers.

Capacity utilization reaches its two-year high: Capacity utilization rose 290bp QoQ to 92.5% for a two-year high, with 8-inch wafer monthly capacity increasing to 973k wafers. Regionally, China remained the core market, accounting for 84% of revenue. By end market, Industrial & Automotive and Consumer Electronics saw sequential share gains where the former reflected steady demand, while the latter likely benefited from pre-stocking ahead of consumer subsidies and boom season in 2H25.

Gross margin resilient but operating profit reduced sharply: Gross margin dipped 21bp QoQ to 20.4%, staying above management's guidance of 18-20%, supported by higher utilization. However, operating profit plunged 51.3% QoQ to US\$151mn, dragged by three factors: 1) a 52.4% QoQ surge in OPEX, 2) increase in depreciation, 3) a higher mix of lower margin 8-inch wafers.

Our views: The Management's 3Q25 guidance of a 5-7% QoQ growth in revenue to US\$2.32-2.36bn and gross margin to be 18-20%, is lower than market consensus of US\$2.37bn in revenue and a 21.1% GPM, reflecting their cautious view on downstream demand. High capex (US\$1.89bn in 2Q25) will keep the depreciation at a high level, pressuring OPM in the near term. For SMIC, as a key player in China's chip manufacturing sector, the investment thesis is tied more closely to progress on domestic substitution in advanced processors rather than short-term operational fluctuations. There are two key variables to monitor at this stage which include: 1) adjustments to U.S. semiconductor tariff policies and their impact on demand across the supply chain; 2) technological advancements in advanced process nodes (e.g., 14nm and below). The counter is trading at 70x PE and 2.5x PB FY25E.

China & HK Indices	CLOSE	1D	YTD
HSI	25,081	0.7%	25.0%
HSCEI	8,981	0.5%	23.2%
HSCCI	4,264	1.1%	12.8%
CSI300	4,114	0.0%	4.6%
Shanghai A	3,815	0.2%	0.1%
Shanghai B	267	-0.4%	0.1%
Shenzhen A	2,327	-0.1%	13.7%
Shenzhen B	1,306	0.1%	7.7%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	43,968	-0.5%	3.3%
S&P 500	6,340	-0.1%	7.8%
Nasdaq	21,242	0.3%	10.0%
Nikkei Index	41,557	1.2%	4.2%
FTSE Index	9,100	-0.7%	11.4%
CAC Index	7,709	1.0%	4.5%
DAX Index	24,192	1.1%	21.5%

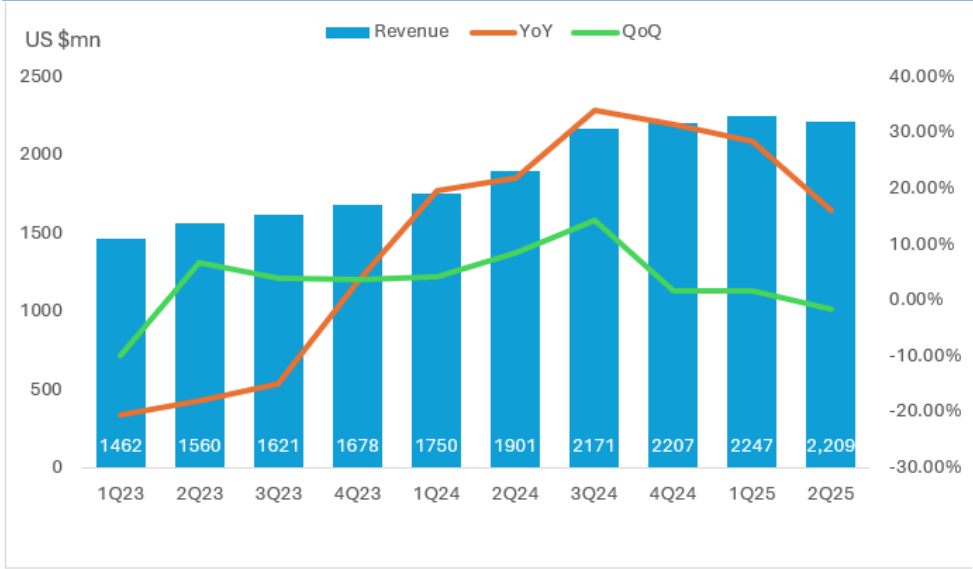
Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,396	0.8%	29.2%
STEEL (US\$/oz.)	2,040	0.4%	14.2%
SILVER (US\$/oz.)	38	1.2%	32.4%
CRUDE OIL (US\$/bbl)	63	-0.7%	-11.0%
COPPER (US\$/oz.)	9,684	0.5%	10.5%
ALUMINIUM (US\$/oz.)	2,610	1.9%	2.3%
PLATINUM (US\$/oz)	1,340	0.3%	47.1%
ZINC (US\$/oz.)	2,813	2.0%	-5.6%
WHEAT (US\$/bu)	518	1.9%	-6.0%
CORN (US\$/bu)	407	1.4%	-8.2%
SUGAR (US\$/lb)	N/A	N/A	
SOYBEAN (US\$/bu)	993	0.9%	-2.9%
P/C (US\$/t.)	N/A	N/A	-8.1%
CRB	293	0.2%	3.0%
BDI			100.0%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.850	0.857	147.140	0.807	7.181
HKD	0.127		0.109	18.744	10.275	0.915
EUR	1.167	9.158		171.660	1.063	8.347
JPY	0.007	5.335	0.583		0.548	0.049
CHF	1.240	9.733	1.063	182.447		8.901
RMB	0.139	1.093	0.120	20.550	0.112	

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	16	-0.9%

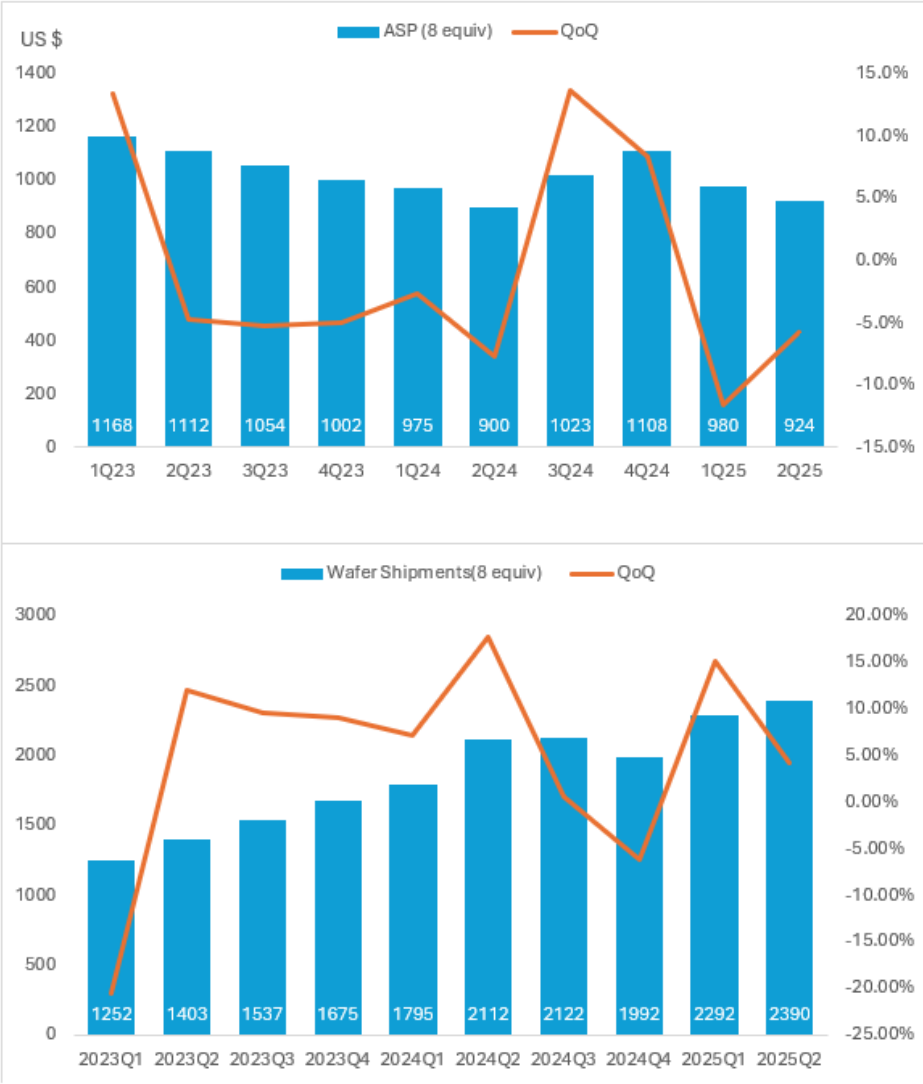
Source: Bloomberg

Fig 1: Total Revenue (US\$ mn)



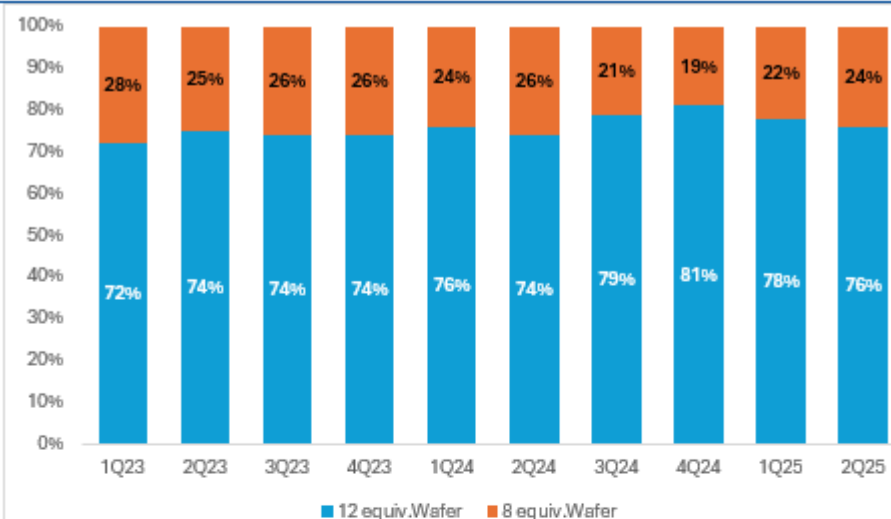
Source: Company Data, Sunwah Kingsway Research

Fig 2: Wafer shipments and ASP



Source: Company Data, Sunwah Kingsway Research

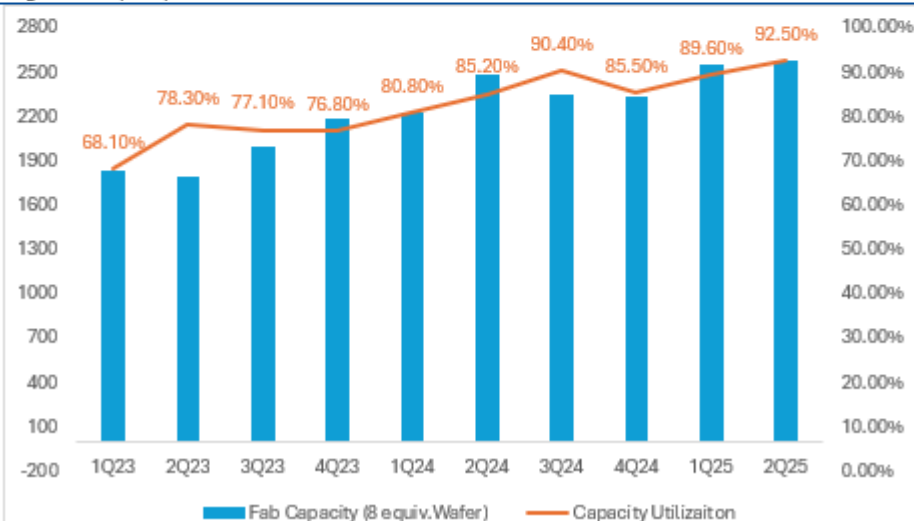
Fig 3: Revenue Breakdown by Wafer Size



Source: Company Data, Sunwah Kingsway Research

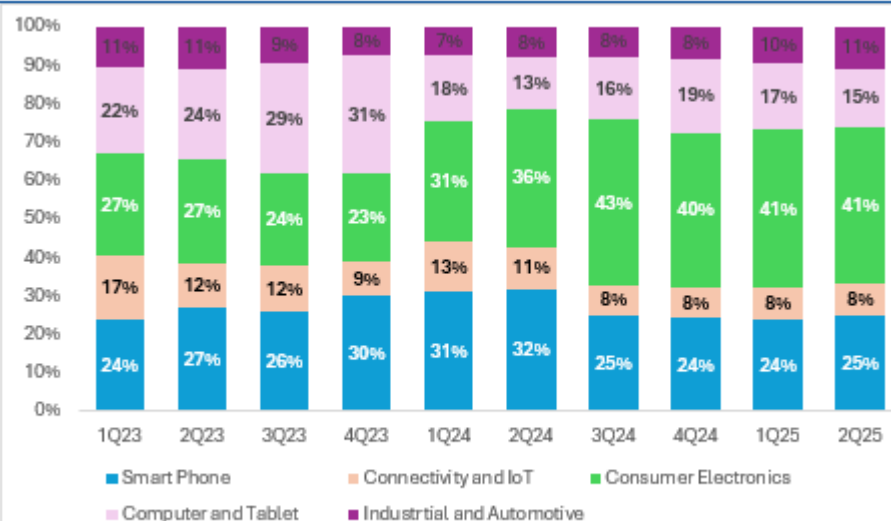


Fig 4: Fab Capacity and Utilization



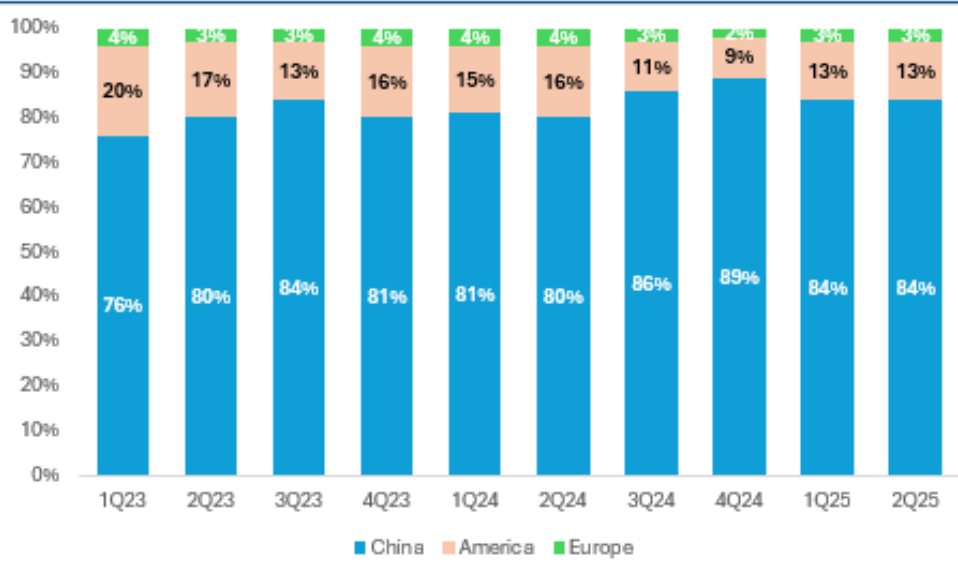
Source: Company Data, Sunwah Kingsway Research

Fig 5: Revenue Breakdown by Application



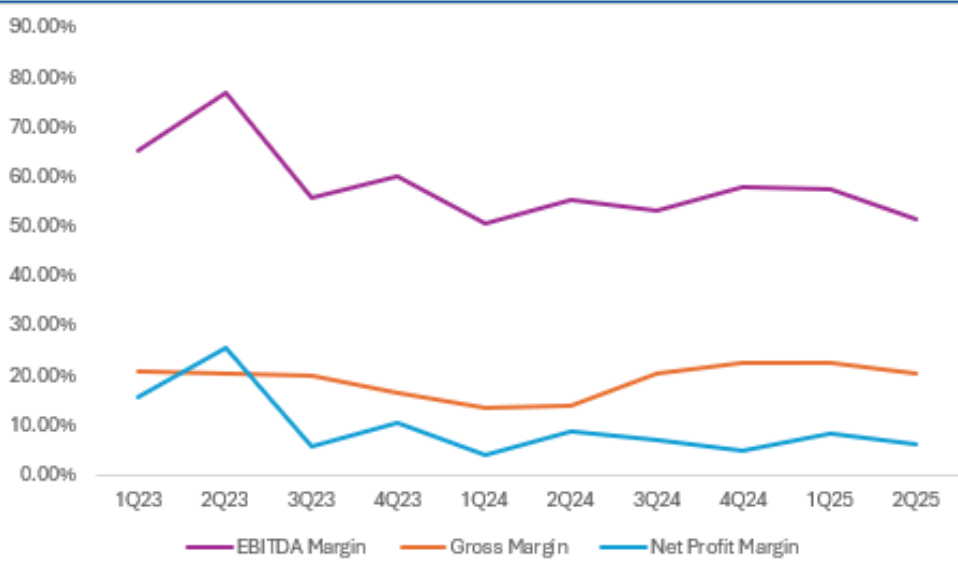
Source: Company Data, Sunwah Kingsway Research

Fig 6: Revenue Breakdown by regions



Source: Company Data, Sunwah Kingsway Research

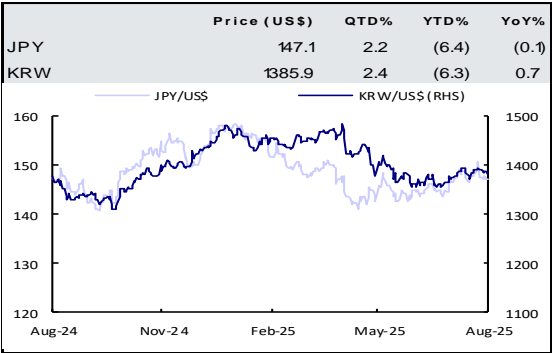
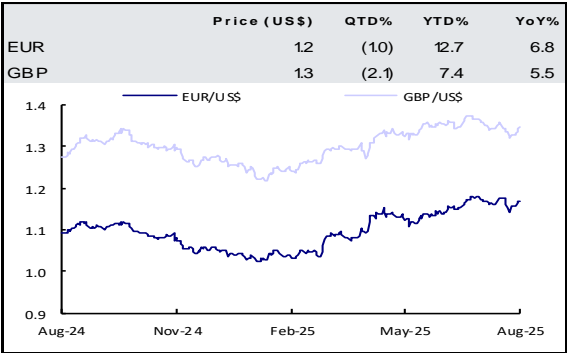
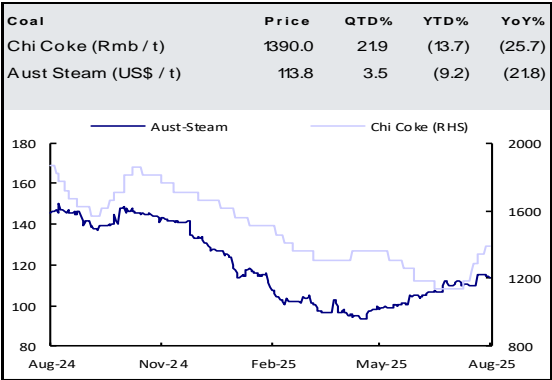
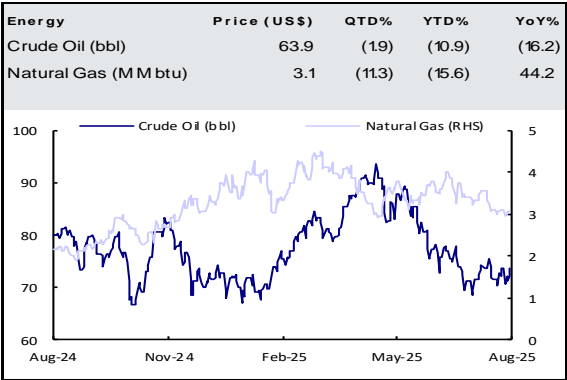
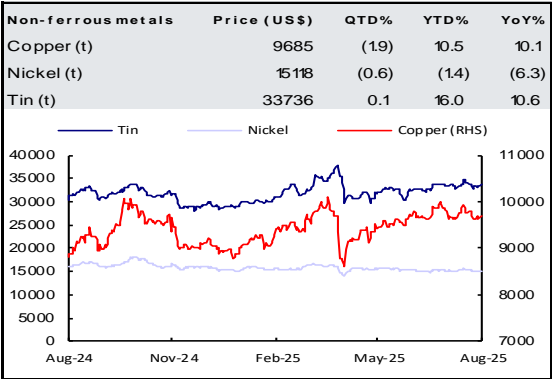
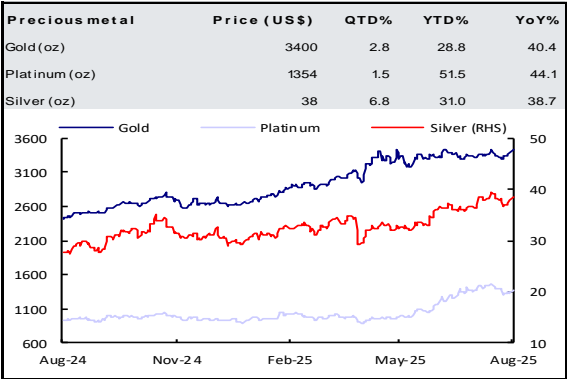
Fig 7: Profit Breakdown



Source: Company Data, Sunwah Kingsway Research

US \$mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Revenue	1,462.3	1,560.4	1,620.6	1,678.3	1,750.2	1,901.3	2,171.2	2,207.3	2,247.2	2209.1
YoY	-20.6%	-18.0%	-15.0%	3.5%	19.7%	21.8%	34.0%	31.5%	28.4%	16.2%
QoQ	-9.8%	6.7%	3.9%	3.6%	4.3%	8.6%	14.2%	1.7%	1.8%	-1.7%
COGS	1,157.6	1,243.9	1,299.0	1,403.3	1,510.5	1,636.2	1,727.0	1,708.3	1,741.3	1759.3
Gross Profit	304.7	316.5	321.6	275.0	239.7	265.1	444.2	499.0	505.9	449.8
YoY	-59.4%	-57.8%	-56.7%	-47.0%	-21.3%	-16.2%	38.1%	81.5%	111.0%	69.7%
QoQ	-41.3%	3.9%	1.6%	-14.5%	-12.8%	10.6%	67.5%	12.3%	1.4%	11.1%
Margin	20.8%	20.3%	19.8%	16.4%	13.7%	13.9%	20.5%	22.6%	22.5%	20.4%
Selling Expense	8.1	9.3	9.5	9.3	9.0	9.7	9.6	11.5	11.4	12.9
Ratio	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.4%	0.5%	0.5%	0.6%
Administrative Expense	99.9	106.4	128.1	147.8	116.4	160.6	136.2	166.9	149.3	188.9
Ratio	6.8%	6.8%	7.9%	8.8%	6.6%	8.4%	6.3%	7.6%	6.6%	8.6%
R&D Expense	167.7	177.6	172.8	189.1	188.1	180.7	179.4	217.0	148.9	181.9
Ratio	11.5%	11.4%	10.7%	11.3%	10.7%	9.5%	8.3%	9.8%	6.6%	8.2%
OPEX Ratio	15.0%	15.2%	14.5%	10.0%	13.5%	9.4%	12.6%	12.9%	8.7%	13.5%
EBITDA	951.5	1200.6	901.3	1010.9	886.7	1055.9	1157.3	1279.9	1291.8	1129.4
Margin	65.1%	76.9%	55.6%	60.2%	50.7%	55.5%	53.3%	58.0%	57.5%	51.5%
Net profit	231.1	402.8	94.0	174.7	71.8	164.6	148.8	107.6	188.0	132.5
Margin	15.8%	25.8%	5.8%	10.4%	4.1%	8.7%	6.9%	4.9%	8.4%	6.0%
D&A	631.5	656.5	679.3	700.0	745.5	1,498.7	831.1	1,637.3	865.6	878.8
Ratio	43.2%	42.1%	41.9%	41.7%	42.6%	78.8%	38.3%	74.2%	38.5%	39.8%
Capex	1258.6	1731.5	2134.7	2340.9	2235.4	2251.4	1178.8	1660.1	1415.5	1885.1
Cash and cash equivalents	9108.9	7661.8	7099.0	6429.7	5579.1	3795.4	3884.4	6636.4	4701.3	5082.7
D/E Ratio	31.6%	32.2%	31.5%	33.1%	33.47%	31.7%	31.2%	36.4%	34.9%	36.5%
Free Cash Flow	-525.9	-936.2	-1452.4	-1357.7	-1435.8	-2342.2	-644.4	-66.3	-1990.0	

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Initial Jobless Claims	WoW		7-Aug-25
Wholesale Inventories	MoM		7-Aug-25
CPI	MoM		12-Aug-25
PPI	MoM		14-Aug-25
Business Inventories	MoM		15-Aug-25
Retail Sales	MoM		15-Aug-25
Industrial Production	MoM		15-Aug-25
Housing Starts / Building Permits	MoM		19-Aug-25
Existing Home Sales	MoM		21-Aug-25
New home Sales	MoM		25-Aug-25
Durable Goods Orders	MoM		26-Aug-25
Consumer Confidence	MoM		26-Aug-25
GDP	QoQ		28-Aug-25
Personal Income & Spending	MoM		29-Aug-25
ISM Manufacturing PMI	MoM		2-Sep-25
Factory Orders	MoM		3-Sep-25
Trade Balance	MoM		4-Sep-25
Employment Report	MoM		5-Sep-25
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		9-Aug-25
PPI	MoM		9-Aug-25
CPI	MoM		9-Aug-25
Retail Sales	MoM		15-Aug-25
Industrial Production	MoM		15-Aug-25
PMI Manufacturing	MoM		31-Aug-25
Foreign Exchange Reserves	QoQ		7-Sep-25
Trade Balance	MoM		8-Sep-25
GDP	YoY		20-Oct-25

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
GDP	QoQ		15-Aug-25
Unemployment Rate	MoM		19-Aug-25
CPI	MoM		21-Aug-25
Trade Balance	MoM		26-Aug-25
Money Supply - M2	MoM		29-Aug-25
Retail Sales	MoM		1-Sep-25
PMI	MoM		3-Sep-25
Foreign Currency Reserve	MoM		5-Sep-25
Producer Prices Index	QoQ		15-Sep-25
Industrial Production	QoQ		15-Sep-25
Composite Interest Rate	MoM		

Kingsway Research Team

Analyst
Howard Wong
Ensley Liu

Email
Howard.wong@sunwahkingsway.com
Ensley.liu@sunwahkingsway.com

Phone No.
(852) 2283 7307
(852) 2283 7618

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Head Office

Hong Kong
Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Tel: 852-2283-7000
Fax: 852-2877-2665

Guangdong
廣東新華滙富商業保理有限公司
2701, Dongshan Plaza,
69 Xianlie Middle Road, Yuexiu District
Guangzhou, 510095

Affiliated & Overseas Offices

Vietnam
Sunwah Kingsway Vietnam Services Limited
Representative Office
Sunwah Tower, Mezzanine Floor
115 Nguyen Hue
District 1
Ho Chi Minh City
Vietnam