

What's Hot Today:

► **Q-Tech (1478 HK, HK\$13.54, HK\$16.1bn) Strong profit growth and bright outlook**

Camera Modules (CCM): Premiumization and growth from non-smartphone - 1H25 CCM revenue reached RMB7.96bn, +10.3% YoY, and +4.63% QoQ, showing sustained growth momentum. The increase was supported by the increasing proportion of ≥32MP CCMs and a significant surge in shipments of CCMs applied in other fields:

1). Shipments of ≥32MP CCMs accounted for 53.3% of total smartphone CCMs, + 55bps YoY, approaching the annual target of 55%. Specifically, shipments of periscope camera modules (with ASP reaching RMB100) grew to approximately 10.6mn units, a spike of 5.9 times YoY. These high-value products have emerged as a key driver behind ASP growth.

2). CCM for other fields (Auto/IoT) shipments rose 47.9% YoY (exceed the annual target of 40% growth), accounting for 4.2% of total shipments (vs. 2.5% in 1H24), becoming a key growth supplement. Although the shipment only accounted for 4.2% of total shipments, their corresponding sales revenue represented 23.9% of total CCM revenue, with +14.3% YoY and +8.5% QoQ growth. In addition, Q-tech has partnered with 7 global Tier-1 intelligent driving solution providers and obtained qualifications for 37 brands. Three new partners were added compared to the end of 2024, with 5 new projects secured. Notably, Q-tech has established partnerships with leading players such as Huawei, DJI, and Vivo.

Overall, bolstered by ongoing refinement of the camera module product portfolio, the ASP has risen to RMB41.5, up 16.1% QoQ and 27.2% YoY.

China & HK Indices	CLOSE	1D	YTD
HSI	24,969	0.3%	24.5%
HSCBI	8,916	0.3%	22.3%
HSCCI	4,346	1.3%	14.9%
CSI300	4,143	0.5%	5.3%
Shanghai A	3,843	0.5%	-0.0%
Shanghai B	267	0.0%	-0.0%
Shenzhen A	2,363	0.3%	15.4%
Shenzhen B	1,326	0.5%	9.3%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	44,458	1.1%	4.5%
S&P 500	6,445	1.1%	9.6%
Nasdaq	21,681	1.4%	12.3%
Nikkei Index	43,020	0.7%	7.8%
FTSE Index	9,147	0.2%	11.9%
CAC Index	7,753	0.7%	5.0%
DAX Index	24,024	-0.2%	20.7%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,348	0.2%	27.4%
STEEL (US\$/oz.)	2,113	2.6%	18.3%
SILVER (US\$/oz.)	37	0.8%	31.1%
CRUDE OIL (US\$/bbl)	63	-1.2%	-12.0%
COPPER (US\$/oz.)	9,840	0.8%	12.2%
ALUMINIUM (US\$/oz.)	2,619	0.4%	2.7%
PLATINUM (US\$/oz)	1,342	0.7%	47.7%
ZINC (US\$/oz.)	2,847	0.7%	-4.4%
WHEAT (US\$/bu)	505	-1.9%	-8.7%
CORN (US\$/bu)	394	-3.2%	-11.0%
SUGAR (US\$/lb)	N/A	N/A	
SOYBEAN (US\$/bu)	1,032	2.1%	0.7%
PVC (US\$/t.)	N/A	N/A	-10.1%
CRB	295	0.4%	3.0%
BDI			104.4%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.850	0.857	147.840	0.807	7.181
HKD	0.127		0.109	18.834	10.273	0.915
EUR	1.168	9.166		172.600	1.062	8.378
JPY	0.007	5.310	0.579		0.546	0.049
CHF	1.240	9.734	1.062	183.316		8.902
RMB	0.139	1.093	0.119	20.572	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	14	-17.5%

Source: Bloomberg

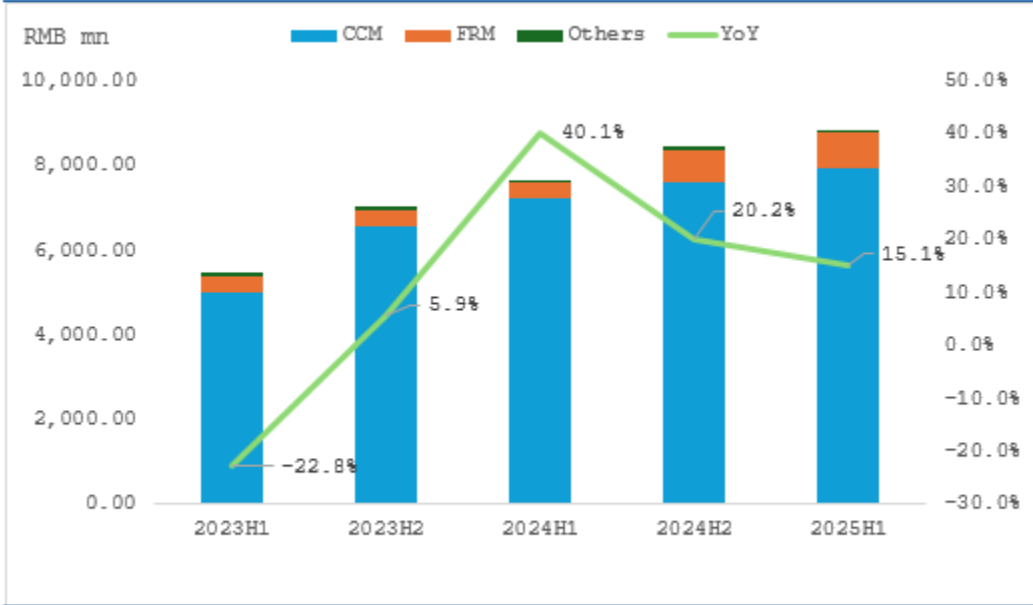
Fingerprint Recognition Modules: Ultrasonic Products Fuel Explosive Growth - 1H25 fingerprint module shipments hit 94mn units, +59.7% YoY, with revenue rising 109% YoY to RMB826mn. The key driver was product mix upgrade: under-display optical and ultrasonic modules accounted for 66.9% of shipments, with ultrasonic modules surging 33.62x YoY and capturing a significant market share. Their high recognition accuracy and adaptability drove rapid penetration in premium phones. A significant surge in volume has driven an improvement in capacity utilization compared to the same period, further enhancing the gross profit margin of this business segment.

GPM Improvement and Significant Surge in Net Profit: GPM rose 2.2 ppts YoY to 7.4% (vs. 5.2% in 1H24), driven by higher share of ≥ 32 MP CCMs lifting product value; non-smartphone CCMs with higher GPM and lower unit costs for fingerprint modules due to scale. Meanwhile, Xinju Technology, a 41.8% owned associate, has turned profitable, contributing about RMB48mn of profit. Overall, the net profit surged significantly to RMB308mn, representing a 168% YoY increase, with the ROE reaching 5.9%, + 36bps YoY. Additionally, operating cash flow increased substantially to RMB2.18bn, up from RMB330mn last year, the company is announcing its first-ever interim dividend, with a payout of HK\$0.15 per share.

Management guidance: Growth will come from multiple segments such as the rising penetration of AI-powered smartphones spurring upgrades in camera modules (OIS and periscope camera); new automotive LiDAR orders secured; rapid growth in the drone and hand-held shot devices and the gaining of ultra-sound FPMs. The Mgt guides for at least 60% YoY growth in the shipments of cameras in non-smartphone segments such as automotive and IoT; fingerprint recognition module shipments will rise by no less than 30% YoY; and the proportion of ≥ 32 MP CCM shipments will increase to 55% at the end of 2025.

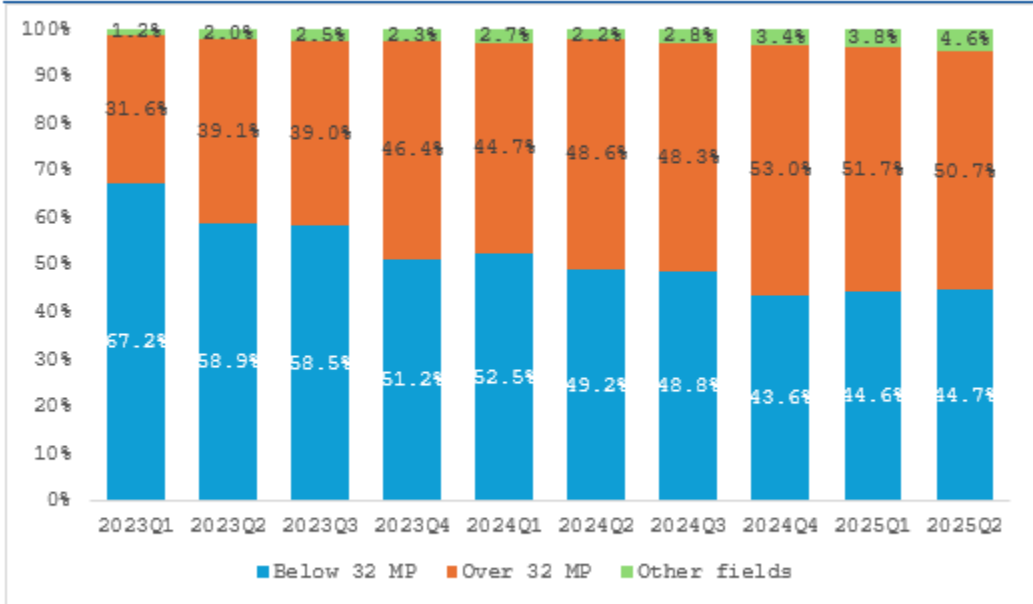
Our views: Q-Tech's 1H25 net profit surged 168% YoY, largely in line with the profit alert, driven by revenue growth and a rising mix of high-end products. Despite a slowdown in global smartphone shipments, its core businesses benefit from growing AI phone penetration, rising demand for OIS and periscope cameras, and rapid growth in IoT and automotive LiDAR. With strong product competitiveness, we believe double-digit revenue growth ahead, with margin expansion from high-end product optimization and ASP gains boosting net profit. The company is actively deepening cooperation with and aims to become a "strategic partnership," solidifying its market position for long-term growth. The counter is trading at 20x FY25E P/E. (Research Department)

Fig 1: Revenue (RMB'mn) and YoY



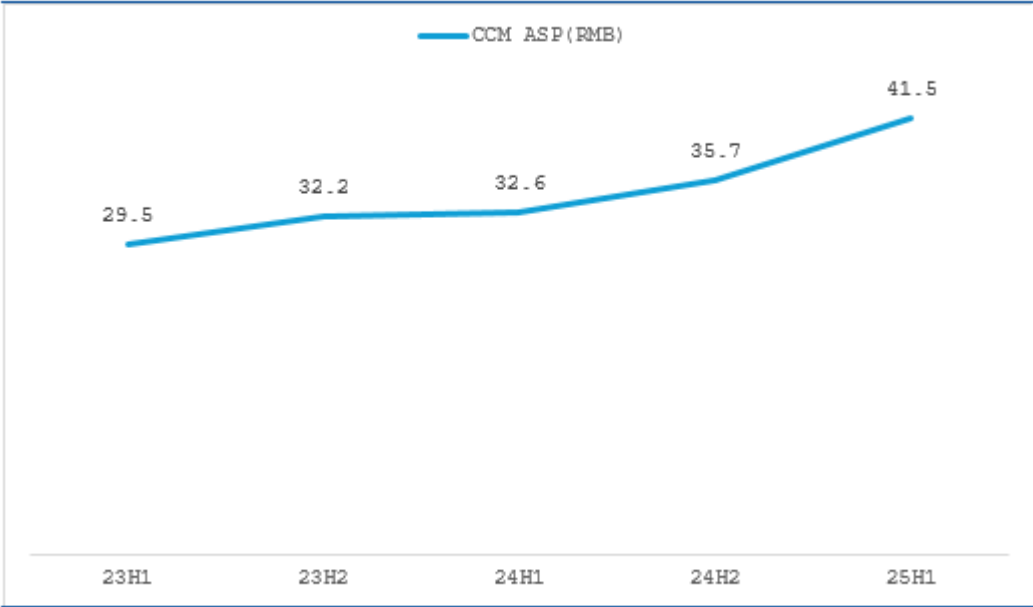
Source: Company Data, Sunwah Kingsway Research

Fig 2: Revenue proportion by Camera Modules (CCM)



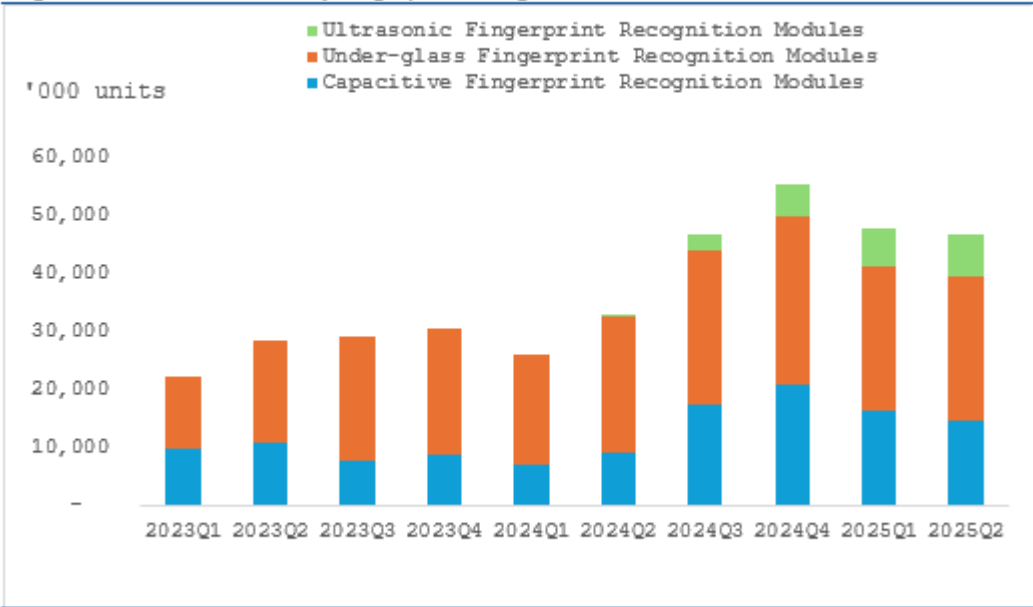
Source: Company Data, Sunwah Kingsway Research

Fig 3: Camera Module ASP (RMB)



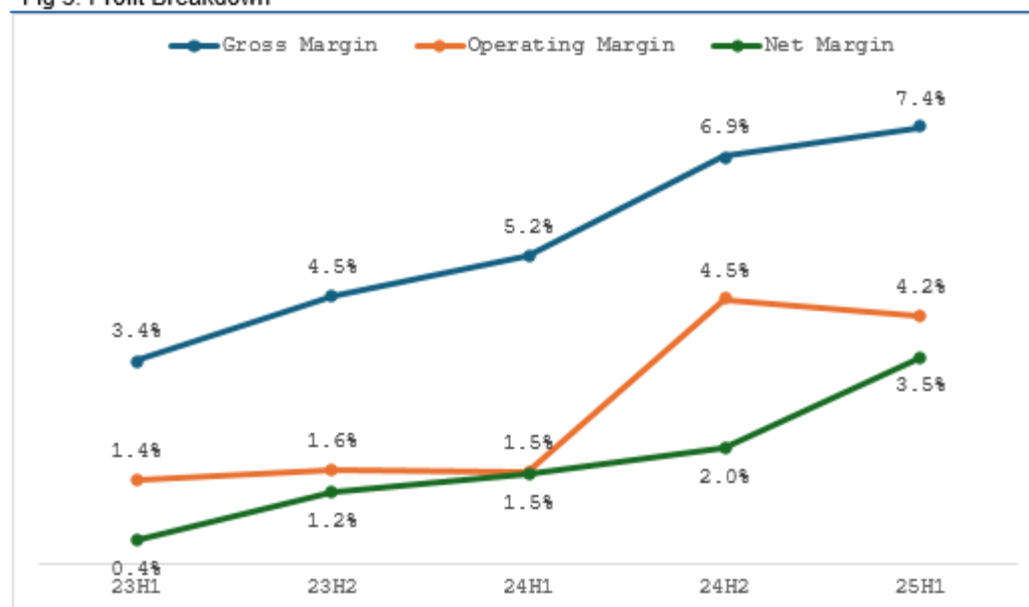
Source: Company Data, Sunwah Kingsway Research

Fig 4: Revenue Breakdown by Fingerprint Recognition Modules



Source: Company Data, Sunwah Kingsway Research

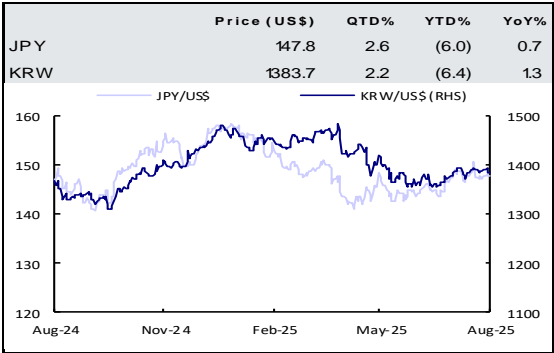
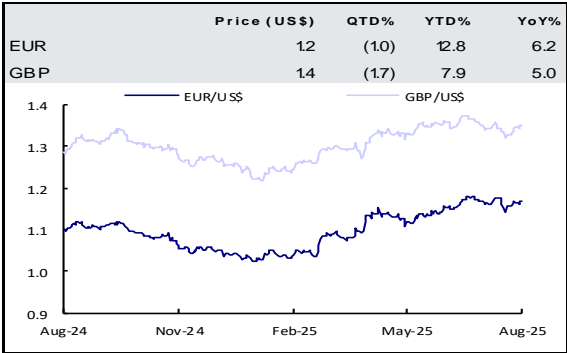
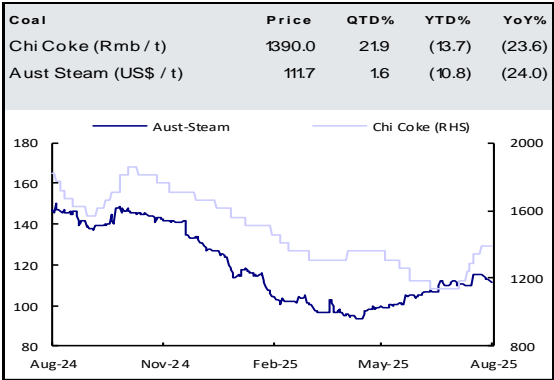
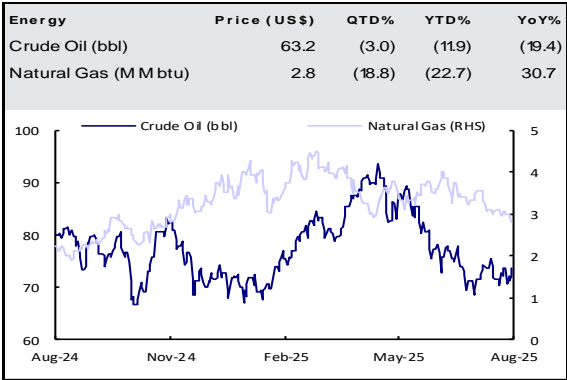
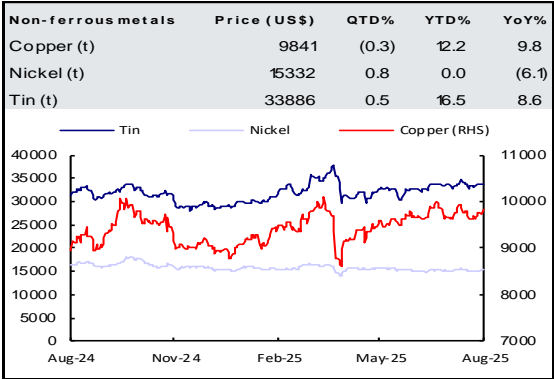
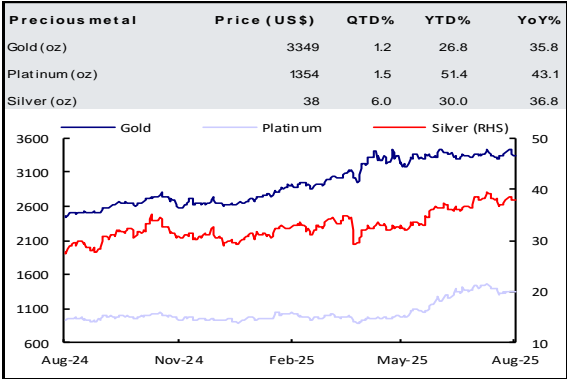
Fig 5: Profit Breakdown



Source: Company Data, Sunwah Kingsway Research

RMB ¥ mn	1H23	2H23	1H24	2H24	1H25
Revenue	5,476.5	7,054.3	7,675.1	8,476.2	8,831.5
YoY	-22.8%	5.9%	40.1%	20.2%	15.1%
QoQ	-17.8%	28.8%	8.8%	10.4%	4.2%
COGS	5,386.9	6,955.9	7,609.5	8,388.4	8178
Gross Profit	188.3	320.6	400.1	584.8	653.5
YoY	-49.9%	93.7%	112.5%	82.4%	63.3%
QoQ	13.8%	70.2%	24.8%	46.2%	11.7%
Margin	3.44%	4.54%	5.21%	6.90%	7.4%
Selling Expense	9.8	10.0	11.0	9.1	12.8
Ratio	0.2%	0.1%	0.1%	0.1%	0.1%
Administrative Expense	70.2	79.1	82.5	101.2	81.8
Ratio	1.3%	1.1%	1.1%	1.2%	0.9%
R&D Expense	193.9	241.7	286.1	218.7	279.1
Ratio	3.5%	3.4%	3.7%	2.6%	3.2%
OPEX Ratio	4.4%	4.4%	4.9%	3.9%	4.2%
Net profit	20.8	61.1	115.2	163.8	308.4
Margin	0.38%	1.21%	1.50%	1.95%	3.43%
D&A	202.9	240.8	3.8	450.6	204.3
Ratio	3.7%	3.4%	0.05%	5.3%	2.3%
Capex	86.2	65.4	129.4	108.6	336.5
Cash and cash equivalents	4120.8	3700.9	3663.4	2920.6	2012.7
D/A Ratio	64.9%	67.7%	64.3%	64.8%	65.1%
Free Cash Flow	-195.7	-388.6	509.4	137.4	
ROE	0.5%	1.3%	2.4%	3.3%	5.9%

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
CPI	MoM		12-Aug-25
Initial Jobless Claims	WoW		14-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
Wholesale Inventories	MoM		29-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		13-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
PPI	MoM		10-Sep-25
CPI	MoM		10-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		

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