

## What's Hot Today:

### ► China Autonomous Driving – SoC Chips: Domestic Substitution & Inherent Demand Growth

In any ADAS (Advanced Driver Assistance System), the “brain” of the system is commonly known as autonomous driving SoC (system on chip). It is an integrated circuit that orchestrates the complex computations and hardware for self-driving vehicles. According to Frost & Sullivan, the global automotive SoC market stood at RMB57.9bn in 2023. It is expected to reach RMB205.3bn by 2028, with CAGR of 29%. Currently, majority of the ADAS-equipped vehicles sold in China are at L2+. There are number of test projects with full automation (L5) but the current regulations are yet to be relaxed. However, as test results and driving data accumulate, it is expected that regulations to accommodate higher than L2 will soon be feasible.

In the high-end autonomous SoC market, overseas manufacturers are still in a dominant position, while domestic chips account for only about 20% of the market. The top five companies by market share are NVIDIA, Tesla, Huawei, Horizon Robotics and Mobileye, with shares of 43%, 25%, 10%, 10% and 6% respectively. Among the Chinese brands, Horizon Robotics is the leader in the low-end market, taking the largest share of around 43%.

**Horizon Robotics (9660 HK, HK\$10.45, HK\$145bn) provides complete ADAS solutions.** The company has partnered with more than 40 automakers globally for mass production. With over 200 vehicle models that have been released, and the shipments have surpassed 10mn. Major clients include the Li Auto L-series, BYD, and NIO Firefly. Looking ahead, it has secured overseas orders from two Japanese automakers in 1H25 and its Horizon SuperDrive (HSD) solution is expected to provide technical support for Robotaxi companies in the second half of the year.

In 1H25, revenue jumped 68% YoY to RMB1.57bn, of which revenue of product solutions grew by 250% YoY to almost half of the revenue from less than 24% a year ago. However, due to the lower GPM of 45.6% of product solutions, despite licensing GPM remaining at a high GPM of 89.7%, the blended GPM dropped to 63.1% for the period. In addition to the increase in R&D by about RMB900mn, operating loss for 1H25 expanded to RMB1.59bn compared to RMB1.11bn in the prior year. ended at a loss with RMB 5.23 bn.

China & HK Indices	CLOSE	1D	YTD
HSI	26,908	1.8%	34.1%
HSCEI	9,596	2.2%	31.6%
HSCCI	4,319	0.9%	14.2%
CSI300	4,551	0.6%	15.7%
Shanghai A	4,063	0.4%	-0.8%
Shanghai B	265	0.1%	-0.8%
Shenzhen A	2,626	0.8%	28.3%
Shenzhen B	1,361	0.1%	12.2%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	46,018	0.6%	8.2%
S&P 500	6,600	-0.1%	12.2%
Nasdaq	22,261	-0.3%	15.3%
Nikkei Index	44,958	0.4%	12.7%
FTSE Index	9,208	0.1%	12.7%
CAC Index	7,786	-0.4%	5.5%
DAX Index	23,359	0.1%	17.3%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,659	-0.8%	39.5%
STEEL (US\$/oz.)	2,170	-0.3%	21.5%
SILVER (US\$/oz.)	41	-2.1%	44.4%
CRUDE OIL (US\$/bbl)	64	-0.7%	-10.6%
COPPER (US\$/oz.)	9,996	-1.9%	14.0%
ALUMINIUM (US\$/oz.)	2,683	-0.6%	5.2%
PLATINUM (US\$/oz.)	1,370	-2.1%	51.5%
ZINC (US\$/oz.)	2,943	-1.2%	-1.2%
WHEAT (US\$/bu)	528	-1.1%	-4.1%
CORN (US\$/bu)	426	-0.6%	-4.1%
SUGAR (US\$/lb)	N/A	N/A	
SOYBEAN (US\$/bu)	1,043	-0.6%	1.6%
PVC (US\$/t.)	N/A	N/A	-12.2%
CRB	303	-0.6%	3.0%
BDI			116.0%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.778	0.847	146.990	0.789	7.104
HKD	0.129		0.109	18.898	10.142	0.914
EUR	1.181	9.189		173.640	1.073	8.407
JPY	0.007	5.291	0.576		0.537	0.048
CHF	1.268	9.860	1.073	186.359		9.021
RMB	0.141	1.094	0.119	20.659	0.111	

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	15	2.4%

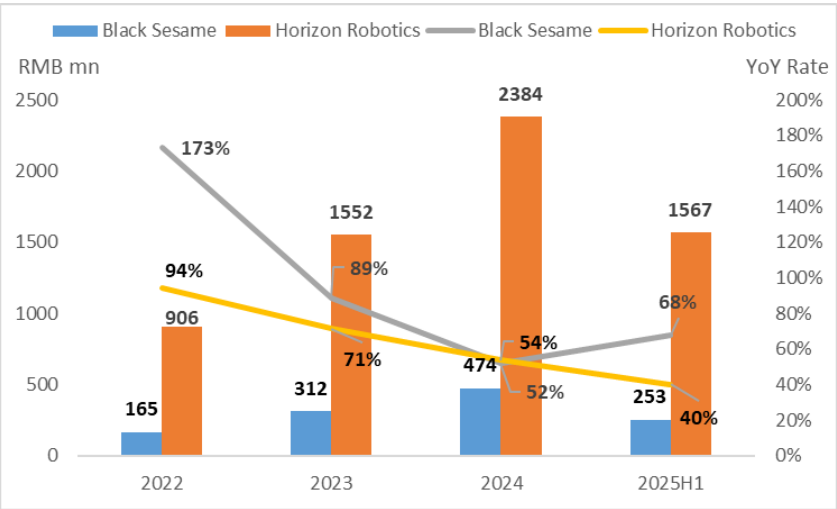
Source: Bloomberg

**Black Sesame (2533 HK, HK\$19.13, HK\$12.2bn) supplies automotive-grade smart vehicle SoC and chip solutions.** It has the capability to independently develop core IP, command full-process chip design technology and possess large-scale mass production capacity. The company mainly focuses on the mid-to-low-end market; its “Huashan” series chips are suitable for ADAS, while the “Wudang” series are cross-domain computing chips. Currently, its overall market share in China's smart driving chip market reaches 3.8%. Black Sesame has established mass production cooperation with over 40 automakers, covering more than 30 vehicle models. Its shipment is expected to exceed 2mn units in 2025, with key clients including BYD, Geely, and Dongfeng.

In 1H25, the company reported a total revenue of RMB253mn, up 40% YoY with a GPM of 24.8%. In terms of revenue composition, autonomous driving products and solutions accounted for 93.7% of total revenue with a GPM of 20.9%. However, due to massive R&D expenses, despite lower SG&A expenses, the company only managed to narrow losses by RMB69mn to an operating loss of RMB771mn for 1H25.

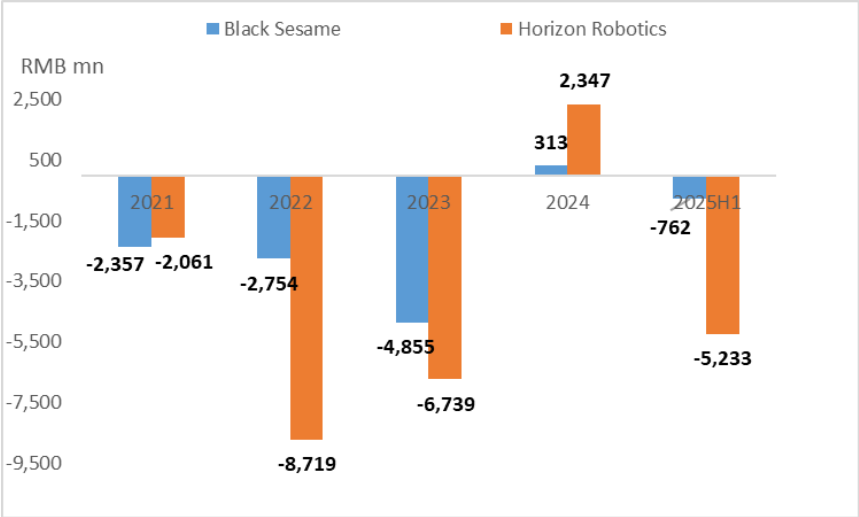
**Our views:** It is believed that autonomous driving is approaching its point of inflection, where the demand for SoC will experience a prolonged growth period. Though some automakers like Li Auto, XPeng and NIO are developing their own chips, the R&D commitment is high given the demanding financial and man-power. Self-developed SoC may result in higher production costs which in turn limit their pricing flexibility. As such, we believe that independent chip makers will remain competitive. We prefer Horizon Robotics as it has technological barriers and solid relationships with numerous automakers. The counter is trading at 32x EV/Revenue for FY25E. (Research Department)

Fig1: Black Sesame and Horizon Robotics revenue and growth rate



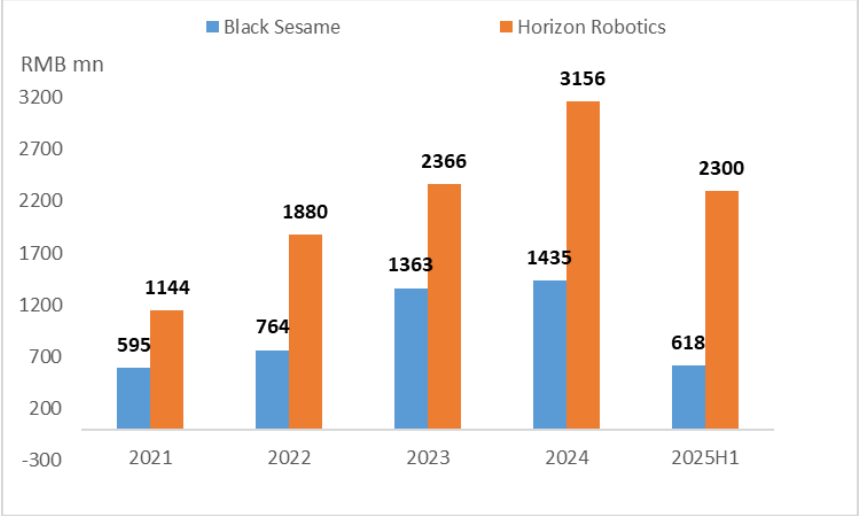
Source: Company report, Sunwah Kingsway Research.

Fig 2: Black Sesame and Horizon Robotics net profit



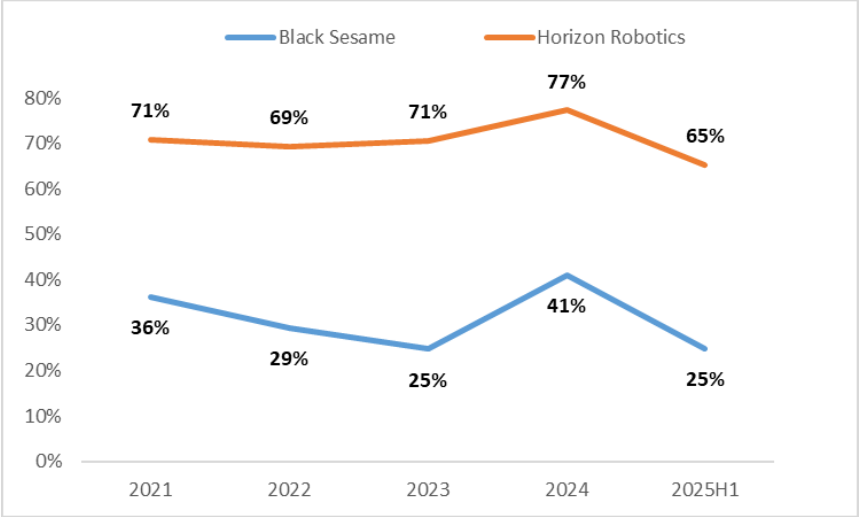
Source: Company report, Sunwah Kingsway Research.

Fig 3: Black Sesame and Horizon Robotics R&D Expense



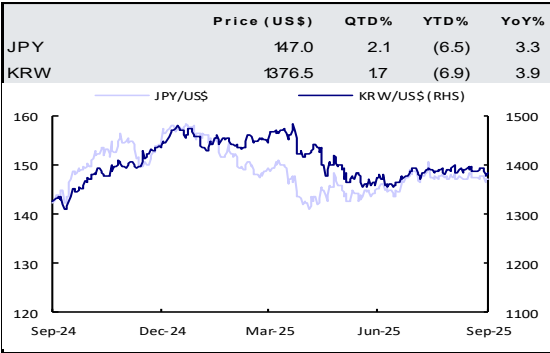
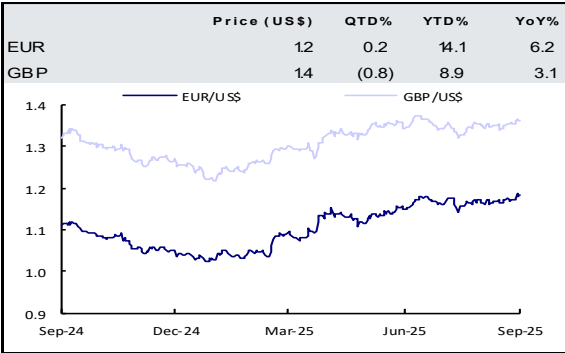
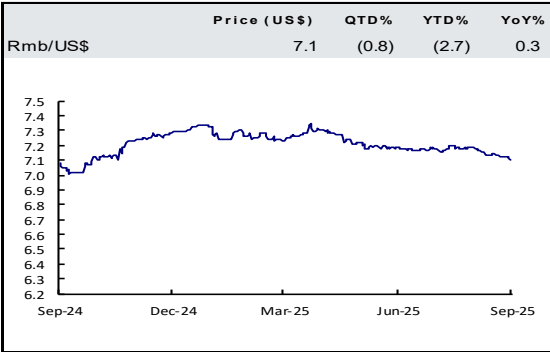
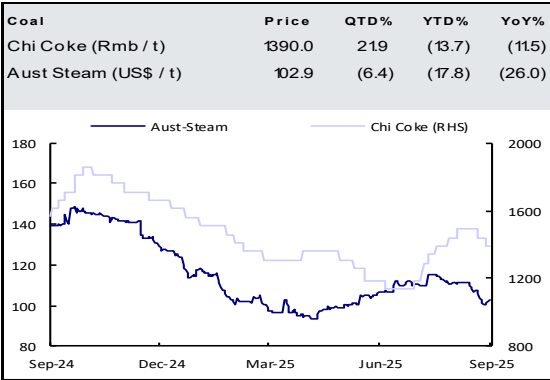
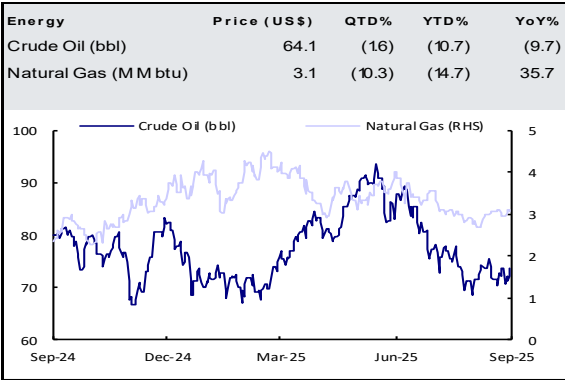
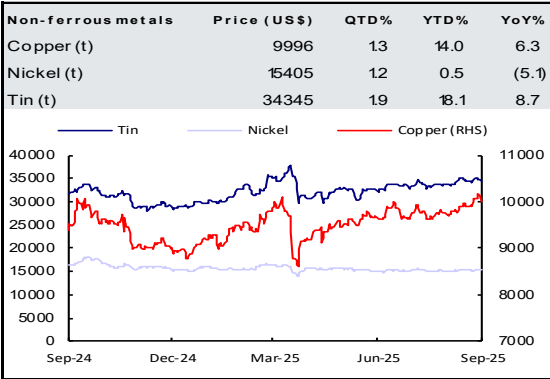
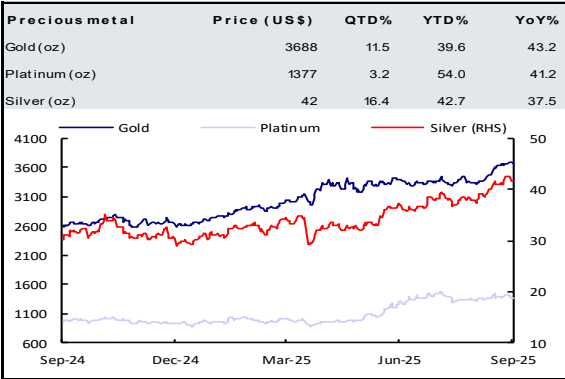
Source: Company report, Sunwah Kingsway Research.

Fig 4: Black Sesame and Horizon Robotics Gross Profit Margin



Source: Company report, Sunwah Kingsway Research.

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Housing Starts / Building Permits	MoM		17-Sep-25
Initial Jobless Claims	WoW		18-Sep-25
New home Sales	MoM		24-Sep-25
Wholesale Inventories	MoM		25-Sep-25
Existing Home Sales	MoM		25-Sep-25
Durable Goods Orders	MoM		25-Sep-25
GDP	QoQ		25-Sep-25
Personal Income & Spending	MoM		26-Sep-25
Consumer Confidence	MoM		30-Sep-25
ISM Manufacturing PMI	MoM		1-Oct-25
Factory Orders	MoM		2-Oct-25
Employment Report	MoM		3-Oct-25
Trade Balance	MoM		7-Oct-25
CPI	MoM		15-Oct-25
PPI	MoM		16-Oct-25
Business Inventories	MoM		16-Oct-25
Retail Sales	MoM		16-Oct-25
Industrial Production	MoM		17-Oct-25
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		30-Sep-25
Foreign Exchange Reserves	QoQ		7-Oct-25
Money Supply - M2	MoM		10-Oct-25
Trade Balance	MoM		13-Oct-25
PPI	MoM		15-Oct-25
CPI	MoM		15-Oct-25
Retail Sales	MoM		20-Oct-25
Industrial Production	MoM		20-Oct-25
GDP	YoY		20-Oct-25

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
CPI	MoM		22-Sep-25
Trade Balance	MoM		25-Sep-25
Money Supply - M2	MoM		30-Sep-25
Retail Sales	MoM		2-Oct-25
PMI	MoM		6-Oct-25
Foreign Currency Reserve	MoM		8-Oct-25
Unemployment Rate	MoM		20-Oct-25
GDP	QoQ		31-Oct-25
Producer Prices Index	QoQ		15-Dec-25
Industrial Production	QoQ		15-Dec-25
Composite Interest Rate	MoM		

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