

What's Hot Today:

► Chery Auto (9973 HK, HK\$32.12, HK\$185bn)

Solid Revenue Growth, But Margin Pressure Persists

Chery Auto is a fully integrated automaker founded in 1997 and headquartered in Anhui. According to Frost & Sullivan, the company ranked as the second largest domestic passenger vehicle brand in China and 11th in the world. It is also the top passenger vehicle exporter among domestic brands for 22 consecutive years. Chery operates five distinct brands, offering a comprehensive product portfolio across sedans and SUVs, covering both ICE and BEV models. With price ranging from RMB 60K to 330K, the company strategically targets the mass market, mid-to-high-end, and premium segments, leveraging its extensive domestic and international dealer networks to drive sales.

High Growth with Multi-Brand Expansion: Chery recorded a revenue of RMB 141 bn in 1H25, up 26% YoY. **1) Multi-brand strategy:** Chery's five major brands namely — Chery, Jetour, Exeed, iCAR, and Luxeed accounted for 60%, 24%, 5%, 5%, and 1% of sales during the period, respectively. The flagship Chery brand targets the mass market while Jetour focuses on travel and off-road segments. Exeed is positioned in the mid-to-high-end market and iCAR targets tech-enthusiastic Gen Z customers. Luxeed is the vehicle co-developed with Huawei and pursue intelligent driving technology; **2) Strong NEV momentum:** Revenue from NEV jumped 242% YoY to RMB36.2 bn in 1H25 and contributed to 28.1% of revenue. **3) Leading overseas exporter:** Overseas revenue grew 44% YoY to RMB 65bn in 1H25 to account for 46% of 1H25 revenue. It is the first domestic automaker to export complete vehicles, knock down, and engines. Overseas sales are primarily composed of ICE models, with key markets in Russia, Brazil, and Australia.

China & HK Indices	CLOSE	1D	YTD
HSI	27,287	1.6%	36.0%
HSCBI	9,724	1.8%	33.4%
HSCCI	4,028	-0.3%	6.6%
CSI300	4,640	0.4%	17.9%
Shanghai A	4,070	0.5%	-2.2%
Shanghai B	261	0.1%	-2.2%
Shenzhen A	2,635	0.4%	28.7%
Shenzhen B	1,351	-0.8%	11.4%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	46,519	0.2%	9.3%
S&P 500	6,715	0.1%	14.2%
Nasdaq	22,844	0.4%	18.3%
Nikkei Index	45,285	0.8%	13.5%
FTSE Index	9,427	-0.2%	15.4%
CAC Index	8,066	1.1%	9.2%
DA-X Index	24,422	1.3%	22.7%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,856	-0.2%	47.0%
STEEL (US\$/oz.)	2,226	2.1%	24.7%
SILVER (US\$/oz.)	46	-0.7%	62.2%
CRUDE OIL (US\$/bbl)	60	-2.1%	-15.5%
COPPER (US\$/oz.)	10,490	2.2%	19.6%
ALUMINIUM (US\$/oz.)	2,692	0.4%	5.5%
PLATINUM (US\$/oz)	1,576	0.7%	73.3%
ZINC (US\$/oz.)	3,020	2.0%	1.4%
WHEAT (US\$/bu)	514	1.1%	-6.7%
CORN (US\$/bu)	421	1.3%	-4.9%
SUGAR (US\$/lb)	N/A	N/A	N/A
SOYBEAN (US\$/bu)	1,023	1.1%	-0.3%
PVC (US\$/t.)	N/A	N/A	-12.2%
CRB	298	-0.8%	3.0%
BDI			98.6%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.783	0.854	147.260	0.798	7.121
HKD	0.128		0.110	18.921	10.251	0.915
EUR	1.172	9.118		172.520	1.070	8.346
JPY	0.007	5.285	0.580		0.542	0.048
CHF	1.253	9.754	1.070	184.597		8.925
RMB	0.140	1.093	0.120	20.688	0.112	

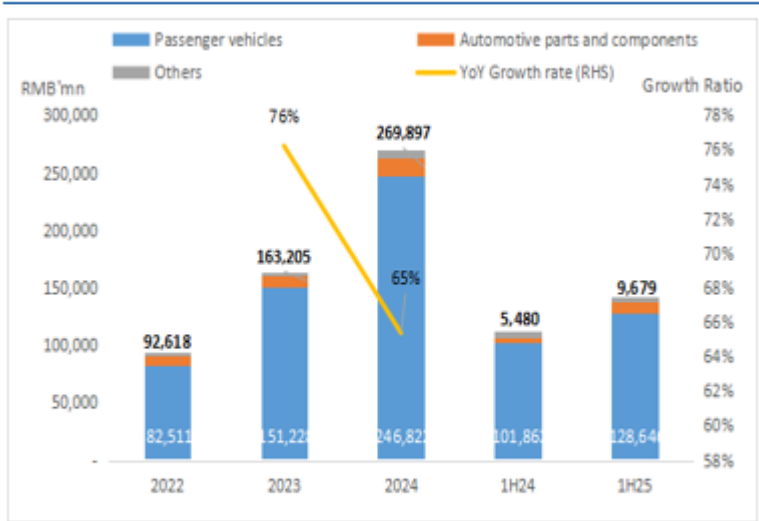
Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	16	-0.7%

Source: Bloomberg

Profitability Affected by Low GPM and High Expenses: The company's GPM in 1H25 reached 13%, down 2 ppts YoY, mainly due to a higher share of lower-margin new energy vehicles and intensifying market competition. Its NPM stayed flat YoY at 7%. Overall expenses rose slightly, with the expense ratio edged up 60 bps YoY to 9.8% in 1H25 where selling expenses surged 73.1% YoY to RMB5.96bn in 1H25 due to higher advertising and marketing costs. However, excluding non-operating items, operating profit decreased by 29% YoY to RMB4.6bn 1H25. While 1H25 OPM dropped 2.5 ppts YoY to 3.3%, weighed down by lower GPM and higher expenses.

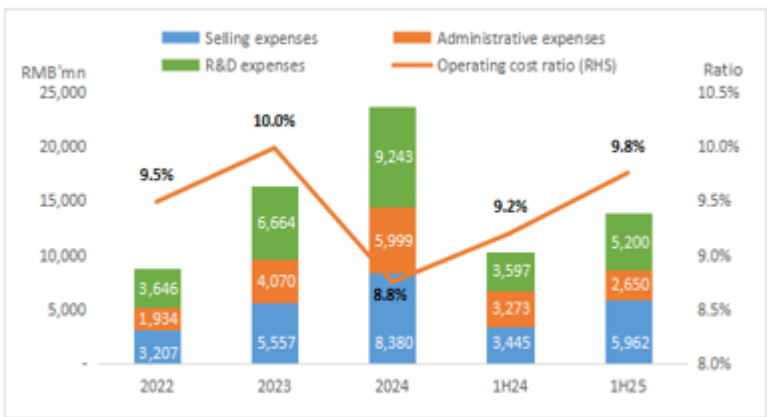
Our views: Chery’s dealership network which accounts for over 90% of sales, expanded rapidly with its outlet network growing from 3,901 in 2022 to 6,285 in 2024. Alongside notable growth in overseas revenue, underpinned by a long-standing rebate policy of 8%-9% that boosted dealer motivation. However, high rebates have compressed margins, with profitability below BYD’s 20% GPM. Also, the multi-brand strategy has yet to achieve scale and hinders overall efficiency. Chery intends to spend about HK\$6.3bn or about 75% of its IPO proceeds on R&D, aiming to strengthen core capabilities and enhance future product competitiveness. The counter is trading at 10x FY25E P/E. (Research department)

Fig 1: Total Revenue (RMB' mn)



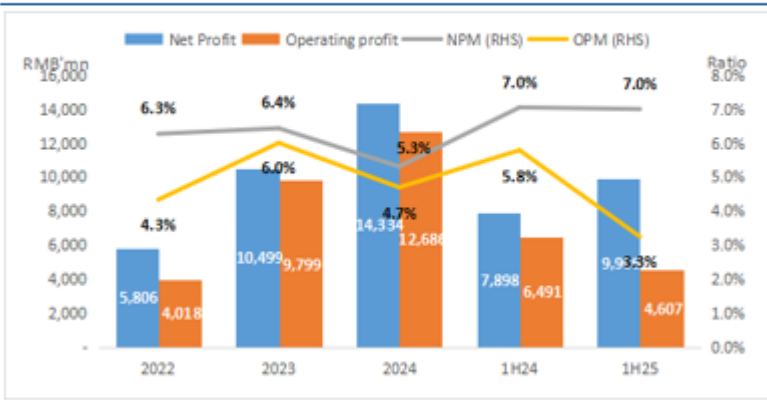
Source: Company Data, Sunwah Kingsway Research

Fig 2: Chery OPEX Breakdown



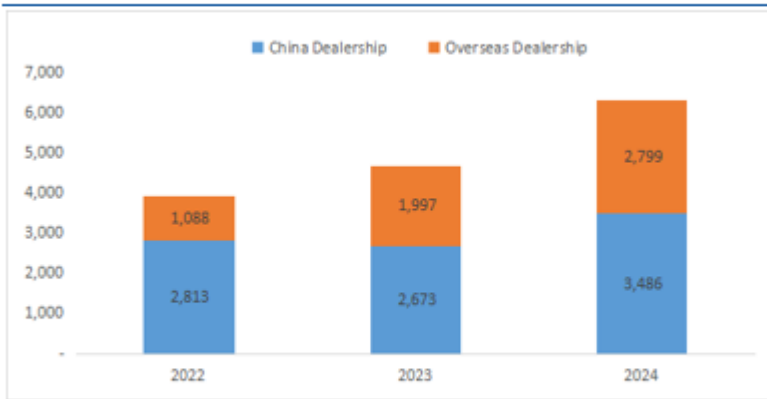
Source: Company Data, Sunwah Kingsway Research

Fig 3: Chery Profit Breakdown



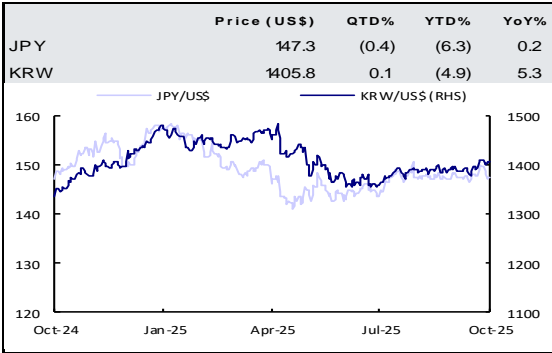
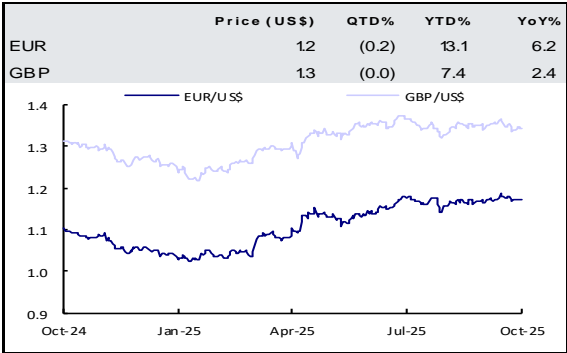
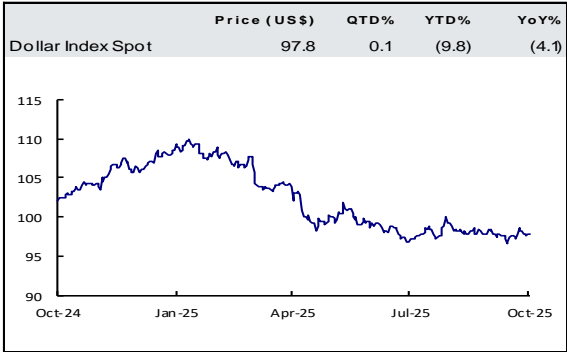
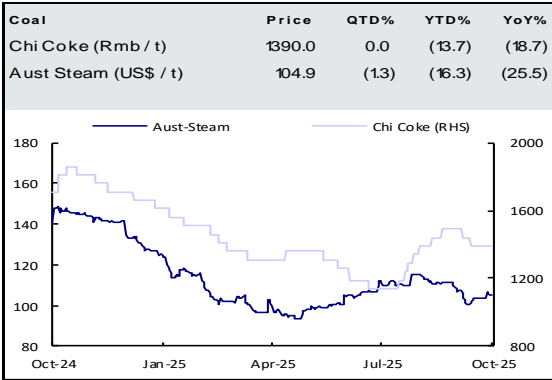
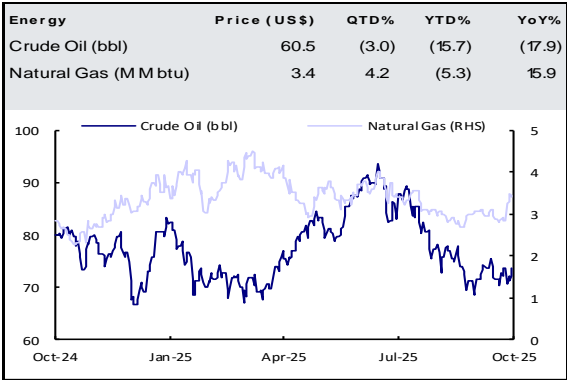
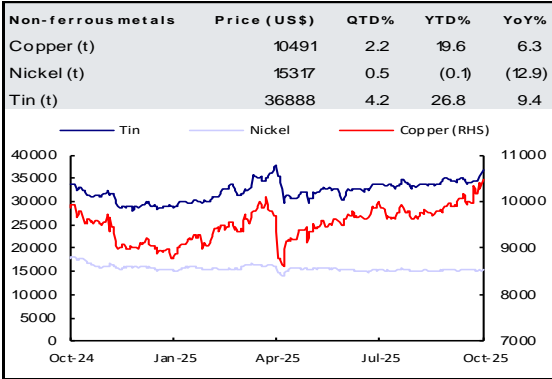
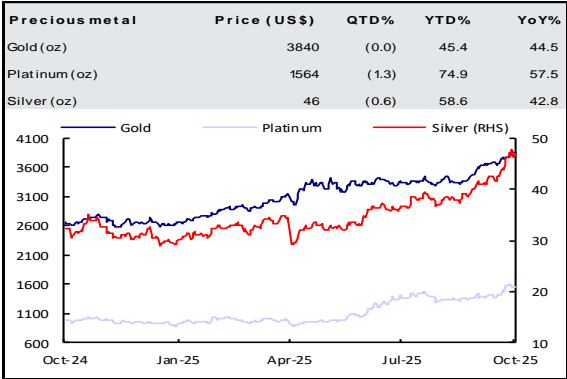
Source: Company Data, Sunwah Kingsway Research

Fig 4: Dealership Breakdown



Source: Company Data, Sunwah Kingsway Research

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Employment Report	MoM		3-Oct-25
Trade Balance	MoM		7-Oct-25
Initial Jobless Claims	WoW		9-Oct-25
Wholesale Inventories	MoM		9-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
Housing Starts / Building Permits	MoM		17-Oct-25
Existing Home Sales	MoM		23-Oct-25
New home Sales	MoM		24-Oct-25
Durable Goods Orders	MoM		27-Oct-25
Consumer Confidence	MoM		28-Oct-25
GDP	QoQ		30-Oct-25
Personal Income & Spending	MoM		31-Oct-25
ISM Manufacturing PMI	MoM		3-Nov-25
Factory Orders	MoM		4-Nov-25
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
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
PMI Manufacturing	MoM		31-Oct-25

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI	MoM		6-Oct-25
Foreign Currency Reserve	MoM		8-Oct-25
Unemployment Rate	MoM		20-Oct-25
CPI	MoM		23-Oct-25
Trade Balance	MoM		27-Oct-25
GDP	QoQ		31-Oct-25
Money Supply - M2	MoM		31-Oct-25
Retail Sales	MoM		31-Oct-25
Producer Prices Index	QoQ		15-Dec-25
Industrial Production	QoQ		15-Dec-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

Affiliated & Overseas Offices

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

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