

What's Hot Today:

► SMIC (0981HK, HK\$71.55, HK\$572bn) 4Q25: Revenue Beat & Margins Suffer

Leading foundry SMIC delivered better than expected 4Q25 revenue, reaching US\$2.49bn (+12.7% YoY / +4.5% QoQ), beating Mgt's prior guidance of flat to +2% QoQ growth. However, GPM compression and a higher OPEX ratio weighed on profitability, leaving NPM below expectations.

On volume, fab capacity (8-inch equivalent wafers) climbed to 2.51mn and achieved a record high (+26.3% YoY, +0.6% QoQ), supported by capacity ramp driven by elevated capex and utilization staying at a historically high 95.7%.

On pricing, ASP (8-inch equivalent) increased 3.8% QoQ to US\$990, marking the fourth consecutive quarter of ASP improvement, mainly driven by a higher 12-inch wafer mix, which edged up 0.2ppt QoQ to 77.2%.

By end market, smartphone stabilized at 21.5% after a prior downtrend, while consumer electronics continued to expand to 47.3%. Computer & tablet declined to 11.8%. The rising consumer electronics exposure also supported the continued mix shift toward 12-inch wafers. Geographically, stronger localization demand lifted China revenue contribution to 87.6%, with Americas and Eurasia at 10.3% and 2.1%, respectively.

GPM missed expectations: 4Q25 GPM fell 2.8% QoQ to 19.2%, mainly due to higher depreciation expenses from higher capex. Depreciation and amortization expenses rose 15.2% QoQ and contributed over 80% of the QoQ COGS increase.

China & HK Indices	CLOSE	1D	YTD
HSI	27,183	0.6%	6.1%
HSCEI	9,242	0.8%	3.7%
HSCCI	4,407	0.3%	9.8%
CSI300	4,724	0.1%	2.0%
Shanghai A	4,329	0.1%	4.5%
Shanghai B	265	0.0%	4.5%
Shenzhen A	2,826	0.1%	6.8%
Shenzhen B	1,250	-0.0%	-1.1%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	50,188	0.1%	4.4%
S&P 500	6,941	-0.3%	1.4%
Nasdaq	23,102	-0.6%	-0.6%
Nikkei Index	57,660	2.3%	14.5%
FTSE Index	10,353	-0.3%	4.3%
CAC Index	8,327	0.1%	2.2%
DAX Index	24,987	-0.1%	2.0%

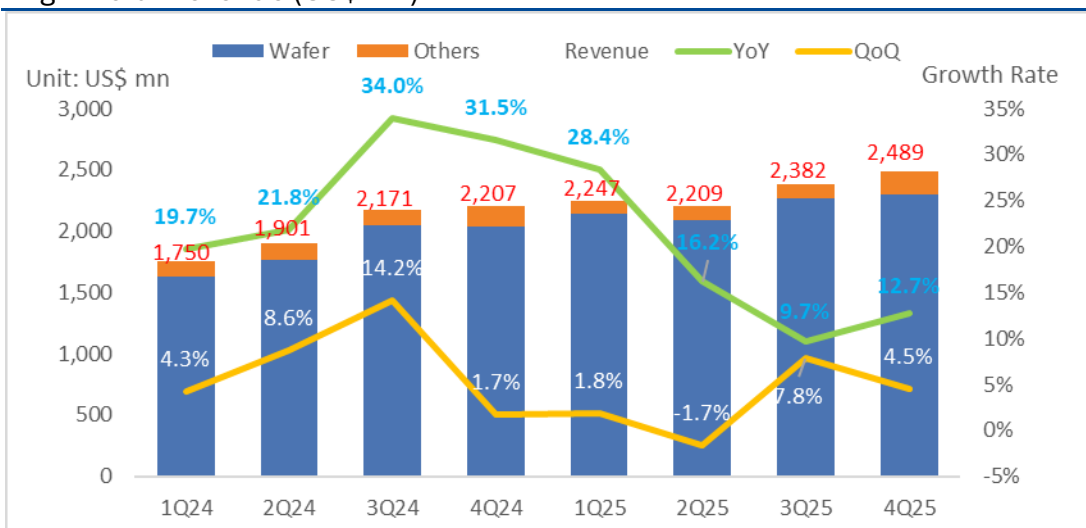
Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	5,025	-0.6%	16.8%
STEEL (US\$/oz.)	3,043	0.6%	19.7%
SILVER (US\$/oz.)	80	-3.1%	14.0%
CRUDE OIL (US\$/bbl)	63	-0.6%	12.0%
COPPER (US\$/oz.)	13,108	0.9%	5.5%
ALUMINIUM (US\$/oz.)	3,093	0.3%	3.3%
PLATINUM (US\$/oz.)	2,088	-1.6%	2.3%
ZINC (US\$/oz.)	3,395	1.5%	8.9%
WHEAT (US\$/bu)	528	-0.3%	4.2%
CORN (US\$/bu)	428	-0.3%	-2.6%
SUGAR (US\$/lb)	71	-5.8%	
SOYBEAN (US\$/bu)	1,122	0.7%	7.2%
PVC (US\$/t.)	4,961	-0.6%	9.2%
CRB	308	-0.4%	3.0%
BDI		-1.5%	1.0%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.818	0.841	154.390	0.768	6.913
HKD	0.128		0.108	19.748	9.824	0.884
EUR	1.190	9.300		183.660	1.094	8.221
JPY	0.006	5.064	0.545		0.498	0.045
CHF	1.302	10.179	1.094	201.043		9.002
RMB	0.145	1.131	0.122	22.352	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	17	-1.2%

Source: Bloomberg

Fig 1: Total Revenue (US\$ mn)



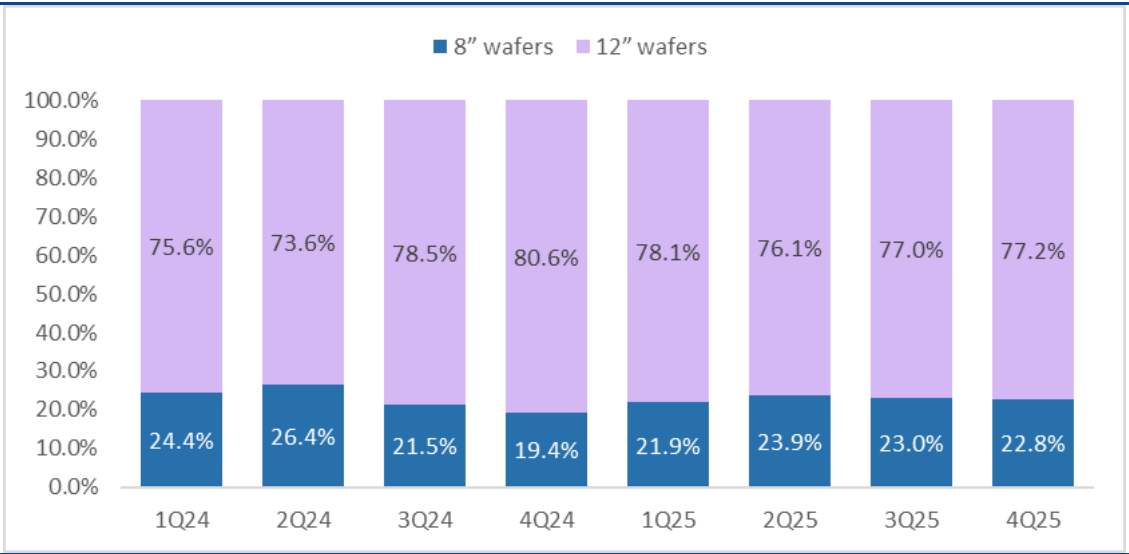
Source: Company Data, Sunwah Kingsway Research

Fig 2: Wafer shipments and ASP



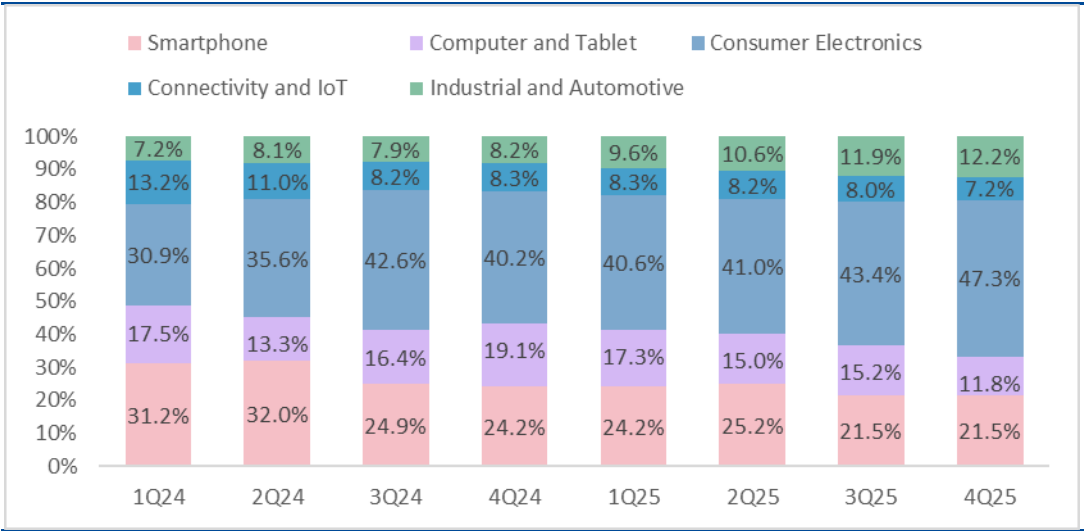
Source: Company Data, Sunwah Kingsway Research

Fig 3: Revenue Breakdown by Wafer Size



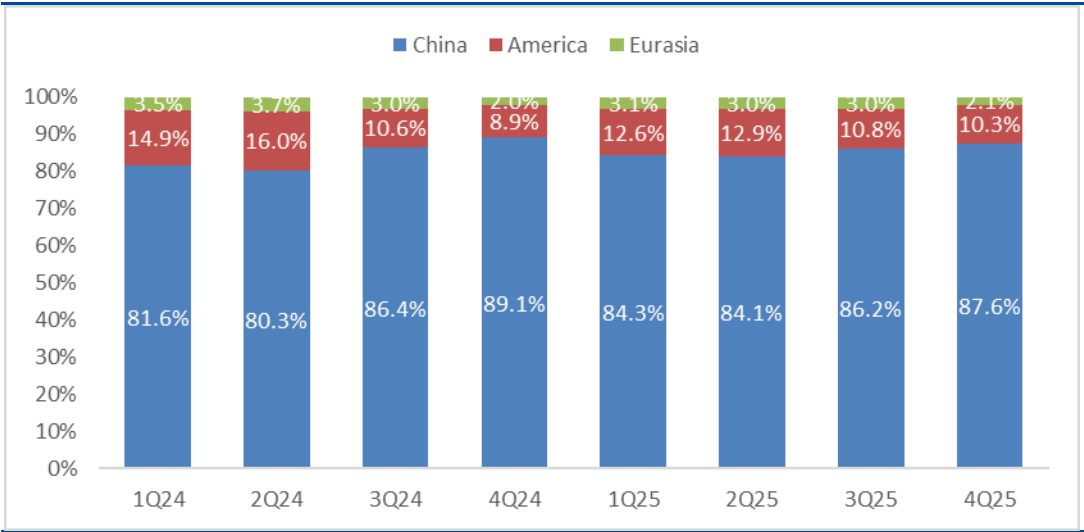
Source: Company Data, Sunwah Kingsway Research

Fig 4: Revenue Breakdown by Application



Source: Company Data, Sunwah Kingsway Research

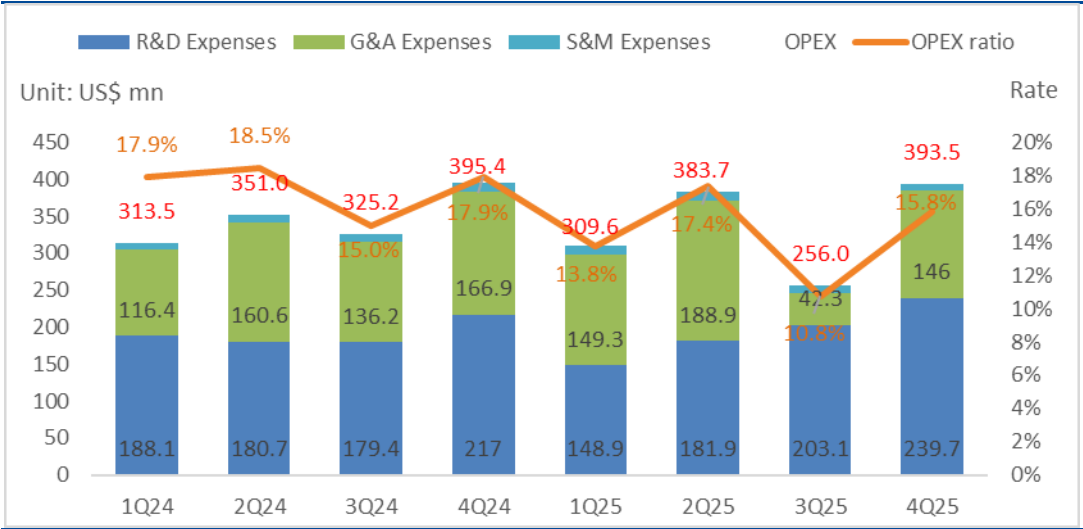
Fig 5: Revenue Breakdown by regions



Source: Company Data, Sunwah Kingsway Research

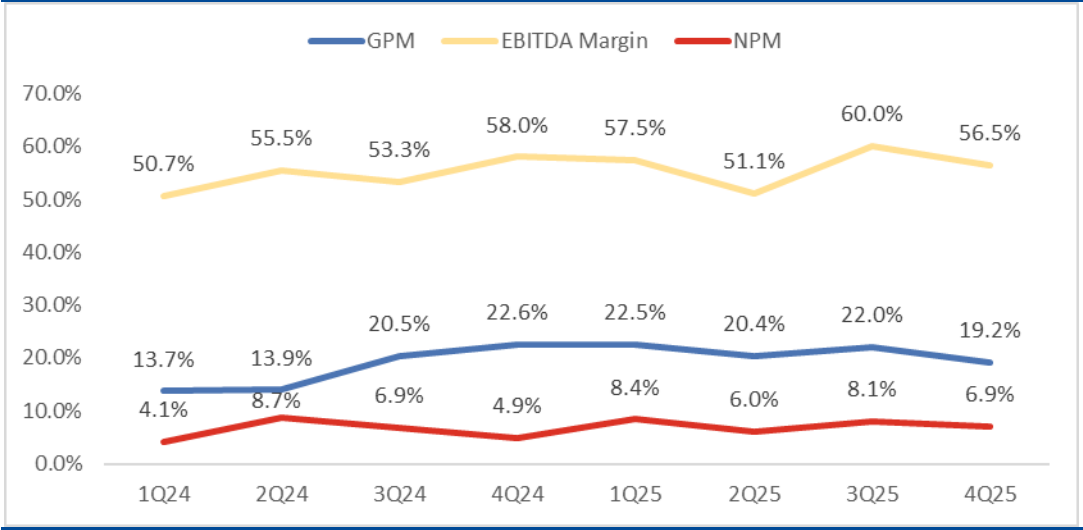
Opex weighed on profitability: 4Q25 OPEX ratio rose 5% QoQ to 15.8%, mainly driven by higher R&D and G&A expenses. Other incomes also deteriorated, reflecting higher finance costs and a sharp swing to losses in other gains/(losses) net. As a result, EBITDA fell to US\$1.41bn with an EBITDA margin of 56.5%, while profit attributable to shareholders declined to US\$173mn and NPM to 6.9%.

Fig 6: Breakdown of OPEX (US\$ mn)



Source: Company Data, Sunwah Kingsway Research

Fig 7: Profit Breakdown

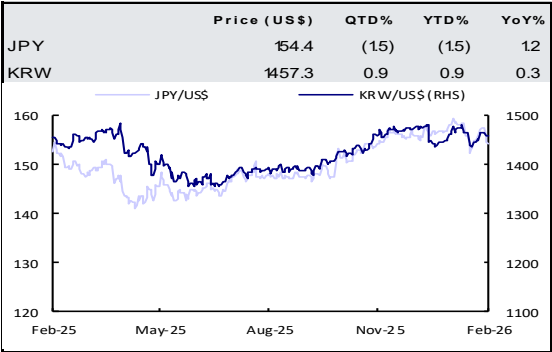
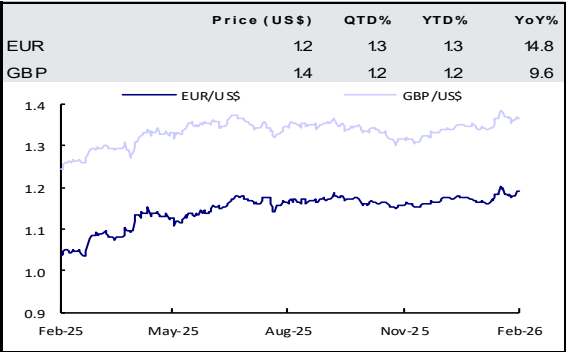
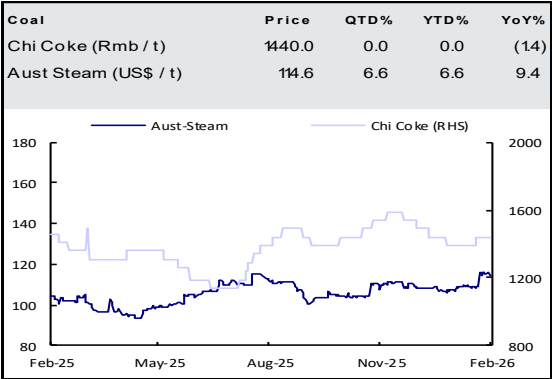
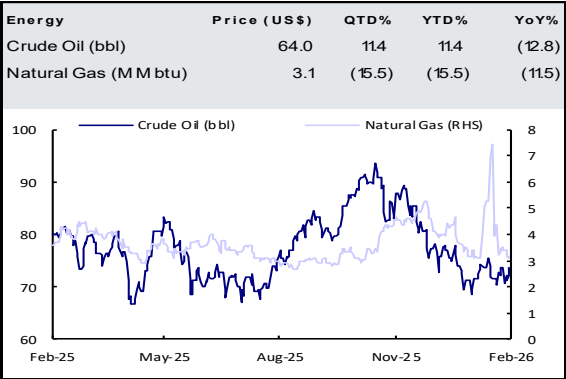
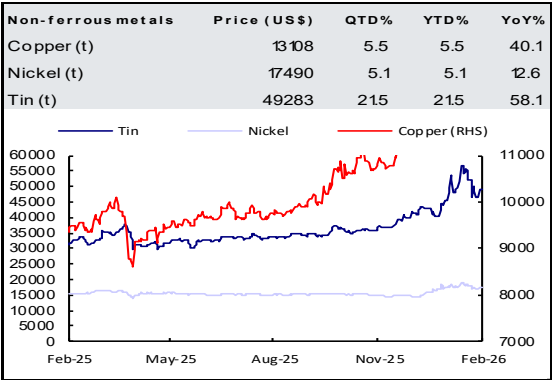
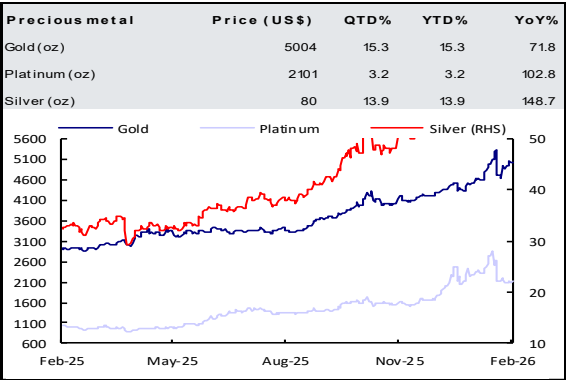


Source: Company Data, Sunwah Kingsway Research

Our views: The Mgt guiding 1Q26 revenue to be flat QoQ and GPM at 18-20%, with capex broadly in line with 2025, which is below market expectations, signaling a cautious view on near-term demand and profitability recovery. While 4Q25 revenue continued to grow, the current low GPM and the subdued 1Q26 GPM outlook likely reflect advanced-node ramp inefficiencies, where weaker yields and process maturity are weighing on cost absorption and limiting margin leverage.

We continue to view SMIC as a core beneficiary of China’s domestic substitution in advanced logic. External restrictions are reinforcing localization demand, and the accelerating volume ramp up of domestic GPUs should further support leading edge capacity needs. In addition, continued process iteration using DUV is strengthening SMIC’s competitiveness and supports progress toward 7-nm class capability. In our view, current margin pressure is transitional, and the momentum in localization and improving yields in advanced node could help lift margins. The counter is trading at 68x PE and 3.2x PB FY26E. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Retail Sales	MoM		10-Feb-26
Employment Report	MoM		11-Feb-26
Initial Jobless Claims	WoW		12-Feb-26
Existing Home Sales	MoM		12-Feb-26
CPI	MoM		13-Feb-26
Durable Goods Orders	MoM		18-Feb-26
Housing Starts / Building Permits	MoM		18-Feb-26
Industrial Production	MoM		18-Feb-26
Trade Balance	MoM		19-Feb-26
Wholesale Inventories	MoM		19-Feb-26
Personal Income & Spending	MoM		20-Feb-26
GDP	QoQ		20-Feb-26
Factory Orders	MoM		23-Feb-26
Consumer Confidence	MoM		24-Feb-26
PPI	MoM		27-Feb-26
ISM Manufacturing PMI	MoM		2-Mar-26
New home Sales	MoM		20-Feb-26
Business Inventories	MoM		10-Feb-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		10-Feb-26
PPI	MoM		11-Feb-26
CPI	MoM		11-Feb-26
PMI Manufacturing	MoM		4-Mar-26
Foreign Exchange Reserves	QoQ		7-Mar-26
Trade Balance	MoM		14-Apr-26
Retail Sales	MoM		16-Apr-26
Industrial Production	MoM		16-Apr-26
GDP	YoY		16-Apr-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Unemployment Rate	MoM		20-Feb-26
CPI	MoM		25-Feb-26
GDP	QoQ		25-Feb-26
Trade Balance	MoM		27-Feb-26
Money Supply - M2	MoM		27-Feb-26
Retail Sales	MoM		4-Mar-26
PMI	MoM		4-Mar-26
Foreign Currency Reserve	MoM		6-Mar-26
Producer Prices Index	QoQ		13-Mar-26
Industrial Production	QoQ		13-Mar-26
Composite Interest Rate	MoM		

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