

# China Technology Sector

## Apple FY2Q23 beat on strong iPhone and EM; Positive on resilient performance amid headwinds

Apple reported FY2Q23 (CY1Q23) with EPS of US\$1.53 (-1% YoY) and revenue of US\$94.8bn (-3% YoY), which are 7% and 2% above consensus, mainly driven by strong iPhone sales in emerging markets and record revenue from Service, partially offset by FX headwinds and weak macro on Mac/iPad sales. Looking into FY3Q23E, mgmt. expects revenue to perform similarly to FY2Q23 with macro/FX pressure. Given resilient outlook and iPhone's share gain during industry downcycle, we remain positive on Apple supply chain over Android camp in 2H23E with upcoming catalysts from MR device launch in WWDC in June. Reiterate BUY on FIT Hon Teng/ Luxshare for expanding share with Apple and rising exposure to non-smartphone components, and maintain HOLD on BYDE/Sunny Optical for high Android exposure and fair valuation.

- **Better-than-feared iPhone and Service offset by weak Mac/iPad.** iPhone/iPad/Mac/Wearables/Service segments recorded US\$ 51.3bn/6.7bn/7.2bn/8.8bn/20.9bn, +2%/-13%/-31%/-1%/+6% YoY, respectively. Better-than-expected iPhone sales was mainly due to strong shipment in emerging markets such as India, South Asia, Latin America and Middle East. IDC reported 1Q23 global smartphone shipment of -14.6% YoY, while iPhone outperformed the market with only -2.3% YoY and market share increased to 20.5% (vs. 18.0% in 1Q22). Mac/iPad sales decreased double-digit YoY impacted by global macro weakness and FX headwinds, while service segment was resilient with 6% YoY thanks to strong China/America/EU markets and newly introduced Apple Pay Later/Cards.
- **Near-term outlook remains mixed; India becomes the next bright spot.** Mgmt. guided revenue to perform similarly next quarter (-3% YoY), slightly below market expectations, while GPM will come in at 44.0-44.5%, above market expectation of 43.8%. Despite FX headwinds in FY3Q23, Apple expected to deliver resilient performance amid weak consumer sentiment and challenging macro outlook. In addition, mgmt. is positive on share gain potential from expanding middle class in India, and Apple opened first two Apple Stores in India in Mumbai and Delhi.
- **Stay selective and favour Apple/non-smartphone plays.** Despite China demand recovery since reopening, consumer electronics market outlook remains uncertain given macro headwinds. We stay selective on technology stocks amid macro uncertainties and inventory correction. We reiterate BUY on FIT Hon Teng/ Luxshare for Apple's share gain and rising non-smartphone exposure (e.g. automotive), and maintain HOLD on BYDE/ Sunny Optical for high Android exposure and fair valuation.

### Valuation Table

| Name          | Ticker    | Rating | Mkt Cap<br>(USD mn) | Price<br>(LC) | TP<br>(LC) | Up/Down<br>-side | P/E (x)<br>FY23E FY24E | P/B (x)<br>FY23E FY24E | ROE  |
|---------------|-----------|--------|---------------------|---------------|------------|------------------|------------------------|------------------------|------|
| Luxshare      | 002475 CH | BUY    | 26,666              | 25.84         | 48.0       | 86%              | 17.1 13.9              | 1.8 1.7                | 17.8 |
| FIT Hon Teng  | 6088 HK   | BUY    | 1,384               | 1.49          | 2.3        | 54%              | 9.2 7.1                | 0.5 0.5                | 5.6  |
| Q-Tech        | 1478 HK   | BUY    | 549                 | 3.64          | 5.2        | 43%              | 7.6 5.6                | 0.7 0.7                | 9.8  |
| AAC Tech      | 2018 HK   | HOLD   | 2,550               | 16.70         | 15.6       | -7%              | 15.3 13.7              | 0.8 0.8                | 5.2  |
| Sunny Optical | 2382 HK   | HOLD   | 11,258              | 80.55         | 86.8       | 8%               | 24.6 21.3              | 3.3 3.3                | 13.4 |
| BYDE          | 285 HK    | HOLD   | 6,704               | 23.35         | 24.5       | 5%               | 16.0 13.1              | 1.7 1.7                | 10.4 |

Source: Company data, CMBIGM estimates

**OUTPERFORM  
(Maintain)**

### China Technology Sector

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1. BYDE (285 HK) – 1Q23 beat on better GPM; Maintain HOLD on fair valuation – 3 May ([link](#))
2. Luxshare (002475 CH) – Resilient FY22/1H23 despite industry headwinds – 2 May ([link](#))
3. FIT Hon Teng (6088 HK) – 1Q23 dragged by higher investment and macro headwinds; Maintain BUY on 2H recovery – 25 Apr ([link](#))
4. Sunny Optical (2382 HK) – NDR takeaways: a bumpy 1H23 ahead; Auto/VR/ AR business to drive long-term growth – 28 Mar ([link](#))
5. Xiaomi (1810 HK) – 4Q22 better than feared; All eyes on profitability recovery in 2023 – 27 Mar ([link](#))

## Focus Charts

Figure 1: Apple's FY2Q23 (CY1Q23) results review

| Apple Inc (AAPL US)             | Actual |        |        | Consensus |          |
|---------------------------------|--------|--------|--------|-----------|----------|
| US\$ bn                         | FY2Q23 | FY2Q22 | YoY %  | FY2Q23E   | Diff (%) |
| Revenue                         | 94.8   | 97.3   | -3%    | 92.6      | 2%       |
| EPS (cent US\$)                 | 1.53   | 1.54   | -1%    | 1.43      | 7%       |
| GPM                             | 44.3%  | 43.7%  | 0.5ppt | 44.1%     | 0.1ppt   |
| Product                         | 73.9   | 77.5   | -5%    | 71.9      | 3%       |
| iPhone                          | 51.3   | 50.6   | 2%     | 49.0      | 5%       |
| iPad                            | 6.7    | 7.6    | -13%   | 6.7       | 0%       |
| Mac                             | 7.2    | 10.4   | -31%   | 7.7       | -7%      |
| Wearables, Home and Accessories | 8.8    | 8.8    | -1%    | 8.5       | 3%       |
| Services                        | 20.9   | 19.8   | 5%     | 21.1      | -1%      |

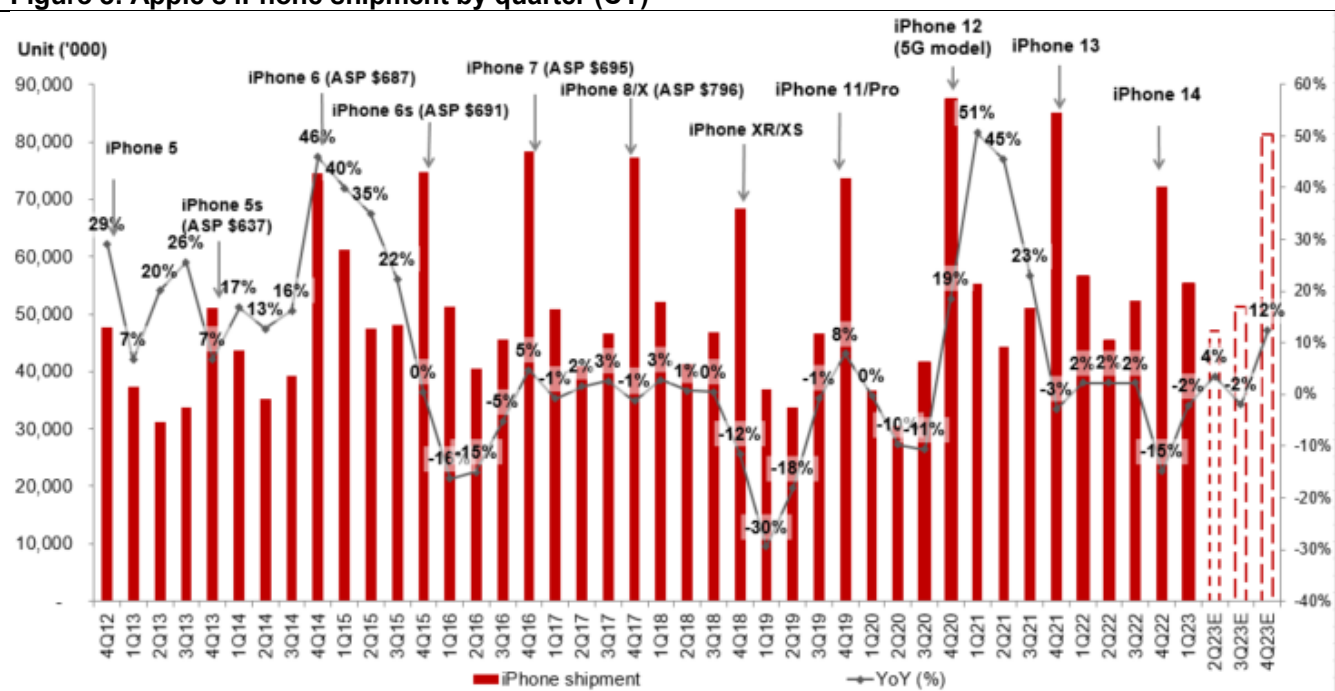
Source: Bloomberg, Company data, CMBIGM

Figure 2: Supply chain mapping and sales mix exposure (2022)

| Company       | Ticker    | Apple | Huawei | Samsung | Other CN brands | Others | Major Products  |
|---------------|-----------|-------|--------|---------|-----------------|--------|---|
| AAC Tech      | 2018 HK   | 45%   | 5%     | 25%     | 20%             | 5%     | Acoustics, haptics, optics, casing                    |
| FIT Hon Teng  | 6088 HK   | 40%   | 3%     |         |                 | 57%    | Connector, wireless charging, accessories             |
| Sunny Optical | 2382 HK   | 2%    | 5%     | 15%     | 63%             | 15%    | Camera module, handset lens sets, auto lens/module    |
| BYDE          | 285 HK    | 40%   | 5%     | 10%     | 30%             | 15%    | Metal/glass/plastics casing, ODM/OEM, e-cigarette     |
| Tongda        | 698 HK    | 20%   | 5%     | 10%     | 35%             | 25%    | Metal/plastic casing, waterproof                      |
| Q-Tech        | 1478 HK   |       | 5%     |         | 85%             | 15%    | Cam module/lens, fingerprint modules, auto cam module |
| TK Group      | 2283 HK   | 10%   |        |         |                 | 90%    | Plastic molding, plastic precision                    |
| Truly         | 732 HK    |       |        | 3%      | 62%             | 35%    | Camera modules, fingerprint, display modules          |
| Cowell        | 1415 HK   | 90%   |        | 5%      |                 | 5%     | Camera Module   |
| Luxshare      | 002475 CN | 60%   | 10%    | 3%      |                 | 27%    | Wireless, iPhone/AirPods/Watch OEM, acoustics/haptics |
| Goertek       | 002241 CN | 45%   | 5%     | 10%     | 15%             | 25%    | Acoustics, AirPods, Watch, AR/VR, Wearables           |
| Sunway        | 300136 CH | 45%   | 5%     | 10%     | 30%             | 10%    | Antenna, wireless charging, connector, RF             |
| Lens Tech     | 300433 CN | 50%   | 5%     | 10%     | 20%             | 15%    | Glass/metal casing, EMS                               |

Source: Company data, CMBIGM estimates

Figure 3: Apple's iPhone shipment by quarter (CY)



Source: Company data, CMBIGM

Figure 4: Peers Comparison

| Company                  | Ticker    | Rating | Mkt Cap<br>(US\$ mn) | Price<br>(LC) | TP<br>(LC) | Up/Down<br>-side | P/E (x) |       | P/B (x) |       | ROE (%) |       |
|--------------------------|-----------|--------|----------------------|---------------|------------|------------------|---------|-------|---------|-------|---------|-------|
|                          |           |        |                      |               |            |                  | FY23E   | FY24E | FY23E   | FY24E | FY23E   | FY24E |
| <b>Optics</b>            |           |        |                      |               |            |                  |         |       |         |       |         |       |
| Sunny Optical            | 2382 HK   | Hold   | 11,258               | 80.55         | 86.8       | 8%               | 24.6    | 21.3  | 3.3     | 3.0   | 13.4    | 14.1  |
| Q Tech                   | 1478 HK   | Buy    | 549                  | 3.64          | 5.2        | 43%              | 7.6     | 5.6   | 0.7     | 0.7   | 9.8     | 12.0  |
| Truly                    | 732 HK    | NR     | 391                  | 0.97          | NA         | NA               | -       | -     | -       | -     | -       | -     |
| Cowell                   | 1415 HK   | NR     | 1,618                | 15.04         | NA         | NA               | 16.0    | 11.1  | 3.6     | 2.7   | 23.6    | 26.7  |
| Largan                   | 3008 TT   | NR     | 8,596                | 1975          | NA         | NA               | 15.5    | 14.1  | 1.6     | 1.5   | 11.0    | 11.2  |
| Genius                   | 3406 TT   | NR     | 1,403                | 382           | NA         | NA               | 15.4    | 15.4  | 2.0     | 1.9   | 13.9    | 13.5  |
| Primax                   | 4915 TT   | NR     | 936                  | 62.50         | NA         | NA               | 10.1    | 9.3   | 1.7     | 1.6   | 16.0    | 16.4  |
| Lite-On                  | 2301 TT   | NR     | 5,870                | 76.20         | NA         | NA               | 13.0    | 11.1  | 2.1     | 2.0   | 16.6    | 19.0  |
| O-Film                   | 002456 CH | NR     | 2,221                | 4.71          | NA         | NA               | -       | 78.5  | 3.5     | 3.2   | (13.2)  | 0.8   |
| Samsung Elec             | 009150 KS | NR     | 7,802                | 137700        | NA         | NA               | 15.3    | 10.7  | 1.3     | 1.2   | 9.0     | 11.6  |
| Lg Innotek               | 011070 KS | NR     | 4,659                | 259500        | NA         | NA               | 8.4     | 6.4   | 1.3     | 1.1   | 16.2    | 18.1  |
| Partron                  | 091700 KS | NR     | 363                  | 8130          | NA         | NA               | 8.7     | 8.1   | 0.9     | 0.8   | 10.7    | 10.4  |
| Average                  |           |        |                      |               |            |                  | 13.4    | 17.4  | 2.0     | 1.8   | 11.5    | 14.0  |
| <b>Acoustics/Haptics</b> |           |        |                      |               |            |                  |         |       |         |       |         |       |
| AAC Tech                 | 2018 HK   | Hold   | 2,550                | 16.70         | 15.6       | -7%              | 15.3    | 13.7  | 0.8     | 0.8   | 5.2     | 5.7   |
| Goertek                  | 002241 CH | Buy    | 8,718                | 17.61         | *44.7      | NA               | 8.9     | 11.6  | 1.6     | 1.6   | 17.8    | 13.4  |
| Luxshare                 | 002475 CH | Buy    | 26,666               | 25.84         | 48.0       | 86%              | 17.1    | 13.9  | 1.8     | 1.6   | 10.5    | 11.4  |
| Sunway                   | 300136 CH | NR     | 2,554                | 18.24         | NA         | NA               | 17.6    | 14.2  | 2.3     | 2.0   | 13.6    | 14.8  |
| Merry                    | 2439 TT   | NR     | 611                  | 86            | NA         | NA               | 14.9    | 11.5  | 1.4     | 1.3   | 10.4    | 11.9  |
| Knowles                  | KN US     | NR     | 1,476                | 16.16         | NA         | NA               | 15.8    | 12.2  | -       | -     | -       | -     |
| Nidec                    | 6594 JP   | NR     | 30,162               | 6812          | NA         | NA               | 49.0    | 24.3  | 3.0     | 2.7   | 7.0     | 11.6  |
| Alps Alpine              | 6770 JP   | NR     | 1,915                | 1176          | NA         | NA               | 9.9     | 8.9   | 0.6     | 0.6   | 6.2     | 6.7   |
| Average                  |           |        |                      |               |            |                  | 18.6    | 13.8  | 1.6     | 1.5   | 10.1    | 10.8  |
| <b>Connector</b>         |           |        |                      |               |            |                  |         |       |         |       |         |       |
| FIT Hon Teng             | 6088 HK   | Buy    | 1,384                | 1.49          | 2.3        | 54%              | 9.2     | 7.1   | 0.5     | 0.5   | 5.6     | 7.1   |
| Luxshare                 | 002475 CH | Buy    | 26,666               | 25.84         | 48.0       | 86%              | 17.1    | 13.9  | 1.8     | 1.6   | 10.5    | 11.4  |
| TE                       | TEL US    | NR     | 38,702               | 122.82        | NA         | NA               | 18.7    | 16.3  | 3.4     | 3.1   | 18.5    | 19.9  |
| Amphenol                 | APH US    | NR     | 44,839               | 75.32         | NA         | NA               | 25.7    | 23.3  | 5.7     | 5.1   | 24.8    | 24.7  |
| Average                  |           |        |                      |               |            |                  | 17.7    | 15.2  | 2.9     | 2.6   | 14.9    | 15.8  |
| <b>EMS/OEM</b>           |           |        |                      |               |            |                  |         |       |         |       |         |       |
| BYDE                     | 285 HK    | Hold   | 6,704                | 23.35         | 24.5       | 5%               | 16.0    | 13.1  | 1.7     | 1.5   | 10.4    | 11.4  |
| Luxshare                 | 002475 CH | Buy    | 26,666               | 25.84         | 48.0       | 86%              | 17.1    | 13.9  | 1.8     | 1.6   | 10.5    | 11.4  |
| Hon Hai Precision        | 2317 TT   | NR     | 47,470               | 105.00        | NA         | NA               | 9.9     | 8.7   | 0.9     | 0.8   | 9.8     | 10.7  |
| Pegatron                 | 4938 TT   | NR     | 6,097                | 70.10         | NA         | NA               | 11.0    | 10.1  | 1.0     | 0.9   | 8.5     | 8.9   |
| Wistron                  | 3231 TT   | NR     | 4,649                | 49.15         | NA         | NA               | 13.7    | 11.3  | 1.3     | 1.2   | 8.6     | 10.9  |
| Average                  |           |        |                      |               |            |                  | 29.0    | 20.9  | 6.6     | 5.0   | 13.6    | 19.9  |
| <b>Casing</b>            |           |        |                      |               |            |                  |         |       |         |       |         |       |
| BYDE                     | 285 HK    | Hold   | 6,704                | 23.35         | 24.5       | 5%               | 16.0    | 13.1  | 1.7     | 1.5   | 10.4    | 11.4  |
| Tongda                   | 698 HK    | Buy    | 128                  | 0.10          | 0.2        | 94%              | 2.9     | 2.6   | 0.1     | 0.1   | 2.9     | 4.7   |
| TK Group                 | 2283 HK   | Buy    | 179                  | 1.69          | 3.4        | 100%             | 3.3     | 4.3   | 0.7     | 0.7   | 20.7    | 17.8  |
| Ju Teng                  | 3336 HK   | NR     | 196                  | 1.28          | NA         | NA               | -       | -     | -       | -     | -       | -     |
| Everwin                  | 300115 CH | NR     | 1,987                | 11.43         | NA         | NA               | 23.5    | 13.1  | 2.2     | 1.9   | 9.5     | 15.1  |
| Lens Tech                | 300433 CH | NR     | 8,256                | 11.47         | NA         | NA               | 16.3    | 12.6  | 1.2     | 1.1   | 7.6     | 9.2   |
| Chaozhou Three           | 300408 CH | NR     | 8,183                | 29.50         | NA         | NA               | 27.0    | 20.1  | 3.0     | 2.7   | 11.3    | 13.7  |
| Catcher                  | 2474 TT   | NR     | 4,038                | 182.0         | NA         | NA               | 20.2    | 16.6  | 0.8     | 0.8   | 4.0     | 4.5   |
| Jabil                    | JBL US    | NR     | 10,265               | 77.37         | NA         | NA               | 9.2     | 8.5   | 3.4     | 2.8   | 40.8    | 36.3  |
| Average                  |           |        |                      |               |            |                  | 14.8    | 11.4  | 1.6     | 1.5   | 13.4    | 14.1  |

Source: Bloomberg, CMBIGM estimates, \* TP under review

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