6 Nov 2026

CMB International Global Markets | Equity Research | Company Update

Hua Hong Grace (1347 HK)

Strong 3Q26 earnings; Upgrade to BUY on resilient pricing and capacity growth into 2027E

BUY (Up)

Target Price	**HK$104.00**
(Previous TP	HK$97.00)
Up/Downside	**54.5%**
Current Price	**HK$67.30**

Hua Hong delivered strong 3Q26 results, with revenue and GPM of its existing business exceeding guidance. Consolidated revenue (incl. Huali Micro acquisition) reached US$987mn (+19.9% YoY/9.9% QoQ), while GPM expanded 4.7ppt QoQ to 24.6%. Net profit rose 77.7% QoQ to US$123.4mn. The 4Q26 guidance points to further growth, supported by Fab 9A capacity additions and the continued realization of earlier price increases. With utilization remaining above 100%, the key earnings drivers are pricing, product mix and the pace of new capacity deployment. **Upgrade from Hold to BUY as Huali's contribution and sustained pricing power strengthen the earnings outlook, with TP adjusted to HK$104, on the same 3.5x 2027E P/B.**

- **AI is broadening demand for specialty processes.** Mgmt. estimated that over 50% of its products serve AI-related applications across power management, MCU and imaging, indicating exposure beyond the traditional computing classification. Improving industrial and automotive demand also supported shipment growth of 4.0% QoQ. MCU and flash led growth, with embedded and standalone non-volatile memory revenue rising 42.5% and 28.2% YoY, respectively. Huali strengthens overall profitability as its US$183.7mn revenue contribution carried a >40% GPM, lifting overall GPM by approx. 4.7ppt after consolidating Huali.
- **Capacity execution now matters more than utilization.** Monthly capacity increased 7.3% QoQ to 636k 8-inch-equivalent wafers, while utilization remained above full loading at 102.9%. This leaves limited scope for utilization-led growth, making Fab 9A's output ramp the main volume driver in 4Q26. Fab 9B provides the next expansion leg in 2027, with much of next year's additions already allocated to customers, per mgmt.. We estimate that the ASP of 8-inch equivalent wafers in 3Q26 increased by 13.9% YoY/10.7% QoQ as pricing hikes flowed through.
- **Pricing and capacity ramp-up to support further earnings growth; upgrade to BUY with TP adjusted to HK$104.** Mgmt. guided 4Q26 revenue growth of 9.4–10.4% QoQ and GPM of 25–26%, driven by Fab 9A output and earlier price increases flowing through. For 2027, ASP is expected to increase by 10–15% and GPM could be around 25%, per mgmt.. We raise our revenue forecast by 10%/20% and GPM forecast by 3.9/4.9ppt in FY26/27E on sustained utilization rate, higher-than-expected price hikes, and enhanced product mix. **Risks** include weaker demand, slower capacity ramp-up, intensified competition, etc.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	2,004	2,402	3,447	4,608	5,034
YoY growth (%)	(12.3)	19.9	43.5	33.7	9.3
Gross margin (%)	10.2	11.8	21.0	24.7	25.1
Net profit (US$ mn)	58.1	54.9	302.2	478.0	559.1
YoY growth (%)	(79.2)	(5.6)	450.6	58.2	17.0
EPS (Reported) (US$ cents)	3.38	3.16	15.68	24.81	29.02
P/E (x)	253.8	271.5	54.7	34.6	29.6
P/B (x)	2.4	2.2	2.4	2.2	2.1

Source: Company data, Bloomberg, CMBIGM estimates

China Semiconductors

Zhimin ZHOU
(852) 3850 5268
zhouzhimin@cmbi.com.hk

Kevin ZHANG
(852) 3761 8727
kevinzhang@cmbi.com.hk

Aaron GUO
(852) 3916 3715
aaronguo@cmbi.com.hk

Stock Data

Mkt Cap (HK$ mn)	129,788.1
Avg 3 mths t/o (HK$ mn)	2,721.8
52w High/Low (HK$)	215.20/59.35
Total Issued Shares (mn)	1928.5

Source: FactSet

Shareholding Structure

Shanghai Hua Hong International	18.0%
XINXIN HK Capital	4.1%

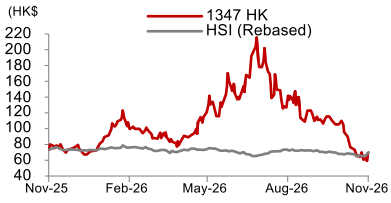
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-38.8%	-40.7%
3-mth	-52.4%	-50.3%
6-mth	-43.4%	-40.9%

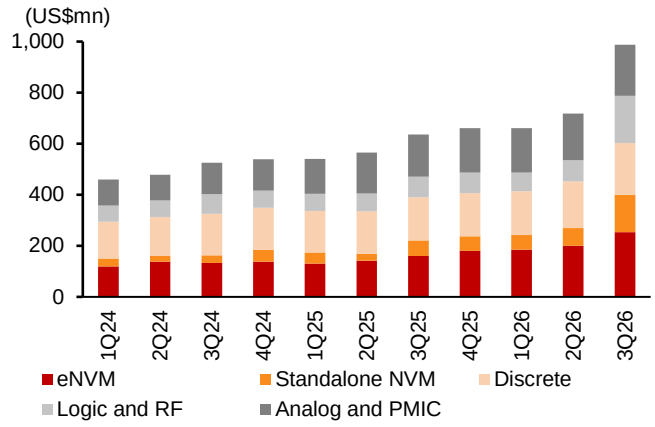
Source: FactSet

12-mth Price Performance



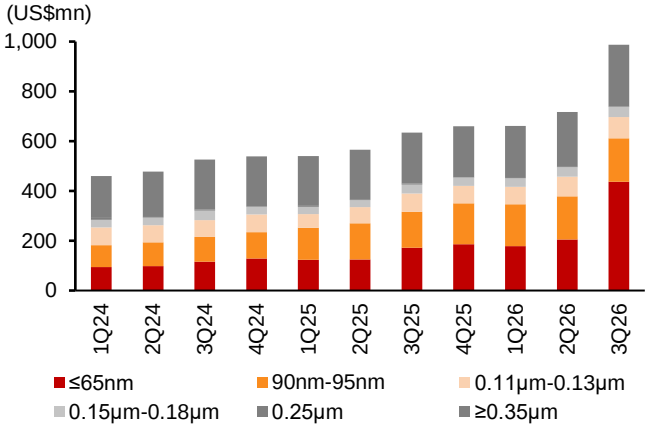
Source: FactSet

Figure 1: Revenue by product type



Source: Company data, CMBIGM

Figure 2: Revenue by technology node



Source: Company data, CMBIGM

Figure 3: Earnings revision

	New			Old			Diff (%)		
US$mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,447	4,608	5,034	3,129	3,828	4,430	10.2%	20.4%	13.6%
Gross profit	723	1,137	1,266	534	756	975	35.4%	50.3%	29.8%
Net profit	302	478	559	197	328	458	53.4%	45.7%	22.1%
BVPS (US$)	3.6	3.8	4.1	3.5	3.6	3.7	3.7%	6.0%	9.5%
Gross margin	21.0%	24.7%	25.1%	17.1%	19.7%	22.0%	3.9 ppt	4.9 ppt	3.1 ppt
Net margin	8.8%	10.4%	11.1%	6.3%	8.6%	10.3%	2.5 ppt	1.8 ppt	0.8 ppt

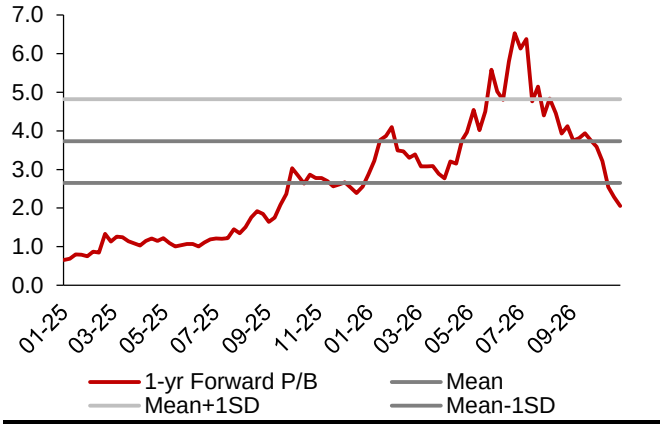
Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs. BBG consensus

	CMBI estimates			Consensus			Diff (%)		
US$mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,447	4,608	5,034	3,452	4,926	5,757	-0.1%	-6.5%	-12.6%
Gross profit	723	1,137	1,266	N/A	N/A	N/A	N/A	N/A	N/A
Net profit	302	478	559	335	652	819	-9.7%	-26.6%	-31.7%
BVPS (US$)	3.6	3.8	4.1	3.8	4.1	4.5	-4.5%	-6.9%	-10.2%
Gross margin	21.0%	24.7%	25.1%	N/A	N/A	N/A	N/A	N/A	N/A
Net margin	8.8%	10.4%	11.1%	9.7%	13.2%	14.2%	-0.9 ppt	-2.9 ppt	-3.1 ppt

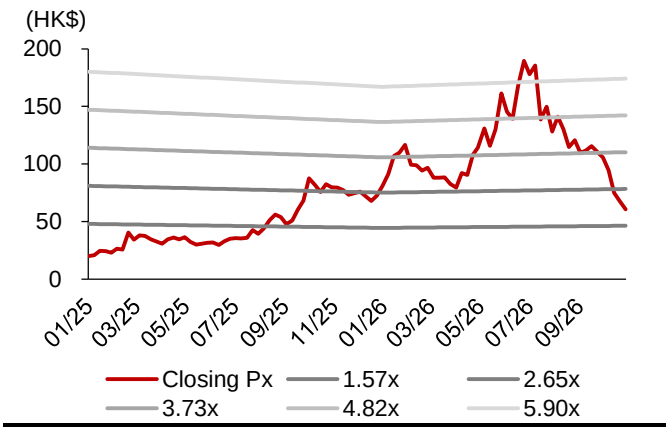
Source: Bloomberg consensus, CMBIGM estimates

Figure 5: P/B chart



Source: Company data, CMBIGM estimates

Figure 6: P/B band



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Revenue	**2,286**	**2,004**	**2,402**	**3,447**	**4,608**	**5,034**
Cost of goods sold	(1,799)	(1,799)	(2,119)	(2,725)	(3,471)	(3,769)
Gross profit	**487**	**205**	**283**	**723**	**1,137**	**1,266**
Selling expense	(10)	(10)	(11)	(13)	(18)	(15)
Admin expense	(323)	(351)	(415)	(463)	(668)	(680)
Others	0	(0)	0	(2)	0	0
Operating profit	**154**	**(156)**	**(143)**	**246**	**451**	**571**
Other income	188	178	138	107	129	131
Other expense	(77)	(63)	(18)	(0)	0	0
Gain/loss on financial assets at FVTPL	0	0	(3)	0	0	0
Share of (losses)/profits of associates/JV	9	3	4	18	24	26
Interest expense	(100)	(97)	(68)	(148)	(192)	(211)
Pre-tax profit	**174**	**(134)**	**(89)**	**222**	**412**	**517**
Income tax	(47)	(7)	(22)	(31)	(62)	(77)
After tax profit	**126**	**(140)**	**(111)**	**191**	**350**	**439**
Minority interest	(154)	(198)	(166)	(111)	(128)	(120)
Net profit	**280**	**58**	**55**	**302**	**478**	**559**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Current assets	**6,570**	**5,833**	**6,607**	**6,952**	**7,199**	**7,404**
Cash & equivalents	5,585	4,459	4,894	5,040	4,977	5,149
Restricted cash	32	32	99	115	126	133
Account receivables	279	270	282	360	397	430
Inventories	450	467	544	531	706	636
Prepayment	34	364	561	647	709	752
Other current assets	190	240	226	260	285	302
Non-current assets	**4,374**	**6,583**	**7,847**	**9,696**	**11,048**	**11,965**
PP&E	3,519	5,859	6,676	7,808	8,993	9,786
Right-of-use assets	79	78	64	60	56	52
Intangibles	50	31	36	49	71	94
Other non-current assets	726	614	1,071	1,779	1,928	2,033
Total assets	**10,943**	**12,415**	**14,454**	**16,648**	**18,246**	**19,369**
Current liabilities	**972**	**1,562**	**1,856**	**4,001**	**5,425**	**5,859**
Short-term borrowings	193	281	404	2,475	3,646	4,145
Account payables	235	298	330	267	437	327
Other current liabilities	541	978	1,119	1,255	1,339	1,383
Lease liabilities	3	5	3	3	3	3
Non-current liabilities	**1,956**	**1,946**	**3,433**	**3,403**	**3,355**	**3,724**
Long-term borrowings	1,907	1,917	2,787	2,757	2,709	3,078
Other non-current liabilities	50	29	646	646	646	646
Total liabilities	**2,929**	**3,508**	**5,290**	**7,403**	**8,780**	**9,583**
Share capital	4,934	4,938	4,987	4,987	4,987	4,987
Other reserves	1,367	1,309	1,625	1,816	2,166	2,605
Total shareholders equity	**6,301**	**6,247**	**6,613**	**6,804**	**7,154**	**7,593**
Minority interest	1,714	2,660	2,552	2,440	2,312	2,192
Total equity and liabilities	**10,943**	**12,415**	**14,454**	**16,648**	**18,246**	**19,369**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**174**	**(134)**	**(89)**	**222**	**412**	**517**
Depreciation & amortization	500	556	742	942	990	1,083
Tax paid	(72)	(57)	(38)	(31)	(62)	(77)
Change in working capital	(69)	142	15	(175)	(96)	(131)
Others	108	(47)	20	57	27	69
Net cash from operations	**642**	**459**	**650**	**1,015**	**1,271**	**1,461**
Investing						
Capital expenditure	(907)	(2,780)	(1,814)	(2,127)	(2,236)	(1,939)
Others	73	108	28	(666)	(64)	(45)
Net cash from investing	**(833)**	**(2,672)**	**(1,786)**	**(2,793)**	**(2,300)**	**(1,984)**
Financing						
Net borrowings	193	106	942	2,041	1,123	869
Proceeds from share issues	2,942	4	34	0	0	0
Others	647	1,041	523	(161)	(201)	(218)
Net cash from financing	**3,782**	**1,150**	**1,499**	**1,880**	**921**	**652**
Net change in cash						
Cash at the beginning of the year	2,009	5,585	4,459	4,894	5,040	4,977
Exchange difference	(14)	(64)	71	44	44	44
Cash at the end of the year	**5,585**	**4,459**	**4,894**	**5,040**	**4,977**	**5,149**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(7.7%)	(12.3%)	19.9%	43.5%	33.7%	9.3%
Gross profit	(42.3%)	(57.9%)	37.9%	155.5%	57.2%	11.3%
Operating profit	(72.7%)	na	na	na	83.4%	26.6%
Net profit	(37.8%)	(79.2%)	(5.6%)	450.6%	58.2%	17.0%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	21.3%	10.2%	11.8%	21.0%	24.7%	25.1%
Operating margin	6.7%	(7.8%)	(5.9%)	7.1%	9.8%	11.3%
Return on equity (ROE)	6.0%	0.9%	0.9%	4.5%	6.8%	7.6%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	6.8	3.7	3.6	1.7	1.3	1.3

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	52.6	253.8	271.5	54.7	34.6	29.6
P/B	2.3	2.4	2.2	2.4	2.2	2.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.
Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.
This report or any information contained herein, has been prepared and distributed in Hong Kong by CMBIGM under its regulatory framework for the regulated activities licensed and regulated by the Securities and Futures Commission of Hong Kong. The report is solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.
The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.
CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed, directly or indirectly, to any other person, published in whole or in part for any purpose without prior written consent of CMBIGM.
Additional information on recommended securities is available upon request. If there is any inconsistency between the Chinese and English versions of this Important Disclosure, the English version shall prevail.

For recipients of this document in the United Kingdom
This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States
CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore
This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.