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CHINA SEMIS

AI and China Semis Capacity expansion drives growth ahead; raising TP of JCET, AccoTest, and Hwatsing on higher earnings and multiples

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We are constructive on China SPE and semi material names, supported by rising advanced node capacity expansion and the generative AI trend, which should help drive the development of China's semis ecosystem. Media reported (Link) a long-term supply agreement between CXMT and Tencent on DRAM chips for servers, suggesting strong demand from local clients and mix upgrade towards high-end applications. We review the valuation framework of China SPE and semi material names (JCET / AccoTest / Hwatsing) and change the valuation methodology to 2030E discounted P/E (from near-term P/E previously) on better long-term visibility given customers' rising capex and increasing localization. Maintain Neutral on JCET, AccoTest, and Hwatsing. Read more: China SPE valuation framework reset, Global Chips Act 3.

Reported new memory agreement with CSP clients: Media reported that (Link) memory supplier CXMT has signed a multi-year supply agreement with Tencent on server DRAM chips, with a contract value of more than Rmb20bn. We view the progress of local memory and advanced logic suppliers in meeting rising demand from local CSP clients in China, driven by generative AI demand, as positive for China's semis supply chain across foundry, SPE, semi material, components, IP and design.

JCET (600584.SS, Neutral)

Earnings revision: Our 2026-27E net income estimates are revised down mainly on higher R&D expenses, as JCET is expanding its AI related chipset OSAT business, which requires more advanced processes to support the yield rate. We revise up our 2028E revenue and GM, mainly on higher revenues from advanced packaging for AI related chipsets, which carries a higher GM than other product lines. 2028E opex ratio is slightly revised up on higher R&D, resulting in a 14% increase in 2028E net income.

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Exhibit 1: Earnings revision

(Rmb mn)	2026E New	2026E Old	2026E Diff	2027E New	2027E Old	2027E Diff	2028E New	2028E Old	2028E Diff
Revenue	46,398	46,398	0%	53,869	53,869	0%	61,773	57,448	8%
Gross profit	6,769	6,769	0%	7,873	7,873	0%	9,599	8,464	13%
Operating income	2,746	3,117	-12%	3,552	3,902	-9%	4,892	4,287	14%
Net income	2,464	2,797	-12%	3,349	3,669	-9%	4,646	4,065	14%
Margins									
Gross margin	14.6%	14.6%	0ppts	14.6%	14.6%	0ppts	15.5%	14.7%	0.8ppts
Operating margin	5.9%	6.7%	-0.8ppts	6.6%	7.2%	-0.7ppts	7.9%	7.5%	0.5ppts
Net margin	5.3%	6.0%	-0.7ppts	6.2%	6.8%	-0.6ppts	7.5%	7.1%	0.4ppts

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We change the valuation methodology from near-term P/E to 2030E discounted P/E to capture long-term growth opportunities. **Our 12-month target price is Rmb125 (vs. previously at Rmb50.9)**. Our target multiple is based on the correlation between peers' P/E vs. the sum of forward year NI growth and OPM, which is 46x 2030E discounted P/E target multiple, based on the company's NI YoY at 18% and OPM at 10% in 2031E. We apply the 46x target P/E and discount it back to 2027E with a COE of 11%. Our new TP implied 2027E P/E at 67x is in line with the company's recent forward trading P/E range at ~60x. **Maintain Neutral.**

Exhibit 2: Target multiple is derived from the correlation between peers P/E and the sum of forward year earnings and OPM

	2030E P/E	2031E OPM	2031E NI YoY	Ratio
JCET	46	10%	18%	1.6
	2027E P/E	**2028E OPM**	**2028E NI YoY**	**Ratio**
Huatian	68	5%	23%	2.5
TSMC	20	58%	35%	0.2
Forehope	92	8%	38%	2.0
Amkor	35	10%	6%	2.3
ASE	29	26%	29%	0.5
Tongfu	58	7%	21%	2.1
Avg.				**1.6**

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 3: JCET discounted P/E

Rmb mn	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**29,661**	**35,962**	**38,871**	**46,398**	**53,869**	**61,773**	**69,700**	**75,489**	**81,760**
Rev YoY %	*-12%*	*21%*	*8%*	*19%*	*16%*	*15%*	*13%*	*8%*	*8%*
Gross margin	13.7%	13.1%	14.1%	14.6%	14.6%	15.5%	16.1%	16.6%	17.0%
Gross profit	4,049	4,696	5,499	6,769	7,873	9,599	11,235	12,511	13,899
Opex	**2,503**	**2,975**	**3,593**	**4,023**	**4,321**	**4,707**	**5,171**	**5,375**	**5,396**
Opex ratio	8%	8%	9%	9%	8%	8%	7%	7%	7%
OP income	**1,547**	**1,721**	**1,906**	**2,746**	**3,552**	**4,892**	**6,064**	**7,136**	**8,503**
OPM	*5%*	*5%*	*5%*	*6%*	*7%*	*8%*	*9%*	*9%*	*10%*
Non-op gains	(25)	(72)	(168)	(26)	169	270	261	296	296
Pre-tax profit	**1,522**	**1,649**	**1,738**	**2,721**	**3,721**	**5,162**	**6,325**	**7,432**	**8,799**
Net profit	**1,471**	**1,610**	**1,565**	**2,464**	**3,349**	**4,646**	**5,693**	**6,689**	**7,919**
YoY	-54%	9%	-3%	57%	36%	39%	23%	17%	18%
EPS	0.82	0.90	0.87	1.38	1.87	2.60	3.18	3.74	4.43
2030 Target P/E								46.0x	
12M target price (Rmb)					**125**				
TP implied P/E					**67**	**48**	**39**		

COE assumption	
Beta	1.20
Risk free	3.5%
Market risk premium	6.5%
COE	**11%**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: JCET 12M forward P/E



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: JCET P&L summary

(Rmb m)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2022	2023	2024	2025	2026E	2027E	2028E
Income statement															
Revenue	9,335	9,270	10,064	10,202	9,171	10,878	12,727	13,623	33,762	29,661	35,962	38,871	46,398	53,869	61,773
Gross profit	1,179	1,327	1,434	1,559	1,334	1,588	1,854	1,992	5,752	4,049	4,696	5,499	6,769	7,873	9,599
OP	354	427	508	617	413	568	835	930	3,265	1,547	1,721	1,906	2,746	3,552	4,892
EBITDA	1,363	1,437	1,518	1,627	1,423	1,770	2,037	2,132	6,929	4,992	5,261	5,944	7,555	8,493	9,978
Net income	203	267	483	611	290	446	821	907	3,231	1,471	1,610	1,565	2,464	3,349	4,646
EPS (Rmb)	0.11	0.15	0.27	0.34	0.16	0.25	0.46	0.51	1.82	0.82	0.90	0.87	1.38	1.87	2.60
Margins															
Gross margin	12.6%	14.3%	14.3%	15.3%	14.5%	14.6%	14.6%	14.6%	17.0%	13.7%	13.1%	14.1%	14.6%	14.6%	15.5%
OPM	3.8%	4.6%	5.0%	6.1%	4.5%	5.2%	6.6%	6.8%	9.7%	5.2%	4.8%	4.9%	5.9%	6.6%	7.9%
EBITDA margin	14.6%	15.5%	15.1%	15.9%	15.5%	16.3%	16.0%	15.7%	20.5%	16.8%	14.6%	15.3%	16.3%	15.8%	16.2%
Net margin	2.2%	2.9%	4.8%	6.0%	3.2%	4.1%	6.4%	6.7%	9.6%	5.0%	4.5%	4.0%	5.3%	6.2%	7.5%
Ratios															
Opex ratio	8.8%	9.7%	9.2%	9.2%	10.0%	9.4%	8.0%	7.8%	7.4%	8.4%	8.3%	9.2%	8.7%	8.0%	7.6%
Tax rate	24.6%	12.4%	20.7%	-11.1%	8.7%	10.0%	10.0%	10.0%	1.8%	3.4%	2.2%	9.7%	9.9%	10.0%	10.0%
QoQ															
Revenue	-15%	-1%	9%	1%	-10%	19%	17%	7%							
Gross profit	-20%	12%	8%	9%	-14%	19%	17%	7%							
Operating income	-29%	21%	19%	21%	-33%	37%	47%	11%							
Net income	-62%	31%	81%	27%	-53%	54%	84%	11%							
EBITDA	-11%	5%	6%	7%	-13%	24%	15%	5%							
YoY															
Revenue	36%	7%	6%	-7%	-2%	17%	26%	34%	11%	-12%	21%	8%	19%	16%	15%
Gross profit	41%	7%	24%	6%	13%	20%	29%	28%	2%	-30%	16%	17%	23%	16%	22%
Operating income	118%	-15%	-9%	24%	17%	33%	64%	51%	5%	-53%	11%	11%	44%	29%	38%
Net income	50%	-45%	6%	15%	43%	67%	70%	48%	9%	-54%	9%	-3%	57%	36%	39%
EBITDA	30%	3%	5%	18%	4%	23%	34%	31%	4%	-28%	5%	13%	27%	12%	17%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: JCET balance sheet

Rmb mn	2022	2023	2024	2025	2026E	2027E	2028E
Balance sheet							
Cash & equivalent	2,459	7,325	9,342	5,575	5,849	6,221	8,117
Net receivables	3,689	4,185	5,795	6,072	6,639	6,643	8,588
Inventory	3,152	3,196	3,792	3,811	4,441	6,145	6,720
Other current asset	4,844	2,914	3,262	4,242	2,242	1,742	1,742
Total current assets	**14,143**	**17,619**	**22,192**	**19,700**	**19,170**	**20,751**	**25,167**
Net PP&E	19,517	18,744	21,655	23,509	28,515	29,302	30,159
Net intangibles	483	663	757	776	801	823	844
Total investments	765	695	821	1,173	1,173	1,173	1,173
Other long-term assets	4,500	4,859	8,635	10,359	10,359	10,359	10,359
Total assets	**39,408**	**42,579**	**54,060**	**55,517**	**60,017**	**62,408**	**67,701**
Account payables	4,973	5,005	7,604	8,016	10,441	10,981	13,319
Short-term debt	4,269	3,187	5,534	5,101	5,101	5,101	5,101
Total current liabilities	**11,033**	**9,682**	**15,288**	**15,139**	**17,565**	**18,104**	**20,442**
Long-term debt	2,721	5,777	7,003	6,793	6,793	5,793	4,793
Total liabilities	**14,765**	**16,428**	**24,517**	**24,229**	**26,654**	**26,194**	**27,532**
Total common equity	**24,643**	**26,066**	**27,619**	**28,671**	**30,769**	**33,620**	**37,576**
Minority interest	-	86	1,924	2,617	2,594	2,594	2,594
Total Equity	**24,643**	**26,151**	**29,543**	**31,288**	**33,363**	**36,214**	**40,170**
BVPS	13.8	14.6	15.4	16.0	17.2	18.8	21.0
Cash conversion cycle							
Account receivable days	43	48	51	56	50	45	45
Inventory days	41	45	41	42	38	42	45
Account payable days	71	71	74	85	85	85	85
Cash conversion cycle	14	23	18	12	3	2	5
Ratios							
ROE (common)	14.2%	5.8%	6.0%	5.6%	8.3%	10.4%	13.1%
ROA	8.4%	3.6%	3.3%	2.9%	4.3%	5.5%	7.1%
Net debt as % of total equity	23.1%	10.7%	14.7%	23.9%	21.6%	16.1%	7.3%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: JCET cash flow statement

Rmb mn	2022	2023	2024	2025	2026E	2027E	2028E
Cash flow statement							
Net income	3,231	1,471	1,610	1,565	2,464	3,349	4,646
D&A add-back	3,664	3,445	3,540	4,038	4,808	4,941	5,085
Minorities add-back	(0)	(0)	2	5	(11)	-	-
Net(inc)/dec working capital	(281)	(507)	391	117	1,229	(1,168)	(183)
Other operating cash flow	(602)	29	291	(1,073)	1,999	500	-
Cash flow from operations	**6,012**	**4,437**	**5,834**	**4,652**	**10,489**	**7,622**	**9,549**
Capital expenditures	(3,924)	(3,128)	(4,591)	(6,298)	(9,839)	(5,751)	(5,963)
Investments	(1,571)	2,100	(214)	(1,234)	-	-	-
Others	137	30	(1,458)	(1,524)	1	-	-
Cash flow from investments	**(5,358)**	**(998)**	**(6,262)**	**(9,056)**	**(9,838)**	**(5,751)**	**(5,963)**
Dividend paid (common & pref)	(525)	(627)	(580)	(596)	(366)	(498)	(691)
Inc/(dec) in debt	(6)	1,973	3,573	(642)	-	(1,000)	(1,000)
Change in common stock	-	9	1	-	-	-	-
Other financing cash flows	(517)	56	(580)	1,970	(11)	-	-
Cash flow from financing	**(1,048)**	**1,411**	**2,414**	**732**	**(378)**	**(1,498)**	**(1,691)**
Total cash flow	**(394)**	**4,850**	**1,986**	**(3,672)**	**274**	**373**	**1,895**
Free cash flow	**2,088**	**1,308**	**1,243**	**(1,646)**	**651**	**1,871**	**3,586**
Ratio							
Capex to revenue	11.6%	10.5%	12.8%	16.2%	21.0%	10.5%	9.5%

Source: Company data, Goldman Sachs Global Investment Research

AccoTest (688200.SS, Neutral)

Earnings revision: Our 2026-28E revenues are revised up by 6% / 9% / 7%, mainly on higher contribution from AI chipset and power semi testing equipment, riding on the growing AI infrastructure trend globally. Our 2026-28E GMs are largely unchanged, while 2027-28E opex ratios are revised up on higher R&D expense, supporting product migration towards high-end AI chipset testing equipment.

Exhibit 8: Earnings revision

	2026E			2027E			2028E		
Rmb mn	New	Old	Diff(%)	New	Old	Diff(%)	New	Old	Diff(%)
Revenue	1,755	1,651	6%	2,142	1,966	9%	2,593	2,423	7%
Gross profit	1,294	1,218	6%	1,564	1,437	9%	1,888	1,762	7%
Op. income	764	704	8%	978	920	6%	1,290	1,241	4%
Net income	746	694	7%	909	860	6%	1,186	1,143	4%
Margins									
GM	73.7%	73.7%	0ppts	73.0%	73.1%	0ppts	72.8%	72.7%	0.1ppts
OPM	43.5%	42.6%	0.9ppts	45.7%	46.8%	-1.1ppts	49.8%	51.2%	-1.4ppts
NM	42.5%	42.1%	0.5ppts	42.5%	43.7%	-1.3ppts	45.7%	47.2%	-1.4ppts

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We change the valuation methodology from near-term P/E to 2030E discounted P/E to capture long-term growth opportunities. **Our 12-month target price is Rmb630 (vs. previously at Rmb239.19)**. Our target multiple is based on the correlation between peers' P/E vs. the sum of forward year NI growth and OPM, which is 64x 2030E discounted P/E target multiple, based on the company's NI YoY at 19% and OPM at 55% in 2031E. We apply the 64x target P/E and discount it back to 2027E with a COE of 11%. Our new TP implied 2027E P/E at 94x is in line with the company's recent forward trading P/E range at ~100x. **Maintain Neutral.**

Exhibit 9: Target multiple is derived from the correlation between peers P/E and the sum of forward year earnings and OPM

	2030E P/E	2031E OPM	2031E NI YoY	Ratio
Accotest	64	55%	19%	0.9
	2027E P/E	**2028E OPM**	**2028E NI YoY**	**Ratio**
Applied materials	40	36%	20%	0.7
LAM Research	51	38%	20%	0.9
TokyoElectron	34	36%	22%	0.6
KLA	57	46%	20%	0.9
Piotech	60	16%	30%	1.3
Avg.				**0.9**

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

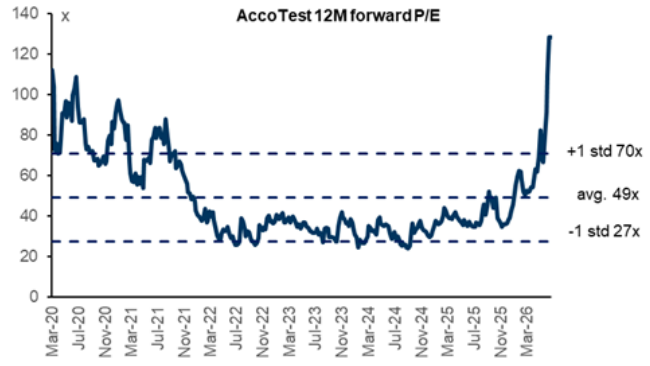
Exhibit 10: AccoTest discounted P/E

Rmb mn	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**691**	**905**	**1,346**	**1,755**	**2,142**	**2,593**	**3,137**	**3,764**	**4,480**
Rev YoY %	*-35%*	*31%*	*49%*	*30%*	*22%*	*21%*	*21%*	*20%*	*19%*
Gross margin	72.5%	73.3%	73.8%	73.7%	73.0%	72.8%	72.7%	72.6%	72.4%
Gross profit	501	664	994	1,294	1,564	1,888	2,281	2,733	3,243
Opex	**309**	**370**	**502**	**530**	**586**	**598**	**627**	**696**	**797**
Opex ratio	45%	41%	37%	30%	27%	23%	20%	19%	18%
OP income	**192**	**293**	**492**	**764**	**978**	**1,290**	**1,653**	**2,037**	**2,446**
OPM	*28%*	*32%*	*37%*	*44%*	*46%*	*50%*	*53%*	*54%*	*55%*
Non-op gains	74	68	91	82	55	65	65	65	65
Pre-tax profit	**266**	**361**	**583**	**846**	**1,033**	**1,355**	**1,718**	**2,102**	**2,511**
Net profit	**252**	**334**	**536**	**746**	**909**	**1,186**	**1,504**	**1,839**	**2,197**
YoY	-52%	33%	61%	39%	22%	30%	27%	22%	19%
EPS	1.86	1.48	3.94	5.48	6.71	8.75	11.09	13.57	16.21
2030 Target P/E								64.0x	
12M target price (Rmb)					630				
TP implied P/E					94	72	57		

COE assumption	
Beta	1.20
Risk free	3.5%
Market risk premium	6.5%
COE	**11%**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: AccoTest 12M forward P/E



Source: Refinitiv Eikon

Exhibit 12: AccoTest P&L summary

Rmb mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	198	337	405	407	272	420	512	551	1,071	691	905	1,346	1,755	2,142	2,593
Gross profit	149	250	299	296	205	309	380	400	823	501	664	994	1,294	1,564	1,888
Operating expense	(108)	(118)	(128)	(148)	(150)	(134)	(114)	(132)	(291)	(309)	(370)	(502)	(530)	(586)	(598)
Operating income	41	132	171	148	55	175	266	268	532	192	293	492	764	978	1,290
Net income	62	134	191	149	94	161	240	251	526	252	332	536	746	909	1,186
EPS	0.46	0.99	1.41	1.10	0.70	1.19	1.77	1.85	3.91	1.86	1.48	3.94	5.48	6.71	8.75
Margins / ratio															
Gross margin	75.3%	74.3%	73.8%	72.6%	75.3%	73.6%	74.1%	72.6%	76.9%	72.5%	73.3%	73.8%	73.7%	73.0%	72.8%
Opex ratio	-54.7%	-35.0%	-31.5%	-36.3%	-55.1%	-31.9%	-22.2%	-24.0%	-27.2%	-44.7%	-40.9%	-37.3%	-30.2%	-27.4%	-23.1%
Operating margin	20.6%	39.3%	42.3%	36.3%	20.2%	41.6%	51.9%	48.6%	49.7%	27.8%	32.4%	36.5%	43.5%	45.7%	49.8%
Net margin	31.3%	39.7%	47.2%	36.6%	34.7%	38.3%	46.9%	45.6%	49.2%	36.4%	36.7%	39.8%	42.5%	42.5%	45.7%
QoQ															
Revenue	-30%	70%	20%	1%	-33%	55%	22%	7%							
Gross profit	-21%	68%	19%	-1%	-31%	51%	23%	5%							
Operating income	-56%	225%	29%	-14%	-63%	219%	52%	1%							
Net income	-49%	116%	43%	-22%	-37%	71%	49%	5%							
YoY															
Revenue	44%	39%	67%	43%	38%	25%	27%	35%	22%	-35%	31%	49%	30%	22%	21%
Gross profit	45%	35%	59%	57%	38%	24%	27%	35%	17%	-39%	33%	50%	30%	21%	21%
Operating income	117%	41%	92%	61%	35%	32%	55%	81%	13%	-64%	53%	68%	55%	28%	32%
Net income	164%	50%	90%	23%	52%	20%	26%	68%	20%	-52%	32%	62%	39%	22%	30%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: AccoTest balance sheet

Rmb mn	2023	2024	2025	2026E	2027E	2028E
Balance Sheet						
Cash and equivalents	2,027	2,090	2,066	2,260	2,661	3,236
Accounts receivable	327	516	741	846	1,032	1,170
Inventory	142	177	300	434	453	550
Other current assets	146	151	288	292	292	292
Current assets	2,642	2,934	3,395	3,832	4,437	5,248
Net PP&E/Fixed assets	402	421	422	492	533	546
Net intangibles	29	27	55	81	103	124
Other long-term assets	395	426	629	629	629	629
Non-current assets	**825**	**874**	**1,106**	**1,202**	**1,265**	**1,299**
Total assets	**3,467**	**3,808**	**4,501**	**5,034**	**5,703**	**6,547**
Accounts payable	22	54	83	94	127	143
Short-term debt	2	4	7	7	7	7
Other current liabilities	86	136	214	214	214	214
Current liabilities	**110**	**194**	**304**	**315**	**349**	**364**
Long-term debt	-	0	-	-	-	-
Other long-term liabilities	24	44	109	109	109	109
Non-current liabilities	**24**	**44**	**109**	**109**	**109**	**109**
Total liabilities	**134**	**238**	**412**	**424**	**457**	**472**
Common stock	1,936	1,951	1,980	1,980	1,980	1,980
Retained earnings	1,278	1,525	1,976	2,498	3,134	3,963
Other common equity	118	95	122	122	122	122
Total common equity	**3,332**	**3,570**	**4,079**	**4,601**	**5,236**	**6,066**
Minority interest	-	-	10	9	9	9
Total equity	**3,332**	**3,570**	**4,088**	**4,610**	**5,246**	**6,075**
BVPS	24.62	26.18	30.09	33.94	38.64	44.75
Cash conversion cycle						
Account receivable days	200	170	170	165	160	155
Inventory days	317	241	247	290	280	260
Net payable days	81	58	71	70	70	70
Cash conversion cycle	436	353	346	385	370	345
Ratios						
ROE (common equity)	8%	10%	14%	17%	18%	21%
ROA	7%	9%	13%	16%	17%	19%
Net debt to total equity	-61%	-58%	-50%	-49%	-51%	-53%
Net cash per share (Rmb)	14.97	9.30	15.20	16.62	19.58	23.82
Total liabilities to total assets	4%	6%	9%	8%	8%	7%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 14: AccoTest cash flow statement

Rmb mn	2023	2024	2025	2026E	2027E	2028E
Cash flow statement						
Net income	252	331	535	744	909	1,186
Minority interest add-back	-	-	-	(1)	-	-
Depreciation and amortization add-back	22	25	27	35	37	37
(Increase)/decrease in working capital	109	(193)	(318)	(228)	(172)	(221)
Other operating cash flow items	(61)	25	60	-	-	-
Cash flow from operating	**321**	**188**	**304**	**551**	**775**	**1,002**
Capital expenditure	(25)	(31)	(66)	(131)	(101)	(71)
Other investment cash flow items	(228)	108	15	-	-	-
Cash flow from investing	**(253)**	**77**	**(51)**	**(131)**	**(101)**	**(71)**
Dividends paid	(128)	(107)	(101)	(226)	(273)	(357)
Change in common stock	45	15	30	-	-	-
Increase/(decrease) in debt	0	2	3	-	-	-
Other financing cash flow items	(20)	(32)	(30)	-	-	-
Cash flow from financing	**(103)**	**(122)**	**(100)**	**(226)**	**(273)**	**(357)**
Net change in cash	58	63	(23)	193	401	575
FCF	296	157	238	420	674	931
Ratio						
Capex to revenue	4%	3%	5%	7%	5%	3%

Source: Company data, Goldman Sachs Global Investment Research

Hwatsing (688120.SS, Neutral)

Earnings revision: Our 2026-28E revenues are revised up by 1% / 2% / 5%, mainly on higher contribution from advanced CMP equipment, riding on the rising end demandor AI chips in local market. Our 2026-28E GMs are largely unchanged, while 2026-28E opex ratios are revised down on operational efficiency improvement as revenue scales up.

Exhibit 15: Earnings revision

	2026E			2027E			2028E		
Rmb mn	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue	6,067	6,109	1%	7,700	7,841	2%	9,479	9,909	5%
GP	2,578	2,595	1%	3,278	3,340	2%	4,020	4,212	5%
OP	1,451	1,509	4%	1,932	2,046	6%	2,385	2,662	12%
Net income	1,520	1,566	3%	2,009	2,109	5%	2,366	2,614	10%
Margins									
GM	42.5%	42.5%		42.6%	42.6%		42.4%	42.5%	
OPM	23.9%	24.7%		25.1%	26.1%		25.2%	26.9%	
NM	25.1%	25.6%		26.1%	26.9%		25.0%	26.4%	

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We change the valuation methodology from near-term P/E to 2030E discounted P/E to capture the long-term growth opportunities. **Our 12-month target price is Rmb395 (vs. previously at Rmb153.36)**. Our target multiple is based the correlation between peers' P/E vs. the sum oforward year NI growth and OPM, which is 47x 2030E discounted P/E target multiple, based on the company's NI YoY at 26% and OPM at 29% in 2031E. We apply the 47x target P/E and discount it back to 2027E with a COE of 11%. Our new TP implied 2027E P/E at 66x is in line with the company's recent orward trading P/E range at ~70x. **Maintain Neutral.**

Exhibit 16: Target multiple is derived from the correlation between peers P/E and the sum of forward year earnings and OPM

	2030E P/E	2031E OPM	2031E NI YoY	Ratio
Hwatsing	47	29%	26%	0.9
	2027E P/E	**2028E OPM**	**2028E NI YoY**	**Ratio**
Applied materials	40	36%	20%	0.7
LAM Research	51	38%	20%	0.9
TokyoElectron	34	36%	22%	0.6
KLA	57	46%	20%	0.9
Piotech	60	16%	30%	1.3
Avg.				**0.9**

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

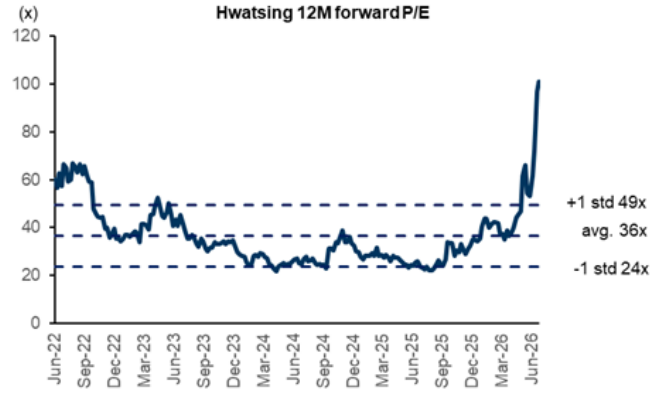
Exhibit 17: Hwatsing discounted P/E

Rmb mn	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**2,508**	**3,406**	**4,648**	**6,109**	**7,841**	**9,909**	**12,485**	**15,607**	**19,352**
Rev YoY %	*52%*	*36%*	*36%*	*31%*	*28%*	*26%*	*26%*	*25%*	*24%*
Gross margin	46.0%	43.2%	41.8%	42.5%	42.6%	42.5%	42.4%	42.3%	42.3%
Gross profit	1,154	1,472	1,944	2,595	3,340	4,212	5,294	6,602	8,186
Opex	**599**	**726**	**1,064**	**1,086**	**1,294**	**1,550**	**1,848**	**2,247**	**2,632**
Opex ratio	23.9%	21.3%	22.9%	17.8%	16.5%	15.6%	14.8%	14.4%	13.6%
OP income	**555**	**746**	**880**	**1,509**	**2,046**	**2,662**	**3,446**	**4,354**	**5,554**
OPM	*22%*	*22%*	*19%*	*25%*	*26%*	*27%*	*28%*	*28%*	*29%*
Non-op gains	235	373	318	251	324	325	325	325	325
Pre-tax profit	**790**	**1,118**	**1,198**	**1,760**	**2,369**	**2,987**	**3,771**	**4,679**	**5,879**
Net profit	**724**	**1,023**	**1,084**	**1,566**	**2,109**	**2,614**	**3,300**	**4,094**	**5,144**
YoY	44%	41%	6%	44%	35%	24%	26%	24%	26%
EPS	2.05	1.78	3.08	4.43	5.96	7.39	9.33	11.58	14.55
2030 Target P/E								47.0x	
12M target price (Rmb)					395				
TP implied P/E					66	53	42		

COE assumption	
Beta	1.20
Risk free	3.5%
Market risk premium	6.5%
COE	**11%**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 18: Hwatsing 12M forward P/E



Source: Refinitiv Eikon

Exhibit 19: Hwatsing P&L summary

Rmb m	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Revenues	912	1,037	1,244	1,454	1,201	1,311	1,649	1,946	3,406	4,648	6,109	7,841	9,909
GP	423	475	510	536	508	556	702	829	1,472	1,944	2,595	3,340	4,212
S&M expenses	39	52	58	38	54	56	36	43	122	187	189	251	317
G&A expenses	69	67	65	109	80	85	68	80	191	310	313	373	426
R&D expenses	109	135	132	161	140	105	140	165	382	537	551	627	753
OP	202	211	249	218	226	299	451	533	746	880	1,509	2,046	2,662
EBITDA	240	248	286	255	260	333	484	566	833	1,029	1,643	2,180	2,802
Non OP	58	79	71	111	69	59	59	64	373	318	251	324	325
Pretax income	260	290	319	329	295	358	510	597	1,118	1,198	1,760	2,369	2,987
Net income	233	272	286	292	247	322	459	537	1,023	1,084	1,566	2,109	2,614
EPS (Rmb)	0.67	0.77	0.81	0.83	0.70	0.91	1.30	1.52	1.78	3.08	4.43	5.96	7.39
Margins													
GM	46.4%	45.8%	41.0%	36.8%	42.3%	42.4%	42.6%	42.6%	43.2%	41.8%	42.5%	42.6%	42.5%
OPM	22.2%	20.4%	20.0%	15.0%	18.8%	22.8%	27.3%	27.4%	21.9%	18.9%	24.7%	26.1%	26.9%
EBITDA margin	26.3%	24.0%	23.0%	17.5%	21.6%	25.4%	29.4%	29.1%	24.5%	22.1%	26.9%	27.8%	28.3%
NM	25.6%	26.2%	23.0%	20.1%	20.6%	24.6%	27.8%	27.6%	30.0%	23.3%	25.6%	26.9%	26.4%
YoY													
Revenues	34%	27%	30%	52%	32%	26%	33%	34%	36%	36%	31%	28%	26%
GP	30%	30%	18%	54%	20%	17%	38%	55%	28%	32%	34%	29%	26%
OP	26%	20%	6%	26%	12%	42%	81%	145%	34%	18%	72%	36%	30%
Net income	15%	18%	-1%	-3%	6%	18%	60%	84%	41%	6%	44%	35%	24%
QoQ													
Revenues	-4%	14%	20%	17%	-17%	9%	26%	18%					
GP	21%	12%	7%	5%	-5%	9%	26%	18%					
OP	17%	4%	18%	-12%	4%	32%	51%	18%					
Net income	-23%	17%	5%	2%	-15%	30%	42%	17%					

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 20: Hwatsing balance sheet

Rmb mn	2023	2024	2025	2026E	2027E	2028E
Balance sheet						
Cash & equivalent	2,565	2,761	2,036	3,126	3,686	5,406
Net receivables	477	681	972	1,002	1,232	1,483
Inventory	2,415	3,268	3,989	5,058	6,287	7,759
Other current asset	2,228	2,122	3,012	3,012	3,012	3,012
Total current assets	**7,685**	**8,832**	**10,009**	**12,199**	**14,217**	**17,660**
Net PP&E	693	965	1,535	1,719	1,843	1,921
Net intangibles	68	228	210	184	161	140
Total investments	131	224	356	356	356	356
Other long-term assets	540	1,502	1,029	1,029	1,029	1,029
Total assets	**9,117**	**11,751**	**13,139**	**15,487**	**17,605**	**21,107**
Account payables	694	1,043	1,559	2,483	2,696	3,859
Short-term debt	478	1,166	1,008	1,008	1,008	1,008
Total current liabilities	**2,635**	**4,186**	**4,749**	**5,735**	**6,019**	**7,247**
Long-term debt	473	361	234	234	234	234
Total liabilities	**964**	**1,085**	**931**	**931**	**931**	**931**
Total common equity	**5,518**	**6,473**	**7,458**	**8,820**	**10,655**	**12,928**
Minority interest	-	7	-	-	-	-
Total Equity	**5,518**	**6,480**	**7,458**	**8,820**	**10,655**	**12,928**
BVPS	15.6	11.3	21.2	24.9	30.1	36.6
Cash conversion cycle						
Account receivable days	66	62	65	59	52	50
Inventory days	644	536	490	470	460	450
Account payable days	201	164	176	210	210	210
Cash conversion cycle	509	434	379	319	302	290
Ratios						
ROE (common)	14.0%	17.1%	15.6%	19.2%	21.7%	22.2%
ROA	8.5%	9.8%	8.7%	10.9%	12.7%	13.5%
Net debt as % of total equity	-29.3%	-19.1%	-10.6%	-21.4%	-22.9%	-32.2%

Source: Company data, Goldman Sachs Global Investment Research

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Exhibit 21: Hwatsing cash flow statement

Rmb mn	2023	2024	2025	2026E	2027E	2028E
Cash flow statement						
Net income	724	1,023	1,084	1,566	2,109	2,614
D&A add-back	71	88	149	134	135	140
Minorities add-back	-	-	(0)	-	-	-
Net(inc)/dec working capital	(203)	(707)	(496)	(176)	(1,244)	(562)
Other operating cash flow	61	751	63	-	-	-
Cash flow from operations	**653**	**1,155**	**800**	**1,523**	**999**	**2,192**
Capital expenditures	(340)	(322)	(222)	(292)	(235)	(198)
Investments	(131)	(92)	(132)	-	-	-
Others	(108)	(178)	(851)	-	-	-
Cash flow from investments	**(579)**	**(592)**	**(1,205)**	**(292)**	**(235)**	**(198)**
Dividend paid (common & pref)	(63)	(100)	(139)	(141)	(204)	(275)
Inc/(dec) in debt	507	576	(285)	-	-	-
Change in common stock	52	78	117	-	-	-
Other financing cash flows	2,878	(133)	(82)	(191)	63	71
Cash flow from financing	**3,374**	**421**	**(389)**	**(332)**	**(141)**	**(204)**
Total cash flow	**1,440**	**507**	**196**	**(725)**	**1,090**	**560**
Free cash flow	**(150)**	**313**	**833**	**578**	**1,231**	**764**
Ratio						
Capex to revenue	10.6%	13.5%	9.4%	4.8%	4.8%	3.0%

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We are Neutral-rated on Hwatsing with a 12-month target price of Rmb395, which is based on 47x 2030E discounted P/E (discounted back to 2027E). Our target P/E is derived from correlation between peers P/E to the sum of NI YoY and OPM.

Key Risks: Stronger-/Weaker-than-expected semi capex expansion; Faster-/Slower-than-expected SPE order gains from semiconductor clients; Faster-/Slower-than-expected new product expansion.

Price Target Risks and Methodology - AccoTest

Valuation: We are Neutral-rated on AccoTest with a 12-month target price of Rmb630, which is based on 64x 2030E discounted P/E (discounted back to 2027E). Our target P/E is derived from correlation between peers P/E to the sum of NI YoY and OPM.

Upside / Downside risks: Higher / lower than expected China WFE capex; Higher / lower than expected SPE localization rate; Stronger / milder than expected market competition

Price Target Risks and Methodology - JCET

Valuation: We are Neutral-rated on JCET with a 12-month target price of Rmb125, which is based on 46x 2030E discounted P/E (discounted back to 2027E). Our target P/E is derived from correlation between peers P/E to the sum of NI YoY and OPM.

Key upside risks: Faster-/slower-than-expected semis capex expansion in China; Faster-/slower-than-expected technology development; Faster-/slower-than-expected shipments ramp up of advanced packaging.

Disclosure Appendix

Reg AC

We, Allen Chang, Verena Jeng and Yifan Hu, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

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Company-specific regulatory disclosures

The following disclosures relate to relationships between The Goldman Sachs Group, Inc. (with its affiliates, "Goldman Sachs") and companies covered by Goldman Sachs Global Investment Research and referred to in this research.

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Goldman Sachs had an investment banking services client relationship during the past 12 months with: JCET (Rmb106.64)

There are no company-specific disclosures for: AccoTest (Rmb529.85) and Hwatsing (Rmb330.00)

Distribution of ratings/investment banking relationships

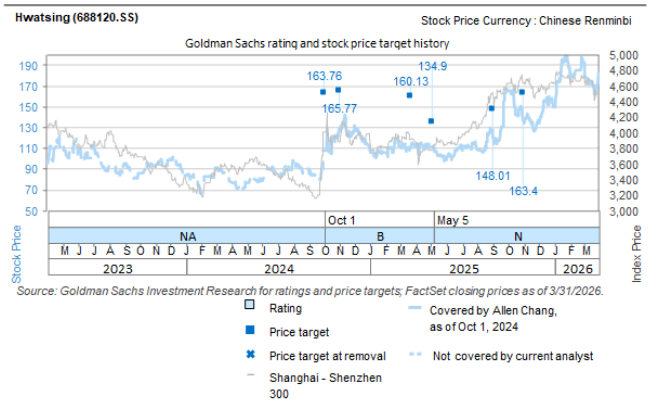
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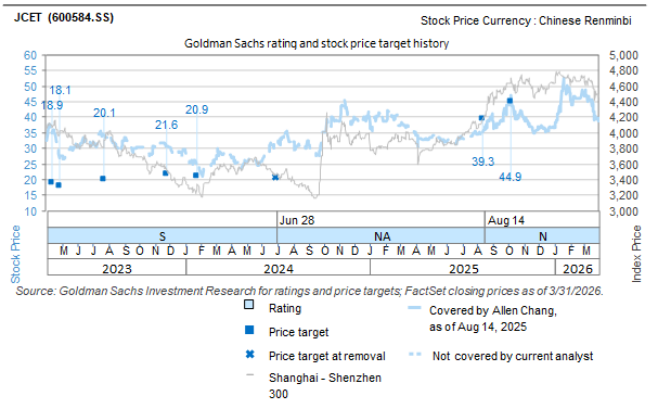
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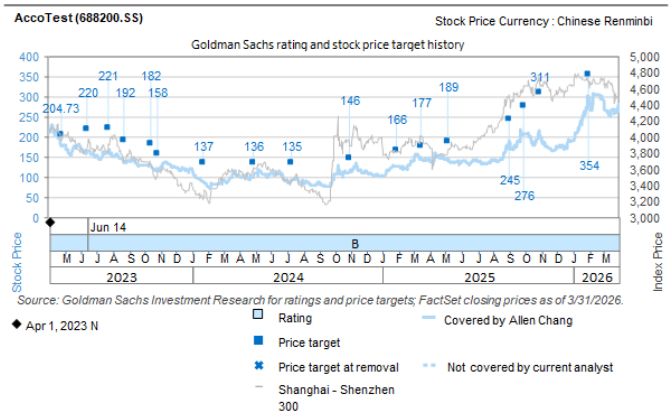
Price target and rating history chart(s)



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.



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Target price history table(s)

Hwatsing (688120.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
22-May-26	214.70	197.34
24-Apr-26	187.30	131.02
01-Nov-25	163.40	98.10
02-Sep-25	148.01	86.07
05-May-25	201.00	79.22
24-Mar-25	238.60	81.45
31-Oct-24	247.00	92.04
02-Oct-24	244.00	77.60

JCET (600584.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
24-May-26	50.90	72.88
07-Oct-25	44.90	44.09
14-Aug-25	39.30	35.28
24-Jan-24	20.90	24.51
26-Nov-23	21.60	30.76
25-Jul-23	20.10	34.16

AccoTest (688200.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
02-Feb-26	354.00	190.25
30-Oct-25	311.00	140.62
01-Oct-25	276.00	140.74
01-Sep-25	245.00	128.37
06-May-25	189.00	98.53
16-Mar-25	177.00	100.15
27-Jan-25	166.00	85.14
29-Oct-24	146.00	76.01

Date of report	Target price (Rmb)	Closing price (Rmb)
11-Jul-24	135.00	62.79
29-Apr-24	136.00	71.15
23-Jan-24	137.00	59.94
27-Oct-23	158.00	81.59
14-Oct-23	182.00	87.55
24-Aug-23	192.00	92.48
25-Jul-23	221.00	111.71

Price targets shown in table(s) are unadjusted for corporate actions.

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