



CEO Conversations 53: An Interview with Dr. Eric Chuang, Vice President and General Director of the Biomedical Technology and Device Research Laboratories of the Industrial Technology Research Institute (ITRI)

In the rapidly evolving landscape of biotechnology, Taiwan stands at the forefront, leveraging its strengths in ICT and healthcare to push the boundaries of smart and precision medicine. In this edition, we are honored to present an exclusive interview with Dr. Eric Chuang, Vice President of the Industrial Technology Research Institute (ITRI), Taiwan's leading research organization. Dr. Chuang, a Harvard-trained cancer biologist, has been a driving force behind integrating cutting-edge ICT innovations with biomedical research to enhance Taiwan's healthcare system.

During this interview, Dr. Chuang shares his professional journey from an NIH researcher to a leading figure in Taiwan's biotech scene. He discusses the challenges of merging ICT with healthcare and provides insights into groundbreaking projects, such as intelligent radiofrequency ablation technology developed in collaboration with Taiwan's top ICT companies. Dr. Chuang also reflects on his role in fostering a comprehensive ecosystem that bridges research with commercialization, illustrating how Taiwan's biomedical sector is poised to make a global impact.

Discover how Dr. Chuang's pioneering work and visionary approach are reshaping Taiwan's biotech landscape, overcoming industry challenges, and creating new opportunities for future innovation.

Read more here: <https://reurl.cc/5daZ3v>

Top Performers of the Month

Here are the top 10 small-cap (US\$100mn-10bn) performers of the month.

LandMark (3081 TT) +113%
30D avg. volume decreased by 5% vs 90D
LandMark Optoelectronics is a leading manufacturer of GaAs and InP based epi-wafers. Benefiting from the positive outlook on AI and data centers, along with the gradual return of demand from Chinese telecom and CSP, the market expects a steady growth in product shipments.

CSI (8249 TT) +106%
30D avg. volume increased by 6% vs 90D
CSI specializes in the development and manufacture of CIS modules for multifunction peripherals. The share price surged recently due to rumors of its entry into the humanoid robot supply chain. However, the company clarified that while it is exploring opportunities beyond peripherals, including in areas such as security control and industrial inspection, it has not yet ventured into applications related to humanoid robots.

APEXDYNA (4583 TT) +92%
30D avg. volume decreased by 55% vs 90D
APEXDYNA specializes in producing and selling robots for plastic injection molding machines globally. Management expects revenue growth to continue in the 2H24. Positioned in the high-end, high-precision automation market, the company is set to benefit from the expanding robotics and smart manufacturing sectors, driving increased demand for servo motors and broadening applications for reducers and servo couplings.

WAYI (3086 TT) +62%
30D avg. volume increased by 48% vs 90D
WAYI specializes in software programming and game publishing services. Looking forward, the company is integrating gaming, social networking, and content creation to

Coming Right Up:

Upcoming QIC Events

Selected Small-Cap News & QIC Commentary

Local and Foreign
Countervailing Views by
Peter Kurz

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The No. 1 Taiwan Small-Cap Capital Market Advisory Firm

Upcoming Events

16th QIC CEO Week

October 22-23, 2024

@ Hong Kong



Top 10 Stock Gainers				Top 10 Stock Losers			
Company	Ticker	Price	Change	Company	Ticker	Price	Change
LandMark	3081	259	113%	TOP	3284	37.85	-33%
CSI	8249	62	106%	Easywell	1799	158	-31%
APEXDYNA	4583	728	92%	Hiyes	2348	180	-30%
WAYI	3086	262	62%	TACHENG	6171	37.1	-29%
DAXIN	5234	235	62%	Falcon	4513	56.4	-28%
Chaintech	2425	45.4	53%	SAKURAD	2539	49.65	-27%
PCL	4977	110	53%	Hsin Ba Ba	9906	145.5	-24%
MSS	6830	187.5	45%	SanFar	9946	28.7	-24%
Biostar	2399	30.6	45%	Enlight	2438	49.15	-23%
TA LIANG	3167	128	37%	Li Ming	6212	76	-23%

Top 10 FINI Net Buyers				Top 10 FINI Net Sellers			
Company	Ticker	Holding(%)	Change	Company	Ticker	Holding(%)	Change
PCL	4977	21.4	7.54	VPEC	2455	22.5	-6.19
TA LIANG	3167	15.4	7.17	ITEQ	6213	8.1	-5.24
ELASER	3450	22.5	5.91	Scientech	3583	17.6	-5.06
SAA	6438	14.7	5.83	COMPEQ MANUFACT	2313	17.9	-4.65
DAXIN	5234	9.7	5.83	PSI	8028	6.8	-4.64
All Ring	6187	15.3	5.24	I-Chiun	2486	9.0	-4.62
SKFH	2888	23.7	5.22	Chaintech	2425	3.4	-4.34
WAYI	3086	25.6	4.90	Team	4967	4.4	-4.26
CHCIW	1727	7.0	4.40	Merry	2439	33.6	-4.23
Trusval	6667	11.9	4.40	SZS	3376	22.2	-4.11

develop its multimedia entertainment platform, "BanaBana." With recent new game releases, BanaBana is poised to become a significant growth driver for the company's operations.

DAXIN (5234 TT) +62%
30D avg. volume decreased by 11% vs 90D

DAXIN is the largest domestic supplier of panel-related chemicals, with its main business focused on producing LCD chemical materials. In addition to materials for TFT-LCD, the company has also developed materials for other electronic sectors, including chemicals related to solar energy, LEDs, and touch panels. Regarding the outlook for semiconductor materials, DAXIN's semiconductor materials revenue share reached 7% in the first half of the year. With product certifications gradually being approved and the industry entering its peak season in the second half of the year, DAXIN's semiconductor materials revenue share is expected to increase quarter by quarter.

Chaintech (2425 TT) +53%
30D avg. volume increased by 42% vs 90D

Chaintech was founded in 1986 and the company's main products are motherboards, graphics cards, and servers. In the first three quarters of 2023, the company's revenue distribution was 34% from graphics cards, 12% from motherboards, 49% from servers, and 5% from computer peripherals. It is expected that the Chinese eSports market will remain strong in the fourth quarter, coupled with the boost from the peak shopping season. Chaintech is likely

to benefit further from the sustained momentum in graphics card shipments, which will provide additional support for the overall recovery of its operations.

PCL (4977 TT) +53%
30D avg. volume increased by 38% vs 90D

PCL, established in 2007, saw weak demand for its 32G optical transceiver modules earlier this year but rebounded in June. August revenue hit NT\$138 million, up 70% from July and 91% year-on-year. Net profit surged 950% to NT\$104 million, with an EPS of NT\$1.3. PCL expects stronger performance in the second half.

MSS (6830 TT) +45%
30D avg. volume increased by 62% vs 90D

MSScorps values integrity and ensures customer confidentiality through NDAs, covering sample storage, results, and other sensitive materials. With years of strategic investment in advanced processes for silicon photonics and AI chips, it is the only Silicon Photonics Industry Alliance member to generate revenue this year. A top AI chip maker has also set up an end-to-end testing facility at MSScorps' Zhubei plant, anticipating strong future profits.

Biostar (2399 TT) +45%
30D avg. volume decreased by 57% vs 90D

Biostar's key products include motherboards, graphics cards, SSDs, DRAM, smart computing applications, and EV charging station control boards, supporting green energy solutions. By investing in BE Epitaxy and Best Epitaxy Manufacturing, Biostar is expanding

into silicon photonics. Both companies are partners in AMD's "Silicon Photonics Task Force," working on next-gen silicon photonics technology.

TA LIANG (3167 TT) +37%
30D avg. volume increased by 27% vs 90D

TALIANG Technology specializes in PCB and semiconductor equipment, with PCB equipment being its main revenue source. Despite industry cycles, the company has benefited from the advanced packaging trend in semiconductors, offering solutions for both wafer-level and panel-level packaging. Its order visibility extends into Q2 next year, with a backlog of NT\$1.7 billion.

Taiwan's National Development Council: Taiwan's Semiconductor Dominance Expected to Last 10-20 More Years

<https://reurl.cc/VM7eE6>

Liu Chien-Ching, head of Taiwan's National Development Council, affirmed that Taiwan's semiconductor industry is expected to maintain its strong position for at least another 10 to 20 years, with the government aiming to create the most complete ecosystem globally. Mr. Liu highlighted that five of the world's top ten IC design companies are in the U.S. and four in Taiwan, with Taiwan dominating in semiconductor manufacturing and packaging. Mr. Liu emphasized the need to strengthen weaker sectors like semiconductor equipment and chemical materials to enhance supply chain resilience and solidify Taiwan's leading status in the global market.

QIC Comment: *With an emphasis on strengthening the semiconductor equipment and chemical material sectors, Taiwan's National Development Council aligns with QIC's ten-year, ten-fold research on the Taiwan Semiconductor Supply Chain. As TSMC expands its 3DFabric Alliance, the importance of local advanced packaging supply chain partners is increasing, benefiting semiconductor equipment, materials, and service providers. With global CSPs, IDMs, IC design, and system companies becoming part of TSMC's ecosystem, Taiwan is poised to maintain its dominance in semiconductor manufacturing. As AI continues to drive long-term semiconductor demand, QIC will host events that promote Taiwan's semiconductor companies in the global capital market, enhancing the industry's resilience and global standing.*

All iPhone 16 models adopt WiFi 7, and orders for WIN Semi (3105 TT), VPEC (2455 TT), and AWSC (8086 TT) will double

<https://reurl.cc/4dqRMv>

Apple introduced new iPhone 16 models on September 9, and the "hidden winners in the supply chain" have emerged. The iPhone 16 series will feature WiFi 7 as standard across all models, significantly increasing the demand for power amplifiers (PAs) by as much as double compared to the previous generation. Orders for WIN Semi (3105 TT), VPEC (2455 TT), and AWSC (8086 TT) are expected to double compared to the last generation. In addition, the market expects that other smartphone brands may follow Apple's move to adopt WiFi 7 technology, significantly boosting the demand for PAs in the market.



QIC Comment: *WIN Semi's WiFi-related revenue increased by 50-60% QoQ in 2Q24, partly driven by the order pull-in momentum of WiFi PAs for new iPhone models. While its 3Q24 WiFi revenue is expected to decline QoQ as the demand from Chinese customers will temporarily slow down, the demand from iPhones remains solid in 3Q24. Overall, we believe the WiFi 7 upgrades for smartphones and routers will not only drive content growth in GaAs PAs but also further strengthen the position of GaAs PAs over SiGe given better performance. We expect WiFi 7 will serve as a key growth driver for WIN Semi.*

Taiwanese Lose Billions in Scams Every Month! Taiwan Stock Exchange Takes Further Action to Combat Fraud, Partnering with Gogolook (6902 TT) to Catch Imposters

<https://reurl.cc/YqGdGo>

According to the Ministry of the Interior's anti-fraud dashboard, over 20,000 fraud cases are reported every month, with financial losses exceeding tens of billions of

NTD. The Taiwan Stock Exchange (TWSE), in collaboration with brokerage firms, launched the "5D Anti-Fraud Action" and partnered with Gogolook (6902 TT) to detect fraudulent websites, phone numbers, and social media accounts. An increasing number of celebrities have had their identities stolen by scammers, including officials from the TWSE. In the future, the TWSE plans to collaborate with communication scam detection companies such as Gogolook. Sherman Lin, Chairman of the TWSE noted that Gogolook specializes in anti-fraud technology, providing Watchmen services for websites and phone numbers, detecting fraud on social media platforms, URLs, phone calls, and text messages. By incorporating these services, we hope to assist the TWSE in detecting imposters.

QIC Comment: *Taiwan historically is a place heavily influenced by complicated geopolitical factors, facing all types of cyber-attacks and misinformation, which gives Taiwanese companies, Trend Micro for example, that work on cyber security related topics an advantage and can be ahead of the curve. Start-ups and newly listed companies, such as Gogolook is also leveraging this advantage to go global while Thailand and ASEAN markets are driving quality growth for the company.*

PharmaEssentia Joins Taiwan's FTSE 50 as a Market Leader in Biopharma

<https://reurl.cc/4d8W5Y>

PharmaEssentia (6446 TT) has officially secured its place among Taiwan's top 50 listed companies by market capitalization, reflecting its growing prominence in the biopharma sector.

On September 6, FTSE Russell announced the latest component review for the FTSE Taiwan 50 Index. As part of this update, PharmaEssentia has been added to the index for the first time, while Nanya Technology (2408 TT) has been removed. These changes took effect on September 20.

QIC Comment: *The FTSE Taiwan 50 Index tracks the largest companies by market cap, serving as a barometer for Taiwan's blue-chip stocks. The index is tracked by five ETFs with a combined AUM of US\$28 billion. PharmaEssentia's inclusion, with a weighting of 0.38%, will likely prompt these ETFs to accumulate approximately 5 million shares (representing 1.5% of the company's outstanding shares), further enhancing liquidity and shareholder diversity.*

Notably, PharmaEssentia is the first biotech/pharma company to be included in the FTSE Taiwan 50 Index, marking a significant milestone for Taiwan's biopharmaceutical sector. This achievement reinforces our earlier view that bellwether biopharmas are leading the "third wave" of Taiwan's biotech industry. As these companies progress their pipelines toward late-stage development or commercialization, we expect a wealth of exciting opportunities to emerge for investors.

World Gym Eyes Trademark Purchase, Chairman John Caraccio Hints at Further Acquisitions

<https://reurl.cc/93y0gn>

Regarding the recent announcement of its plan to purchase 100% of a U.S. trademark licensing company, World Gym Chairman John Caraccio stated that the company has always had global expansion ambitions. Following the successful listing earlier this year, the U.S. side is paying increasing attention to Taiwan. The board has already authorized this transaction, but specific details cannot be disclosed at this time. World Gym International, headquartered in Los Angeles, is one of the world's top four fitness chains, with approximately 350 locations globally.

In the first half of this year, World Gym-KY recorded net profit of NT\$228 million, reflecting a 41.69% increase. This highlights the recovery and continued strength of the fitness industry.

John Caraccio emphasized that Taiwan's fitness market has a lower penetration rate compared to other Asian countries, indicating significant growth potential. The company plans to maintain an aggressive store expansion strategy through 2025, aiming to open at least 15 new locations annually, with anticipated revenue growth of 10% to 20%. By 2028, the fitness membership penetration rate in Greater Taipei is expected to reach 10%, supporting the potential for up to 140 fitness clubs in the market.

When asked about future acquisition plans, Kao mentioned that the company had successfully acquired the fitness operator "Extreme" last year. This year, they are in talks for another small acquisition, though details remain undisclosed for now.

QIC Comment: *If the acquisition of World Gym International is successful, it will automatically make World Fitness Services (2762 TT) the new owner of the "World Gym" brand globally. This will also transform the company from being a Taiwan-only gym operator into a global gym player, with existing locations in 11 countries. All of these locations will be required to pay licensing fees to World Gym Taiwan. Moving forward, World Gym Taiwan will be able to freely use the brand's logo to enter any new markets.*

Local and Foreign Countervailing Views by Peter Kurz, CSO of QIC

A newly arrived American diplomat recently expressed bewilderment to my friend as to why there was so much new construction taking place here in Taiwan when war with China seemed so imminent. Indeed, since 2018, the year that Donald Trump first mooted his plan to impose heavy trade tariffs on Chinese imports to the United States, foreigners have been leery of investing in Taiwan. FINIs have become aggressive net sellers of Taiwan equities every year since then, reducing their holdings by US\$10 billion so far this year alone, all the while that US\$16 billion flows into Korea.

It made sense. Officially, Taiwan has invested hundreds of billions of US dollars in FDI into China over the past 25 years. The tariffs should be devastating to Taiwan. And yet over these same past six years, Taiwan has been far and away the best-performing equity market in Asia, having risen 87% in US dollar terms over which time most other markets, Korea included, are, in fact, down in value.

There are two reasons for this historically unprecedented mismatch of perceptions of Taiwan's future between foreign and

local investors. The first is that the sudden isolation of China's manufacturing base, which FINIs wrongly assumed would destroy Taiwan's corporate profits, has led to a net increase in Taiwan's balance of payments of US\$60 billion per year, or roughly 7% of GDP. This number includes the effects of onshoring, for sure, but also remittances from China by taishang seeking to transfer their China-based capital to Taiwan, a process which can be done only gradually. Given Taiwan's particularly low interest rates, these fund inflows tend to pour directly into the stock and property markets. So the rise in cross-strait tensions was the very same reason for both the surge in investment spending here and the exodus of foreign capital.

But the other reason for the countervailing capital flows is the difference in risk perceptions, for an amphibious invasion such as the one threatening Taiwan is immensely difficult to execute. Indeed, even land invasions of neighboring countries are highly problematic, as the quagmires besetting both Russia and Israel viscerally demonstrate. Indeed, in the lexicon of recorded human history, the number of successful amphibious invasions is shockingly few. In fact, only one country has ever succeeded in doing so, the United States, in the Normandy Invasion, in the island-hopping campaign against the Japanese imperial forces, and in the Battle of Inchon in the Korean War. But the victories came at a high cost. The mortality rate of American soldiers fighting in the Pacific Theater were five times that of the European Theater and required highly complex coordination of marine, army, and air force troops. By the time of the Normandy invasion, the Americans were already fighting an all-out war for three years. The PLA hasn't engaged in armed conflict since 1979. This is not to say that China cannot impose pressure on Taiwan through other channels, but an invasion is anything but imminent.

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