

QIC's 16th QIC CEO Week Key Takeaways

QIC hosted its 16th CEO Week at the Mandarin Oriental Hong Kong from October 22-23, bringing together over 100 investors and 22 Taiwanese companies for nearly 500 meetings. This two-day event fostered knowledge exchange, collaboration, and cutting-edge insights. Since the start of the year, QIC has facilitated over 3,000 such meetings, linking Taiwanese companies with global investors. While AI has dominated capital markets recently, substantial opportunities remain in Taiwan's small-cap sector, particularly in the semiconductor supply chain, biotech, software, and consumer industries.

We've summarized key takeaways from a few attending companies below:



Zhen Ding (4958 TT) maintains its target of delivering double digit revenue growth in 2024, with quarterly gross margins improving YoY. The company is positive toward the content growth opportunities in mobile communication given higher spec requirements for AI smartphones. It also continues to expect strong growth in its IC substrate and AI server businesses into 2025.

Marx Biotech (7731 TT) leverages its multiple sales channels—including pharmacies, e-commerce, live streaming, and call centers—to enable its acquired wellness brands achieving robust organic revenue growth. For example, the combined revenue of Phargoods and SnowIOU for 1-3Q24 increased by 27% YoY, outperforming the industry average of 7%. Marx aims for aggressive revenue growth in the coming years, driven by continued brand acquisitions and channel expansions. It targets to turn profitable by the end of 2024.

World Fitness Services (2762 TT) has projected an accelerated pace of store expansion in 2H24 and 2025, which is anticipated to drive both topline and bottom-line growth in the coming years. The acquisition of World Gym International is set to position the company as a global fitness powerhouse, granting it control over 250+ franchises in 10 countries and autonomy to expand beyond Taiwan.

Grape King Bio (1707 TT) expects to achieve renewed growth following a strategic focus shift towards global expansion in the OEM/ODM segment, targeting new markets such as China, ASEAN, and Australia, alongside a more diverse range of supplements. Additionally, its direct-selling arm, Pro-Partner, has completed preparations for entry into Malaysia and will launch operations under the new name Uvaco in 2025. The company has also committed to enhancing shareholder returns by switching to semi-annual dividend payouts with an increased distribution.

Kwong Lung (8916 TT) has guided for stronger garment shipments in 4Q24, with demand from both existing and new clients as inventory destocking winds down. Management sees encouraging signs, with initial talks underway with tier-1 outdoor brands, though further improvements in product quality are anticipated. The home textile business also shows promise, having added two new global clients alongside its largest client, Nitori.

J&V Energy (6869 TT) AI Demand Surges as Green Energy Supply Falls Short. As semiconductor chips shrink and speed up, electricity use rises. Numerous companies plan data centers in Taiwan, needing constant power. Greenet, J&V's green energy trading arm, saw 343% YoY growth in 2Q24, selling over 75,000 green energy certificates for a 27.8% market share, making it Taiwan's leader. CEO Shu-Min Chao foresees steady revenue in solar projects and growth in energy storage and water treatment through 2025. J&V is expanding aggressively in Southeast Asia, targeting the Philippines, Vietnam, and Thailand, with rapid growth expected over the next 3 years.

C Sun (2467 TT) has been expanding its presence in the semiconductor field in recent years, successfully penetrating CoWoS supply chains. Revenue contribution from semi segment is expected to increase to 30% in 2024, with a target of reaching 40% in 2025.

CWTC (6548 TT) management is seeing improved demand for automotive and consumer electronics with inventory replenishment. To address future demand, the board has approved a US\$100 million investment to expand production capacity in Malaysia, the largest since a new factory was established in Taiwan in 2020.

Microprogram (7721 TT) is ramping up its semiconductor process monitoring solution business, mainly for TSMC (2330 TT), in the coming years, while the other two divisions, including e-payment and e-bike, serve as cash cows to cover overall operating expenses. Management expects 2024 revenue to grow by approximately 50% year-over-year and to continue increasing in the following years.

SuperAlloy (1563 TT) expects double-digit revenue growth in 2025, driven by increased demand from key customers, recycled aluminum and diversified aluminum applications, including semiconductor equipment components. Additionally, ongoing improvements in production efficiency from recycled and net-shaped aluminum have raised the operating profit margin to 14% in the first half of 2024, up from 8.5% last year, with a positive outlook for increasing margins into next year.

TECO (1504 TT) holds a 5% global market share in the motor industry and has been constructing data centers in Hong Kong, Taiwan, and soon Southeast Asia for its clients. Motor demand in the U.S. market, particularly in the oil and gas industry, remains robust, while demand from China is declining. TECO relies on factories in Vietnam, India, and Mexico to supply products to the ASEAN market. TECO has set ambitious targets, including reaching a topline of 100 billion TWD by 2027 and improving its ROE to 10%. To support these goals, TECO plans to leverage its 20 billion TWD in cash and streamline non-core investments for 5-10 M&A projects over the next five years.

CH Biotech (6534 TT), specializing in the development of biostimulants and plant growth regulators, delivered an impressive gross margin

Coming Right Up:

Top Performers of the Month

Selected Small-Cap News & QIC Commentary

Electoral Reflexivity by Peter Kurz

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of 83% and an operating margin of 37% in FY23—substantially outperforming traditional agrochemical peers. The company's next-generation product was approved in US / Taiwan and is expected to be included into Nutrien's crop solutions portfolio, supporting robust revenue growth and further enhancing profitability in the upcoming years.

YeSiang (Private)'s recycled chemical air filters use low-carbon processes to reduce material use and carbon emissions, allowing over 10 reuse cycles. The company has launched a subscription service for filter reuse and offered customized filters with over 80% market share at TSMC (2330 TT) advanced nodes. Expanding internationally, YeSiang has partnered with SAS (5483 TT) for global distribution and established new recycling center in Liuying, Taiwan, to achieve a monthly production capacity of 90,000 recycled filters. YeSiang plans to be listed at Taiwan emerging board during 2H25.

Chung Jye (Private) is a leading shoe OEM/ODM manufacturer planning an IPO in December, with major clients including New Balance, Anta, Fila, and Li-Ning. Key strengths include a comprehensive manufacturing capability across various shoe types, diversified manufacturing locations, and a young yet seasoned management team. Unlike many competitors, Chung Jye maintains a robust production base in China to serve the domestic market while expanding its overseas production footprint from Vietnam into Indonesia and India. Management projects long-term capacity growth from 30 million to 100 million pairs annually, with aspirations to add Nike and Adidas to its client roster. The company's IPO market cap is estimated to range between US\$1-2 billion.

Freedom Systems (Private) is a technology service firm specializing in enterprise IT support and cybersecurity solutions, focused on reducing client IT costs through efficient remote support and automation. With Taiwan as its operational hub, Freedom Systems combines technical expertise from Southeast Asia and other regions to support the Asia-Pacific, European, and North American markets. The company maintains a high client retention rate of 95% through dedicated support and follow-up, expanding its market share as it moves forward. Over the next five years, Freedom Systems aims to triple revenue by enhancing technology and automation, delivering customized IT and cybersecurity services to strengthen its competitive edge globally.

CloudMile (Private) is a leading provider of AI and cloud managed services across Asia, focused on accelerating growth for corporate clients through AI and digital transformation. Serving over 900 clients—including Taiwan's largest taxi company, 55688, Carrefour, major semiconductor companies, and Fubon Financial—CloudMile's clientele spans the finance, manufacturing, transportation, and retail sectors. The company maintains a strong market presence in Hong Kong, Singapore, Malaysia, and throughout Southeast Asia. CloudMile is currently initiating a new funding round to expand its Southeast Asia market and invest in the development of new AI products.

Top Performers of the Month

Top 10 Stock Gainers				Top 10 Stock Losers			
Company	Ticker	Price	Change	Company	Ticker	Price	Change
Green World	6763	87.9	98%	AMPAK	6546	121.5	-42%
SHT	3551	152	51%	FOPCO	1225	93.5	-35%
PAIHO SHIH	8404	31.4	50%	WAYI	3086	175.5	-31%
HMC	4576	151	49%	NEE	4909	134.5	-29%
GCS	4991	62	47%	Falcon	4513	39.6	-27%
Hwang Chang	2543	92.6	46%	Li Ming	6212	57.3	-27%
SAA	6438	204.5	45%	GMM	6640	690	-24%
PChome Online	8044	42.15	40%	Comtrend	8089	83.6	-23%
Skardin	3466	79.9	39%	Ampacs	6743	52.1	-23%
jpp	5284	169.5	36%	Kaori	8996	326	-21%

Top 10 FINI Net Buyers				Top 10 FINI Net Sellers			
Company	Ticker	Holding(%)	Change	Company	Ticker	Holding(%)	Change
Khgears	4571	67	12.63	TA LIANG	3167	8	-6.43
Biostar	2399	11	6.75	GPM	5443	6	-5.83
SAA	6438	22	6.54	Merry	2439	26	-5.03
Aces	3605	24	6.39	TK-KY	6629	77	-4.77
FOCI	3363	7	5.74	UDE	3689	12	-4.47
Contrel	8064	8	5.73	NEE	4909	6	-4
IST	3289	23	5.51	NETRONIX,INC.	6143	5	-3.97
Wowprime	2727	21	5.29	Alchip	3661	50	-3.78
HMC	4576	8	4.94	Giant	9921	38	-3.33
Fositek	6805	17	4.54	FitTech	6706	6	-3.19

Top Performers of the Month

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

Green World (6763 TT) +98%
30D avg. volume decreased by 5% vs 90D
Green World FinTech, a provider of third-party payment solutions for e-commerce merchants, experienced a share price surge with increased investor interest driven by the upcoming public offering of Systex Fintech—a credit card payment solution provider in which Green World FinTech holds a 27% stake.

SHT (3551 TT) +51%
30D avg. volume decreased by 54% vs 90D
SHT specializes in precise cleaning, repair, and maintenance services for semiconductor manufacturing equipment. Currently, the company provides cleaning services for TSMC's equipment used in 7nm to 3nm processes. The market expects that the company is likely to secure service orders for TSMC's 2nm equipment, which has led to a boost in its share price in October.

PAIHO SHIH (8404 TT) +50%
30D avg. volume increased by 182% vs 90D
PAIHO SHIH manufactures and sells touch fasteners, webbings, elastics, and jacquard mesh products in China and Vietnam. Management indicated that profits have shown a significant increase, driven by a rebound in customer orders and new product shipments. For the first nine months of the year, consolidated revenue

reached NT\$11.6 billion, reflecting a 25% year-over-year growth.

HMC (4576 TT) +49%
30D avg. volume decreased by 32% vs 90D
HMC manufactures, repairs, and distributes motors, drives, and automation systems worldwide. Management reported that sustained deliveries of precision positioning platforms have driven revenue growth in Q3 2024. Recently, the company announced its engagement in advanced discussions with semiconductor and automation industry clients regarding 2025 capacity planning, with certain collaborative projects nearing the mass production phase.

GCS (4991 TT) +47%
30D avg. volume increased by 220% vs 90D
Established on November 30, 2010, GCS is a U.S.-based leader in high-performance RF foundry services and compound semiconductor wafer manufacturing for GaAs, InP, and GaN applications, with expertise in IP licensing and proprietary optoelectronic products. As the only pure-play wafer foundry in RF and optoelectronics, GCS is well-positioned for growth, especially as rising data center demand is expected to drive KGD product needs, sustaining strong momentum in the second half of the year.

Hwang Chang (2543 TT) +46%
30D avg. volume increased by 17% vs 90D
Hwang Chang, established on February 16, 1981, specializes in civil engineering contracting, primarily focused on public infrastructure projects. Through its

subsidiary Hwang Chang International, the company also engages in concrete sales. For 3Q24, Hwang Chang reported revenue of NT\$2.935 billion. From October to December, three additional projects are expected to conclude, supporting a stable outlook for the second half of the year. The company aims to secure 2-3 new contracts by year-end, targeting a total of NT\$40 billion in new projects for 2024.

SAA (6438 TT) +45%
30D avg. volume increased by 140% vs 90D

Founded in 1999, SAA provides automation solutions, specializing in industrial system design, development, and installation. Key growth drivers include automation for semiconductor wafer manufacturing, CoWoS, 2nm technology, and overseas projects. Last year, semiconductor-related revenue reached NT\$1.5 billion (25% of total sales), with the potential to grow to 35-45% this year.

PChome Online (8044 TT) +40%
30D avg. volume increased by 62% vs 90D

PChome Online Inc offers e-commerce, advertisement, portal service, digital content, Internet access, and Internet community service. PChome Online announced last week that, to strengthen working capital and support operational needs, it will introduce Uni-President as a private equity investor, subscribing to a 30% stake. PChome Online expects this move to bring positive benefits by bolstering working capital and enhancing its financial structure.

Skardin (3466 TT) +39%
30D avg. volume decreased by 19% vs 90D

Skardin manufactures satellite receivers, video and audio senders, and IR extenders, with strong export performance in satellite TV and audio systems. Positioned for growth through tech innovation and market expansion, Skardin is well-placed to benefit from rising global demand for satellite media.

Jpp (5284 TT) +36%
30D avg. volume decreased by 39% vs 90D

JPP-KY specializes in computerized and electronic control products for the aerospace, telecommunications, energy, healthcare, and manufacturing sectors. The company plans a capital increase of NT\$300 million and has approved a THB 230 million investment by its Thai subsidiary to acquire land, buildings, warehouses, and related infrastructure. This move signals a positive outlook for the company's long-term growth.

Zhen Ding (4958 TT) plans to set up an AI center in Kaohsiung; Unimicron (3037 TT) expects market conditions to improve in the second half of next year.

<https://reurl.cc/A2N54p>

At Taiwan Printed Circuit Association (TPCA) Show 2024, Zhen Ding's Chairman Charles Shen stated that the company's Kaohsiung fab is planned to become an AI center (R&D + manufacturing), with an estimated investment of several billion NT dollars. It aims to reach a record-high revenue next year. Unimicron's Chairman Tzyy-Jang Tseng commented that the overall market is expected to improve in the second half of next year, with the IC substrate segment likely to recover 3 to 4 months ahead of the general market.

QIC Comment: *This is the first time Zhen Ding has revealed that its Kaohsiung fab will become an AI center. We believe this will help the company not only meet clients' needs for diversified production bases, but also deepen collaboration with the Taiwan supply chain in developing high-end products for AI datacenter applications. We expect this move could increase Zhen Ding's market share in AI datacenter-related applications.*

NanPao Resins Chemical (4766 TT) Launches Latest Low-Carbon Eco-Friendly Product for Woodworking, Optimistic about Long-Term Growth Prospects

<https://reurl.cc/34zWo0>

The 7th Asian Regional Adhesive Council (ARAC2024) has commenced. Today (29th), NanPao (4766 TT) introduced its latest low-carbon, eco-friendly adhesive for woodworking. With the penetration rate of green and sustainable products still low in the woodworking sector, NanPao CEO Elic Hsu expressed optimism about the long-term growth prospects, emphasizing the company's ongoing investment in research, development, and technological resources to drive innovation. Due to the maturity of existing techniques, adopting new adhesive methods for Woodworking would alter operational processes and involve high conversion costs. Currently, around 70-80% of adhesives used in Taiwan are traditional solvent-based adhesives containing high levels of volatile organic solvents. The proportion of low-carbon or environmentally friendly

adhesives in woodworking applications remains significantly lower than in other industries, such as footwear and textiles.

QIC Comment: *NanPao continues to focus on high-margin products, adjusting its product mix and actively capturing growth opportunities in new products and applications. The company is strategically expanding its specialty adhesive business across five key sectors: woodworking, technology, textiles, flexible packaging materials, and hygiene products. Additionally, NanPao can achieve growth with limited capital expenditures, allowing it to generate strong cash flows. Recently, NanPao's share price has pulled back, offering an attractive cash dividend yield of over 5%.*

World Fitness Services Acquires World Gym Brand, Expands Global Presence

<https://reurl.cc/yvqxXM>

World Fitness Services (2762 TT) announced today that it has invested USD 9 million (approximately TWD 288 million) to acquire World Gym International in the United States, gaining exclusive global operating rights for the World Gym brand. This acquisition marks a key step in accelerating its global expansion, intending to establish 500 directly owned stores and 2,000 franchised locations worldwide, including Taiwan.

The acquisition of World Gym International (WGI) secures World Fitness Services with exclusive rights to operate the World Gym brand globally and earn franchise royalties from 271 international locations. John Caraccio, Chairman and CEO of World Fitness Services, stated that bringing the iconic global fitness brand ownership to Taiwan represents a significant milestone. He aims to expand the brand's global influence through growth in both self-operated and franchised locations.

Caraccio also shared that World Gym International currently has franchise partners in Australia, the United States, Canada, Mexico, and Brazil, with discussions underway for new partnerships in additional markets. Over the next two years, the target is to add 30 to 50 locations annually, with plans to increase this pace to 100 new locations per year by expanding the franchise network.



QIC Comment: This acquisition enables World Gym Taiwan to instantly become a global fitness powerhouse by inheriting the licensing rights for over 260 clubs in 10 countries, while also granting the company full autonomy for future global expansion. We anticipate significant synergies and operational efficiencies through the integration of World Gym Taiwan's advanced systems and centralized operations.

TSMC Estimates Capital Expenditure to Exceed US\$30 Billion This Year, with Expected Increase Next Year

<https://reurl.cc/WNnKpZ>

TSMC's (2330 TT) estimates that revenue from AI server processors will grow more than threefold this year compared to last year, accounting for approximately 14-16% of overall revenue. This growth is driven by strong demand for GPUs, AI accelerators, and CPUs for training and inference, with robust customer demand expected to continue into the fourth quarter. The company is maintaining its capital expenditure target of slightly over US\$30 billion for this year, with no plans yet for 2025. Next year is projected to be a year of healthy growth, with capital expenditures likely to exceed this year's levels. TSMC's capital expenditure strategy aims to support customers while maximizing shareholder value. Previously, the company estimated a compound annual growth rate (CAGR) of 15-20% for revenue from 2021 to 2026, and while no specific figures for the next five years are available, TSMC assures that growth will remain very strong.

QIC Comment: To support healthy growth over the next five years, we believe that TSMC's capital expenditures will continue to increase in the coming years, with 10% of CAPEX investment focused on advanced packaging capacities and related R&D, including CoWoS, FOPLP, Chiplet and 3D IC technologies. Additionally, TSMC will continue to support local suppliers of equipment and materials to meet the customized chip manufacturing demands of AI and HPC. We will actively monitor over 100 Taiwanese semiconductor supply chain companies and assist them in engaging with global investors.

PharmaEssentia (6446 TT) aims to secure US FDA approval for its pre-filled pen version of Besremi in 1Q25

<https://reurl.cc/5dmWjq>

PharmaEssentia's reported September revenue of NT\$932mn, up 3.4% MoM and up 132.1% YoY, again reaching a record high for the same period in the company's history. Additionally, according to PharmaEssentia, the company has submitted a sBLA for the pre-filled pen version of Besremi (Ropeginterferon alfa-2b-njft) to the US FDA on September 10, 2024. On September 25, 2024, the company received a notification from the US FDA that it would respond within 60 days after receiving the application to confirm whether the sBLA will enter the formal review stage. If no additional information is required, the PDUFA date is set for January 10, 2025.

QIC Comment: From a patient perspective, the pre-filled pen offers greater convenience and less fear than a prefilled syringe for subcutaneous injections. Therefore, we believe that once PharmaEssentia launches the pre-filled pen version of Besremi in US, patient compliance and market penetration for Besremi will be further accelerated. Notably, PharmaEssentia's licensee, AOP, has been offering Besremi in Europe in the prefilled pen format since 2019.

Electoral Reflexivity by Peter Kurz, CSO of QIC

There is a fascinating feature of financial markets called reflexivity which explains some of the otherwise seemingly irrational nature of stock prices. Reflexivity comes into play with specific stocks wherein a company becomes more valuable the higher its valuation. For instance, if a stock goes up in price to a price-earnings ratio of 15 times, then it often rises further to maybe 20 times. The logic behind this view is that larger companies enjoy economies of scale thereby reducing input and funding costs while affording them greater pricing power and thus profitability. Of course, stocks cannot go up in valuation indefinitely, but the power of

reflexivity can last for many years before a price correction occurs. The same is true for overall markets, although via slightly different mechanisms. Investors in the aggregate tend to increase their stock market investments when they are making money and reduce them when they lose money. This is in part purely for psychological reasons, but in part, it is because institutional investors tend to receive more new money inflows when their performance is good. Moreover, and this is especially true in the US markets, institutional investors often borrow against their existing portfolio to increase their investments even further. These upward – or downward – adjustments take place on a quarterly or annual basis. This is why it is not uncommon for markets that end a quarter or a year with a strong performance also start the next quarter, or year, with a strong performance as well.

Now, when you consider that so much of the world's stock markets are driven by quantitative models that seek to identify and capitalize on emerging trends, it is not surprising that these reflexivity patterns can be reflected in the market even before the end of the accounting period is over because the quant funds buy or sell earlier in anticipation of the reflexivity-driven flows. This is why, in the US at least, November and December are typically among the strongest months of market performance. But there is a slight deviation in the pattern during presidential election years. Presidential elections lead to more significant changes in government policies with significant economic implications. Thus, markets tend to go quiet just before an election, especially if the pre-election poll results are quite tight, as they are indeed for this upcoming election. In fact, October – the month before the elections – is by far and away the worst performance month of any year, on average, and especially so in an election year.

Given the strength of stock markets thus far this year, with the Taiwan index up 23% and the S&P 500 up 19%, it is reasonable to think that this reflexive impulse of markets could lead to a strong finish to 2024 and the beginning of 2025, once we get through what may be a slump around the time of US presidential elections. But reflexivity also promotes market overshoot, strong markets rising above fundamentally justifiable prices, often followed by painful reversals.

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