

Brian Chin Haoyan
 (603) 7890 8888 (ext 2064)
brianchin@apexsecurities.com.my

Technology Sector

Overweight (↔)

Tariff noise resurfaces

- The Trump administration is considering a plan to mandate a 1:1 ratio of semiconductors manufactured domestically in the US to imported semiconductors. Companies failing to meet the 1:1 domestic-to-overseas chip manufacturing ratio would face tariffs. The tariffs could be extended to foreign electronic devices, based on the number of chips they contain.
- Minimal direct impact on OSAT names such as Inari (BUY; TP: RM2.23) as its key customers will likely be granted tariff exemptions. Unisem (NR) and MPI (NR) should see limited direct impact as their shipment to the US stands at single-digit level of their total revenue.
- Consumer-focused EMS names may see margin compression if cost pass-through to customers proves challenging, although it may be cushioned by the low semiconductor content in appliances, while industrial players such as ATECH are likely shielded by exemptions, and NATGATE's (NR) negligible US exposure renders the effect immaterial.
- Maintain Overweight, with top picks: Frontken (BUY; TP: RM5.36) and ATECH (BUY; TP: 1.27).

US mulls 1:1 semiconductor production-to-import policy. Last Friday, [WSJ](#) reported that the Trump administration is considering a plan to mandate a 1:1 ratio of semiconductors manufactured domestically in the US to imported semiconductors. Companies failing to meet the 1:1 domestic-to-overseas chip manufacturing ratio would face tariffs. The proposed policy aims to reduce US reliance on foreign-made semiconductors and enhance economic security.

Import credits for firms building US capacity. According to [WSJ](#), if a company committed to build a plant in the US with capacity of 1m chips, for instance, it would receive import credits for the same amount. This would allow the company and its customers to keep importing up to 1m chips from overseas without tariffs while the plant is being built. The plan would also offer some grace period for those who commit to production investment in the US.

High complexity in policy implementation. Implementation of such tariffs is highly challenging, as [WSJ](#) noted, since companies often send US-manufactured chips overseas for assembly into tech products. They are then returned as components within those larger products, making it difficult to determine how tariff value would be calculated for products containing chips.

Potential tariffs on foreign electronic devices. Although details remain sparse on whether these tariffs would apply to the semiconductor value chain (i.e., front-end wafer fabs, OSAT packaged chips, or fully assembled tech products), [Reuters](#) reported over the weekend that the administration is considering tariffs on foreign electronic devices—ranging from toothbrushes to laptops—based on the number of chips they contain. The aim is to drive companies to shift manufacturing to the US.

Minimal direct impact on OSAT players. We see minimal "direct" impact on Malaysian-listed OSAT names. **Inari (BUY; TP: RM2.23)** has minuscule revenue exposure to the US (<1%), and with the US smartphone brand and Customer B committing substantial investments in the US, their imports will likely be shielded by tariff exemptions. Meanwhile, **Unisem (NR)** and **MPI (NR)** with larger revenue exposure to US-based customers at c.50% and c.20%, respectively, should see limited direct impact as well. We understand their shipment to the US stands at single-digit level of their total revenue as most of their shipment stays within the APAC region/China for final product assembly. Nonetheless, we reckon the indirect impact on OSAT players is difficult to assess as the potential tariff implementation on final-assembled tech products remains scarce at this juncture.

Implications for Frontken skewed positive. With no domestic foundry in the US able to rival TSMC's advanced nodes, its order flow should remain intact. However, this 1:1 semiconductor production policy, if implemented, could accelerate TSMC's US investment plans. TSMC already committed to major expansion in the US, with plans to invest an additional USD100bn to bring its

total US investment to c. USD165bn, including multiple new fabs, advanced packaging facilities, and an R&D center. As such, TSMC's continuous expansion of wafer fabs in the US may present opportunities for **Frontken (BUY; TP: RM5.36)** to establish a physical presence in the US via construction of new precision cleaning facilities or M&A, in our view.

Tariff risks for local-listed EMS names. Should tariffs be extended to electronic goods, Malaysian-listed EMS players could face headline risks, particularly those with notable US export exposure. Tariffs on foreign-made electronic devices (in addition to the existing 19% blanket tariffs) may be determined based on the origin of the semiconductor content of the products to encourage domestic production of chips in the US.

For consumer-focused EMS players such as **V.S. Industry (NR)**, which derives an estimated 30–40% of revenue from US shipments, margin compression could arise if cost pass-through to customers proves challenging. That said, we think the overall impact may be cushioned by the low semiconductor content in appliances such as coffee machines and hair dryers, which typically accounts for only a single-digit percentage of the final selling price, based on our findings. In our view, the policy is more likely to affect smartphones, laptops, and AI devices, where high-value logic chips dominate. Fortunately, Malaysian EMS players have limited direct exposure in these segments. For industrial-centric EMS players, **ATECH (BUY; TP: RM1.27)** generates roughly 60% of its revenue from US exports, of which 80–90% comes from mission-critical communication devices supplied to US government agencies, which stand a high chance of receiving exemptions, in our view. Meanwhile, **Nationgate (NR)** has negligible exposure to the US market (<1% of revenue), making the potential impact immaterial.

Maintain Overweight. Semiconductors remain subject to an ongoing Section 232 investigation in the US, with the Commerce Department's report due by 27 Dec 2025 (270 days from initiation on 1 Apr). Although continued tariffs noise may dent sentiment on the tech sector, we retain our **Overweight** rating, premised on (i) a semiconductor capex upcycle propelled by proliferation of AI applications, which is driving strong recovery in ATE demand, (ii) robust demand for leading-edge nodes and continued wafer fab expansions underpinning earnings growth for players with front-end exposure (i.e. Frontken and UWC), (iii) a gradual recovery in analog IDMs as the industry moves past the trough of the inventory correction cycle, providing uplift to OSAT players like MPI. Top picks: **Frontken (BUY; TP: RM5.36)** and **ATECH (BUY; TP: RM1.27)**.

Peer comparison

Stock	Mkt Cap	Price	Rating	Target	FYE	P/E (x)		P/B (x)		Yield (%)	
						FY25	FY26	FY25	FY26	FY25	FY26
<u>OSAT</u>											
Inari Amertron*	7,957	2.10	BUY	2.23	JUN	26.6	23.6	2.7	2.9	3.4%	3.8%
MPI*	5,842	29.30	NR	NR	JUN	31.2	25.8	2.6	2.5	1.2%	1.2%
Unisem	4,484	2.78	NR	NR	DEC	86.9	37.6	2.0	2.1	2.5%	2.8%
<u>Equipment</u>											
ViTrox Corp	7,156	3.78	NR	NR	DEC	56.4	42.5	6.6	6.0	0.5%	0.7%
Greatech	5,076	2.02	NR	NR	DEC	30.1	25.6	4.8	4.0	0.0%	0.0%
Pentamaster	2,703	3.80	NR	NR	DEC	38.4	31.4	3.5	3.2	0.6%	0.6%
Mi Technovation	2,127	2.39	NR	NR	DEC	25.4	23.4	2.1	2.0	1.8%	1.9%
QES Group	337	0.41	HOLD	0.42	DEC	22.5	16.9	2.0	2.0	1.5%	1.5%
<u>Support players</u>											
Frontken	6,714	4.21	BUY	5.36	DEC	39.0	32.6	7.9	6.8	1.1%	1.4%
UWC*	4,003	3.63	NR	NR	JUL	41.3	30.5	7.0	5.6	0.3%	0.4%
UMS Integration	3,247	4.57	NR	NR	DEC	68.2	56.4	7.6	7.3	1.1%	1.1%
SAM Engineering*	2,701	3.99	NR	NR	MAR	30.0	25.4	1.8	1.7	0.7%	0.8%
<u>EMS</u>											
Nationgate	2,846	1.25	NR	NR	DEC	17.1	14.7	2.7	2.4	1.5%	1.9%
V.S. Industry	2,313	0.60	NR	NR	JUL	21.4	12.2	1.0	0.9	2.2%	3.7%
Uchitech	1,536	3.32	NR	NR	DEC	15.8	14.9	7.6	6.5	6.7%	6.7%
SKP Resources*	1,453	0.93	NR	NR	MAR	11.5	10.2	1.4	1.3	4.5%	5.1%
Aurelius Tech	1,431	1.10	BUY	1.27	DEC	19.3	17.7	2.8	2.8	3.1%	3.5%
PIE Industrial	1,233	3.21	NR	NR	DEC	22.9	16.5	1.8	1.6	0.9%	1.3%

*refers to FY26 & FY27

Source: Apex Securities, Bloomberg

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.**HOLD:** Total returns* are expected to be within +10% to -10% within the next 12 months.**SELL:** Total returns* are expected to be below -10% within the next 12 months.**TRADING BUY:** Total returns* are expected to exceed 10% within the next 3 months.**TRADING SELL:** Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Monday, 29 Sep, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.