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**Q Tech**

## **Q TECHNOLOGY (GROUP) COMPANY LIMITED**

**丘鈇科技(集團)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1478)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **HIGHLIGHTS**

- The unaudited sales revenue of the Group for the period of six months ended 30 June 2021 (the “**Period**”) amounted to approximately RMB9,335,841,000, representing an increase of approximately 6.1% as compared with that of the six months ended 30 June 2020 (the “**Corresponding Period**”). The growth in revenue was mainly attributable to the solid growth in the sales volume of camera modules as compared with that of the Corresponding Period due to the improvement of the Group’s customer structure during the Period.
- Gross profit of the Group for the six months ended 30 June 2021 was approximately RMB1,082,765,000, while gross profit margin was approximately 11.6%, representing an increase of approximately 3.3 percentage points as compared with approximately 8.3% for the Corresponding Period. The significant increase in gross profit margin was mainly attributable to the Group’s continuous optimization of the product mix of camera modules during the Period, which enhanced the added value of camera module products.
- Profit of the Group for the six months ended 30 June 2021 was approximately RMB570,741,000, representing a significant increase of approximately 70.1% as compared with that of the Corresponding Period. The significant increase in profit was mainly attributable to the solid growth in sales revenue as well as the significant increase in gross profit margin of the Group during the Period.
- Basic and diluted earnings per share of the Group for the six months ended 30 June 2021 were approximately RMB0.485 and RMB0.481 respectively.

#### **FINANCIAL RESULTS**

The board of directors (the “**Board**”) of Q Technology (Group) Company Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 together with the relevant comparative figures as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2021	2020
	Note	RMB'000	RMB'000
<b>Revenue</b>	3	<b>9,335,841</b>	8,802,020
Cost of sales		<u>(8,253,076)</u>	<u>(8,070,013)</u>
<b>Gross profit</b>		<b>1,082,765</b>	732,007
Other revenue	4	<b>44,008</b>	76,583
Other net loss	4	<b>(30,063)</b>	(17,387)
Selling and distribution expenses		<b>(6,919)</b>	(10,362)
Administrative and other operating expenses		<b>(82,620)</b>	(70,646)
Research and development expenses		<u><b>(317,697)</b></u>	<u>(290,751)</u>
<b>Profit from operations</b>		<b>689,474</b>	419,444
Finance costs	5(a)	<b>(14,765)</b>	(29,081)
Share of loss of an associate		<u><b>(18,213)</b></u>	<u>(15,386)</u>
<b>Profit before taxation</b>	5	<b>656,496</b>	374,977
Income tax	6	<u><b>(85,755)</b></u>	<u>(39,455)</u>
<b>Profit for the period</b>		<u><b>570,741</b></u>	<u>335,522</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<u><b>570,741</b></u>	<u>335,522</u>
<b>Profit for the period</b>		<u><b>570,741</b></u>	<u>335,522</u>
<b>Earnings per share</b>			
Basic (RMB Cents)	7	<u><b>48.5</b></u>	<u>28.8</u>
Diluted (RMB Cents)	7	<u><b>48.1</b></u>	<u>28.5</u>

Note: Details of dividends payable to equity shareholders of the Company are set out in Note 13.

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*for the six months ended 30 June 2021 – unaudited*  
(Expressed in Renminbi)

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>570,741</b>	<b>335,522</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
– Exchange differences on translation of the financial statements of operations outside the Mainland China	<b>(8,346)</b>	<b>12,613</b>
<b>Other comprehensive income for the period</b>	<b>(8,346)</b>	<b>12,613</b>
<b>Total comprehensive income for the period</b>	<b>562,395</b>	<b>348,135</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>562,395</b>	<b>348,135</b>
<b>Total comprehensive income for the period</b>	<b>562,395</b>	<b>348,135</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited

(Expressed in Renminbi)

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment		3,057,845	2,959,555
Interest in an associate		375,015	416,058
Intangible assets		4,168	4,280
Deferred tax assets		97,934	81,451
Prepayment for acquisition of non-current assets		49,134	52,469
Other non-current assets		10,972	7,050
		<u>3,595,068</u>	<u>3,520,863</u>
<b>Current assets</b>			
Inventories		2,519,934	1,943,025
Trade and other receivables	8	4,384,539	3,589,028
Other financial assets		—	100,000
Derivative financial assets	9	5,248	—
Pledged bank deposits	10	474,941	266,562
Cash and cash equivalents		1,299,826	1,983,516
		<u>8,684,488</u>	<u>7,882,131</u>
<b>Current liabilities</b>			
Short-term bank borrowings	11	1,559,029	1,104,021
Trade and other payables	12	5,938,173	6,013,472
Contract liabilities		16,442	7,990
Derivative financial liabilities	9	6,645	48,277
Lease liabilities		28,967	25,823
Current tax payable		78,905	76,740
		<u>7,628,161</u>	<u>7,276,323</u>
<b>Net current assets</b>		<u>1,056,327</u>	<u>605,808</u>
<b>Total assets less current liabilities</b>		<u>4,651,395</u>	<u>4,126,671</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited (Continued)

(Expressed in Renminbi)

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
	Note		
<b>Non-current liabilities</b>			
Long-term bank borrowings	11	78,956	159,211
Lease liabilities		8,023	19,041
Deferred income		191,528	137,593
Deferred tax liabilities		–	25,000
		<u>278,507</u>	<u>340,845</u>
<b>NET ASSETS</b>		<u><b>4,372,888</b></u>	<u><b>3,785,826</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	13(b)	9,466	9,383
Reserves		<u>4,363,422</u>	<u>3,776,443</u>
<b>TOTAL EQUITY</b>		<u><b>4,372,888</b></u>	<u><b>3,785,826</b></u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 1 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 (“**IAS 34**”), *Interim Financial Reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 25 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company, its subsidiaries (the “**Group**”) and the Group’s interest in an associate since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

## 2 Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 Revenue and segment reporting

The principal activities of the Group are manufacturing and sales of camera modules and fingerprint recognition modules for mobile phones and other intelligent mobile terminals. Revenue represents the sales value of goods sold, excludes VAT and is after deduction of any trade discounts.

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified reportable segments as follows:

- Design, manufacture and sales of camera modules
- Design, manufacture and sales of fingerprint recognition modules

No operating segments have been aggregated to form the reportable segments of the Group.

All of the Group's revenue is from contracts with customers within the scope of IFRS15 and the timing of revenue recognition is point in time.

	<b>Camera modules</b> <i>RMB'000</i>	<b>Fingerprint recognition modules</b> <i>RMB'000</i>	<b>Subtotal of reportable segments</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Six months ended 30 June 2021</b>					
Revenue	<b>8,397,994</b>	<b>917,761</b>	<b>9,315,755</b>	<b>20,086</b>	<b>9,335,841</b>
Cost of sales	<b>(7,395,541)</b>	<b>(844,477)</b>	<b>(8,240,018)</b>	<b>(13,058)</b>	<b>(8,253,076)</b>
Gross profit	<b><u>1,002,453</u></b>	<b><u>73,284</u></b>	<b><u>1,075,737</u></b>	<b><u>7,028</u></b>	<b><u>1,082,765</u></b>
<b>Six months ended 30 June 2020</b>					
Revenue	7,718,732	1,047,284	8,766,016	36,004	8,802,020
Cost of sales	<u>(7,104,374)</u>	<u>(948,048)</u>	<u>(8,052,422)</u>	<u>(17,591)</u>	<u>(8,070,013)</u>
Gross profit	<b><u>614,358</u></b>	<b><u>99,236</u></b>	<b><u>713,594</u></b>	<b><u>18,413</u></b>	<b><u>732,007</u></b>

Others mainly represent revenue from sales of waste materials.

Segment profit represents the gross profit earned by each segment. This is the measure reported to the most senior executive management of the Group for the purposes of resource allocation and assessment of segment performance.

The Group's revenue by geographical location is determined by the location of operation of the contracting parties.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue</b>		
PRC (including Hong Kong)	<b>8,787,379</b>	8,485,373
Overseas	<b><u>548,462</u></b>	<u>316,647</u>
	<b><u>9,335,841</u></b>	<b><u>8,802,020</u></b>

The Group had two (six months ended 30 June 2020: three) customers with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2021. The amount of sales to these customers amounted to approximately RMB6,950,420,000 (six months ended 30 June 2020: approximately RMB7,720,834,000).

#### 4 Other revenue and other net loss

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Other revenue</b>		
Government grants	33,447	70,359
Interest income	10,356	4,466
Others	205	1,758
	<u>44,008</u>	<u>76,583</u>
<b>Other net loss</b>		
Net foreign exchange gain/(loss)	20,437	(25,774)
Net (loss)/gain on foreign exchange option contracts	(13,289)	12,391
Net gain on foreign currency forward contracts	5,278	4,291
Net gain on other financial assets	910	—
Impairment losses on property, plant and equipment	(20,678)	(8,095)
Impairment losses on interest in an associate	(22,222)	—
Loss on disposal of property, plant and equipment	(499)	(200)
	<u>(30,063)</u>	<u>(17,387)</u>

#### 5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>(a) Finance costs</b>		
Interest on bank borrowings	14,299	28,119
Interest on lease liabilities	466	962
	<u>14,765</u>	<u>29,081</u>
<b>(b) Staff costs</b>		
Contributions to defined contribution retirement plans	20,529	8,348
Salaries, wages and other benefits	488,073	421,006
Equity settled share-based payment expenses	14,234	1,237
	<u>522,836</u>	<u>430,591</u>



		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
(c)	<b>Other items</b>		
	Amortisation		
	– intangible assets	293	308
	Depreciation		
	– owned assets	198,182	167,654
	– right-of-use assets	7,561	14,197
	Auditors' remuneration	600	600
	Operating lease charges in respect of properties	2,888	7,516
	Research and development costs ( <i>Note (i)</i> )	317,697	290,751
	Cost of inventories ( <i>Note (ii)</i> )	8,425,102	8,228,356
	Impairment losses on trade receivables	1,852	1,755
		<u>1,852</u>	<u>1,755</u>

Notes:

- (i) Research and development costs include staff costs of employees in the design, research and development department of approximately RMB87,029,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately RMB66,990,000) which are included in the staff costs as disclosed in Note 5(b).

The criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are recognised as expenses in the period in which they are incurred.

- (ii) Cost of inventories include carrying amount of inventories sold, carrying amount of inventories recognised as research and development expense, and write down of inventories. Cost of inventories includes approximately RMB571,656,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately RMB497,178,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 5(b) and Note 5(c) for each of these types of expenses.

## 6 Income tax in the consolidated income statement

Income tax in the consolidated income statement represents:

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
	Current tax – PRC Corporate Income Tax	98,979	45,056
	PRC dividend withholding tax ( <i>Note (v)</i> )	24,971	4,500
	Deferred taxation	(38,195)	(10,101)
		<u>(38,195)</u>	<u>(10,101)</u>
	Total	<u>85,755</u>	<u>39,455</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) Kunshan Q Technology (Hong Kong) Limited (“**Kunshan QT Hong Kong**”) and Kunshan Q Technology International Limited (“**QT International**”) are subject to Hong Kong Profits Tax at 16.5%.
- (iii) Kunshan Q Tech Microelectronics (India) Private Limited (“**India Q Tech**”), Q Technology Korea Limited (“**Korea Q Tech**”) and Q Technology (Singapore) Private Limited (“**Singapore Q Tech**”) are subject to the local income tax at 25%, 10% and 17% respectively.

- (iv) The PRC statutory income tax rate is 25%. Kunshan QTech Microelectronics Co., Ltd. (formerly known as “**Kunshan Q Technology Limited**”) (“**Kunshan QT China**”) successfully renewed the High and New Technology Enterprise (“**HNTE**”) qualification on 24 October 2018 and continued to enjoy a preferential income tax rate of 15% for three years commenced from 1 January 2018. Kunshan QT China has sent application for renewed the HNTE qualification on 19 July 2021. Shenzhen Q Technology Limited (“**Shenzhen QT Subsidiary**”) was qualified as a HNTE on 9 December 2019 to enjoy a preferential income tax rate of 15% for three years commenced from 1 January 2019.
- (v) According to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%.

## 7 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB570,741,000 (six months ended 30 June 2020: approximately RMB335,522,000) and the weighted average of 1,176,700,000 ordinary shares (six months ended 30 June 2020: weighted average of 1,164,130,000 ordinary shares) in issue during the interim period, calculated as follows:

#### *Weighted average number of ordinary shares*

	Six months ended 30 June	
	2021 '000	2020 '000
Issued ordinary shares at 1 January	1,172,251	1,157,476
Effect of share options exercised	4,449	6,654
	<u>1,176,700</u>	<u>1,164,130</u>
Weighted average number of ordinary shares at 30 June	<u>1,176,700</u>	<u>1,164,130</u>

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB570,741,000 (six months ended 30 June 2020: approximately RMB335,522,000) and the weighted average number of ordinary shares of 1,187,063,000 (six months ended 30 June 2020: weighted average of 1,175,347,000 ordinary shares), calculated as follows :

#### *Weighted average number of ordinary shares (diluted)*

	Six months ended 30 June	
	2021 '000	2020 '000
Weighted average number of ordinary shares at 30 June	1,176,700	1,164,130
Effect of deemed issue of shares under the Company's share option scheme	10,363	11,217
Weighted average number of ordinary shares (diluted) at 30 June	<u>1,187,063</u>	<u>1,175,347</u>

## 8 Trade and other receivables

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables		
– third parties	4,202,863	3,400,788
– related parties	3,113	1,263
Bills receivable		
– third parties	40,973	76,190
Trade and bills receivables	4,246,949	3,478,241
Less: Allowance for doubtful debts	(3,442)	(1,590)
	4,243,507	3,476,651
Other deposits, prepayments and receivables	141,032	112,377
	4,384,539	3,589,028

- (i) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Bills receivable are due in 3 to 6 months from the date of issue.

- (ii) The Group accepts bank acceptance bills from major banks in the PRC for settlement of trade receivables. The management considered that the risk of these bills relates substantially to credit risk. Accordingly, when these bills were transferred by either discounting or endorsement, they were derecognised as financial assets. As at 30 June 2021, the bank acceptance bills which the Group has transferred but not overdue were totally amounted to approximately RMB122,295,000 (31 December 2020: approximately RMB965,000). All of these bills are due within 6 months.

### (a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	2,755,678	2,553,862
More than 1 month but within 3 months	1,437,316	806,368
More than 3 months but within 6 months	49,210	116,353
More than 6 months but within 1 year	1,303	68
	4,243,507	3,476,651

**(b) Impairment of trade and bills receivables**

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movement in the allowance for doubtful debts during the period/year is as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
At 1 January	1,590	1,297
Impairment losses recognised	<u>1,852</u>	<u>293</u>
As at 30 June/31 December	<u><u>3,442</u></u>	<u><u>1,590</u></u>

**9 Derivative financial assets and liabilities**

	At 30 June 2021		
	Notional amount <i>RMB'000</i>	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Foreign currency derivative instruments			
– Forward contracts	627,763	5,248	–
– Option contracts	<u>961,263</u>	<u>–</u>	<u>(6,645)</u>
Total	<u><u>1,589,026</u></u>	<u><u>5,248</u></u>	<u><u>(6,645)</u></u>

  

	At 31 December 2020		
	Notional amount <i>RMB'000</i>	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Foreign currency derivative instruments			
– Forward contracts	267,030	–	(975)
– Option contracts	<u>535,042</u>	<u>–</u>	<u>(47,302)</u>
Total	<u><u>802,072</u></u>	<u><u>–</u></u>	<u><u>(48,277)</u></u>

The Group entered into foreign currency option and foreign currency forward contracts with banks. As at 30 June 2021, the notional amount of outstanding contracts amounted to approximately USD245,976,000 (31 December 2020: approximately USD122,925,000). All these option and forward contracts are matured within one year.

The fair value of the foreign currency option contracts is measured using the Black-Scholes-Merton Model. Main parameters used in the model include the spot price of the foreign exchange rates as of the valuation date, strike rates, forward foreign exchange rates, implied volatilities of foreign exchange rates and the risk-free rates.

The fair value of foreign currency forward contracts takes into account the market interest rate and the estimated future pay-off of the foreign exchange forward contract.

## 10 Pledged bank deposits

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Pledged for		
– short-term bank borrowings ( <i>Note 11</i> )	469,379	260,860
– letters of guarantee	5,562	5,702
	<u>474,941</u>	<u>266,562</u>

## 11 Bank borrowings

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Long-term bank borrowings		
– secured ( <i>Note (a)</i> )	58,956	59,211
– unsecured	20,000	100,000
	<u>78,956</u>	<u>159,211</u>
Short-term bank borrowings		
– secured ( <i>Note (b)</i> )	465,246	261,152
– unsecured	1,093,783	842,869
	<u>1,559,029</u>	<u>1,104,021</u>
	<u>1,637,985</u>	<u>1,263,232</u>

- (a) As at 30 June 2021, the balance was the long-term bank borrowings with effective interest rate of approximately 1.95% of approximately TWD255,000,000 which was repayable on 20 August 2022. It was secured by 26,160,850 shares (31 December 2020: 26,160,850 shares) of Newmax Technology Co., Ltd. (an associate) held by the Group.
- (b) The short-term bank borrowings were secured by assets of the Group and the carrying amounts of these assets are as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Pledged bank deposits ( <i>Note 10</i> )	<u>469,379</u>	<u>260,860</u>

- (c) As at 30 June 2021, the bank borrowings with effective interest rate of approximately 1.29% (31 December 2020: approximately 2.32%), were repayable as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year or on demand	1,559,029	1,104,021
After 1 year but within 2 years	78,956	159,211
	<u>1,637,985</u>	<u>1,263,232</u>

## 12 Trade and other payables

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables and accruals		
– third parties	3,867,313	4,472,760
– related parties	55,851	32,199
Bills payable ( <i>Note (a)</i> )		
– third parties	1,251,891	962,415
Trade and bills payables ( <i>Note (b)</i> )	5,175,055	5,467,374
Accrued payroll	128,379	157,703
Other payables and accruals	634,739	388,395
	<u>5,938,173</u>	<u>6,013,472</u>

All of the trade and other payables as at 30 June 2021 are expected to be settled or recognised as income within one year or are repayable on demand.

### (a) Bills payable analysed by type of security

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bills payable unsecured	1,251,891	962,415

(b) An ageing analysis of the trade and bills payables based on the invoice date is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	4,410,042	4,480,859
Over 3 months but within 6 months	474,366	389,087
Over 6 months but within 1 year	3,778	32,172
Over 1 year	3,714	22,860
	<u>4,891,900</u>	<u>4,924,978</u>

As at 30 June 2021, the accrued trade payables which represented the amounts with no invoice received by the end of the reporting period date, were amounted to approximately RMB283,155,000 (31 December 2020: approximately RMB542,396,000).

### 13 Capital, reserves and dividends

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	At 30 June 2021 RMB'000	At 30 June 2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of HKD5.0 cents (equivalent to approximately RMB4.2 cents) (six months ended 30 June 2020: HKD10.0 cents (equivalent to approximately RMB9.0 cents))	<u>48,603</u>	<u>107,152</u>

The Company did not propose any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

(b) Share capital

Authorised and issued share capital

	Number of Shares '000	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each	<u>50,000,000</u>	<u>500,000</u>

	Number of shares '000	Nominal value of ordinary shares	
		HK\$'000	RMB'000
<b>Issued and fully paid:</b>			
At 1 January 2021	1,172,251	11,722	9,383
Shares issued under 2018 Share Option Scheme	3,088	31	26
Shares issued under 2019 Share Option Scheme	1,743	17	15
Shares issued under 2020 Share Option Scheme	4,904	49	42
At 30 June 2021	1,181,986	11,819	9,466

During the period, pursuant to the Company's share option schemes, options were exercised to subscribe for 9,735,080 ordinary shares (six months ended 30 June 2020: 14,774,680 shares) in the Company at a consideration of approximately RMB59,036,000 (six months ended 30 June 2020: approximately RMB59,777,000) of which approximately RMB83,000 (six months ended 30 June 2020: approximately RMB135,000) was credited to share capital and the balance of approximately RMB58,953,000 (six months ended 30 June 2020: approximately RMB59,642,000) was credited to the share premium account and share-based payment reserve. Approximately RMB15,911,000 (six months ended 30 June 2020: approximately RMB3,778,000) has been transferred from the share-based payment reserve to the share premium account. 566,980 options were lapsed during the period (six months ended 30 June 2020: 677,520).

As at 30 June 2021, the total number of shares which may be issued upon the exercise of all options outstanding from the Company's share option schemes is 17,621,940 (31 December 2020: 27,924,000), of which 3,063,300 options are exercisable at an exercise price of HK\$4.65 per share, 2,506,800 options are exercisable at an exercise price of HK\$6.02 per share and 12,051,840 options are exercisable at an exercise price of HK\$9.22 per share.

**(c) Equity settled share-based transactions**

**(i) 2016 Share Option Scheme**

On 26 October 2016, the Company granted a total of 39,425,000 share options (the "**2016 Share Option Scheme**") to 165 eligible participants ("**Grantees**") to subscribe for a total of 39,425,000 ordinary shares of HK\$0.01 each in the capital of the Company, subject to performance conditions related to certain revenue growth target of the Company's 2017, 2018 and 2019 financial years.

**(ii) 2017 Share Option Scheme**

On 9 June 2017, the Company granted a total of 8,083,000 share options (the "**2017 Share Option Scheme**") to 48 Grantees to subscribe for a total of 8,083,000 ordinary share of HK\$0.01 each in the capital of the Company, subject to performance conditions related to certain revenue growth target of the Company's 2017, 2018, 2019 and 2020 financial years.

**(iii) 2018 Share Option Scheme**

On 7 December 2018, the Company granted a total of 12,720,000 share options (the "**2018 Share Option Scheme**") to 83 Grantees to subscribe for a total of 12,720,000 ordinary share of HK\$0.01 each in the capital of the Company, subject to performance conditions related to certain revenue growth target of the Company's 2019, 2020 and 2021 financial years.

**(iv) 2019 Share Option Scheme**

On 21 June 2019, the Company granted a total of 11,454,000 share options (the "**2019 Share Option Scheme**") to 68 Grantees to subscribe for a total of 11,454,000 ordinary share of HK\$0.01 each in the capital of the Company, subject to performance conditions related to certain revenue growth target of the Company's 2020, 2021 and 2022 financial years.

**(v) 2020 Share Option Scheme**

On 16 September 2020, the Company granted a total of 17,879,600 share options (the "**2020 Share Option Scheme**") to 119 Grantees to subscribe for a total of 17,879,600 ordinary share of HK\$0.01 each in the capital of the Company, subject to performance conditions related to certain revenue growth target of the Company's 2020, 2021, 2022 and 2023 financial years.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Period, as the COVID-19 pandemic was generally under control in the PRC, coupled with the continuous increase in vaccination rates among the public, economic growth has fully returned to normal. According to the statistics published by the National Bureau of Statistics of China on 15 July 2021, the gross domestic products (GDP) of the PRC recorded a year-on-year increase of approximately 12.7% in the first half of the year, while the growth in resident income was basically synchronised with economic growth. In the first half of the year, the per capita disposable income of Chinese residents after deducting the price factor, actually increased by approximately 12.0%, while the total retail sales of consumer goods increased by approximately 23.0% year-on-year. This shows that despite the significant impact of the pandemic on the personnel exchange between countries around the world, the economic fundamentals remained stable while the consumption power was gradually improving, both of which were driven by the domestic circulation (the cycle of China's domestic supply and demand).

According to data from the Ministry of Industry and Information Technology of the PRC, the shipment volume of domestic smartphones in the PRC reached approximately 174 million units in the first half of the year, representing a year-on-year growth of approximately 13.7%, of which there were approximately 128 million units of 5G mobile phones, representing a year-on-year growth of approximately 100.9% and accounting for over 70% of the total smartphone shipments. This shows that the domestic smartphone consumer market in the PRC is back on track and set to go. Meanwhile, according to the forecast of TSR, 92.1% of smartphones in the world would adopt the solutions of dual-camera and above in 2021, while the proportion of tri-camera and quad-camera would continue to rise, reflecting the consumers' continuing demand for enhancing photo shooting effect of handsets, which has driven the improvement on specifications of camera module products in terms of multi-camera, ultra-high pixel, optical zoom and optical image stabilisation, leading to a stable development of camera modules in the smartphone field.

Meanwhile, other markets that make high use of intelligent vision products, including the automotive and Internet of Things (IoT) sectors, have also resumed growth as China's economy continues to stabilise. According to data disclosed by the Ministry of Commerce of the PRC in July this year, the sales volume of new motor vehicles achieved a faster growth in the first half of 2021, which was nearly 12.9 million units during the Period, up 25.6% year-on-year and 4.4% over the first half of 2019. The sales volume of new energy vehicles reached 1.2 million units during the Period, accounting for more than 9% of new motor vehicle sales volume and representing a two-fold increase year-on-year. According to the forecast issued by S&P Global Ratings in August this year, the wholesale volume of the new energy vehicles in PRC of 2021 and 2022 is expected to raise to 2.4 million units and 3.4 million units, representing a year on year growth of 75% and 40%, and IoT terminals will also enter into a rapid growth period. According to the data from International Data Corporation (IDC), the global connections of IoT for 2024 will be approximately 65 billion units, being 11.4 times over the connections of mobile phones. The rapid growth of smart vehicles and IoT terminals in China will motivate the increase in demand for camera modules in the non-handset application market, generating new opportunities for development of camera modules business.

With the trust and supports of customers coupled with the joint effort of all employees, the Group has overcome a series of challenges arising from the pandemic, intensified geopolitics and weak consumer confidence to sustain the growth momentum of last year. During the Period, the Group set a new high in sales revenue and net profit in corresponding periods, and continued to implement three strategic goals, including: (i) further improvement of the product mix of camera modules, with the proportion of high-end products with resolutions of 32 mega pixels and above hitting a record high; (ii) more balanced and comprehensive coverage of major mobile phone brand customers adopting Android system at home and abroad, with increasing market share from new customers; and (iii) increased proportion of non-handset business, with the growing number of customers and projects for automotive camera modules and IoT module products.

During the Period, the Group's sales volume grew steadily year-on-year, with the sales volume of camera modules and fingerprint recognition modules increasing by approximately 24.2% and approximately 38.8% respectively, higher than the growth in sales volume of global smartphones for the same period, driving the Group's sales revenue to approximately RMB9,335,841,000, representing a year-on-year increase of approximately 6.1% from approximately RMB8,802,020,000 for the Corresponding Period. During the Period, the proportion of the Group's sales volume of camera module products with resolutions of 32 mega pixels and above in the total sales volume of camera module products increased by approximately 4.2 percentage points to approximately 32.4%, slightly higher than the development objectives set at the beginning of the year. However, the proportion of the sales volume of camera module products with resolutions of 10 mega pixels and above in the total sales volume of camera module products decreased by approximately 2.7 percentage points year-on-year to approximately 70.8%, resulting that the average unit sales price of camera modules in the Period decreased by approximately 12.4% year-on-year to approximately RMB37.5 from approximately RMB42.8 in the Corresponding Period, but increased by approximately 6.5% on a half-on-half basis from approximately RMB35.2 in the second half of last year, reflecting that the upgrading on specifications of camera module products has got back on track along with the alleviation of the COVID-19 pandemic.

During the Period, the sales volume of camera module products of the Group reached approximately 223.80 million units, representing a stable increase of approximately 24.2% as compared with approximately 180.21 million units in the Corresponding Period. Such increase was mainly due to: (i) the continuous improvement of the Group's market share in most Android handset customers as a result of the Group's sound sales strategy and customers' further recognition of product quality and comprehensive capabilities; (ii) the continuous increase in the proportion of smartphones with tri-camera and quad-camera design, resulting in a greater growth of overall mobile phone camera modules than smartphones; and (iii) the continuous growth shipment of the Group's camera module products in the IoT and automotive fields. Nevertheless, the growth in sales volume of camera modules was still below the development objectives set at the beginning of the year, mainly due to: (i) the impact of pandemic prevention measures on local production activities of our customers, resulting from the rebound of the COVID-19 pandemic in India in the second quarter; and (ii) the continuous negative impact on the shipment of smartphone products due to the on-going shortage of semiconductor production capacity.

During the Period, the sales volume of fingerprint recognition module products of the Group reached approximately 55.43 million units, representing a year-on-year increase of approximately 38.8% as compared with approximately 39.93 million units in the Corresponding Period. Such increase was mainly due to: (i) the relatively stable competition in the industry and the Group's advantages in technology, cost structure and scale, which enabled it to capture market share; and (ii) the tendency of mobile phone designs to adopt more new products such as side-mounted capacitive fingerprint recognition modules and optical under-glass fingerprint recognition modules, which suppliers of smaller scale are hard to adapt to, leading to the continuous market concentration on the top players. However, the average unit sales price of fingerprint recognition modules significantly decreased by approximately 36.9% from approximately RMB26.2 in the Corresponding Period to approximately RMB16.6, mainly due to: (i) lower cost for chips for optical fingerprint recognition modules, which reduced the overall product price; and (ii) slower upgrade of product mix as a result of the delayed launch of new large-size and ultrathin fingerprint recognition module products by mobile phone brands.

During the Period, the gross profit margin of the Group was approximately 11.6%, representing an increase of approximately 3.3 percentage points as compared with approximately 8.3% in the Corresponding Period. Such increase was mainly due to the Group's continuous optimization of the product mix of camera modules during the Period, which enhanced the added value of camera module products.

The Group has always strived to position itself as an advanced intelligent vision product system company serving its intelligent mobile terminal customers including smartphones, automobiles, smart homes and other IoT application scenarios. In addition to the smartphone segment, after years of hard work and collaboration by the Company, substantial improvements have been achieved in various market segments such as camera module products in automotive and IoT fields.

The automotive camera modules play an important role in the continuous improvement of the intelligence of automobiles through the installation of advanced sensors and other devices, the use of artificial intelligence and new technologies such as 5G communications, all of which are key battlegrounds for intelligent vision system companies. After nearly four years of development and accumulation, the Group's automotive business department has established capability of providing quality services for numerous automotive projects simultaneously, and will implement the following development strategies: on the one hand, the Group focuses on three high-end automotive camera module products, namely Advanced Driver Assistance System (ADAS), Intelligent Cabin (In-Cabin) and Surround View, cooperates with domestic and global OEMs through Tier 1 customers, and simultaneously carries out vertical integration of key components. Currently, the Group's products have been delivered and used in the vehicle models of SGMW, Geely Auto, XPeng, Foton Daimler and other brands, and have obtained the certification of qualified suppliers from various vehicle companies. Such collaborative experience will generate sound spillover effects for the Group and build up its reputation, further extending the Group's strengths in intelligent vision products for mobile phones to the automotive field. On the other hand, our team will closely monitor the development opportunities of other automotive optical products such as LiDAR and HUD, and seek suitable entry points to integrate with the overall layout of automotive sensor products, so as to prepare for the industry to move forward to L3 or higher level of automated intelligent driving.

At the same time, the Group has also made significant and substantial progress in the development of IoT intelligent vision products. In many application scenarios, the Group has taken the lead in entering fields with larger scale and higher specification optical products such as drones, sweeping robots and smart wearable devices, and established solid cooperative relationships with leading players such as DJI, ECOVACS and Little Genius (小天才), to provide, including but not limited to, quality products such as gimble image stabilisation modules, obstacle avoidance modules, wearable camera modules and etc., driving continuous increase in market share. With the Group's understanding, design, processes and mass production capabilities of micro-optical module products, we are expected to accelerate our business expansion in the IoT field and strive for higher revenue contribution.

During the Period, the Group continued to promote the research and development (the “**R&D**”) of high-end camera module products, strengthen the R&D of new materials, new processes and new products, resulting in a remarkable improvement in the functions and performance of camera module products. Currently, the Group has become one of the three largest high-ended camera module manufacturers in the PRC with single camera modules with resolutions of 32 mega pixels and above. Not only has the Group successfully put into mass production and sale of 64 mega pixels and 108 mega pixels products, but it has also fully mastered the production process of various products such as large-chip and different sizes of pixel, being the main supplier of fixed-focus, automatic focus, telescope and wide-angle camera module projects for the flagship models of multi-brand customers. At the same time, the R&D team has focused on pre-researching the process capabilities of Sensor Shift, sensor automatic focus (Sensor AF), multi-group lens AA (MLAA) and dToF modules. The projects have gradually entered the stage of sampling delivery and project approval, which fully demonstrates the Group's determination to accelerate its investment in R&D, master the industry-leading technologies in advance and consolidate its position as a leading enterprise in intelligent vision products.

During the Period, the Group's market share in camera modules and fingerprint recognition modules continued to improve. In order to quickly respond to customer demands, the expansion of production capacity at the third phase of the production base in Kunshan and the second phase of the production base in India was progressing in an orderly manner, to meet the continuous growing demand in three applications, namely mobile phone, automotive and IoT sectors.

In summary, development opportunities and challenges coexist in the camera module and fingerprint recognition module industry in the future. In the long run, with the continuous specification upgrading of optical products in the fields of handset terminals, automotive and IoT, together with the increasingly complex optical product design and structural design of camera modules, camera module manufacturers who process capabilities of integrating upstream component design and large-scale automated production will be expected to stand out in fierce competitions and become a leader in providing integrated intelligent vision solutions. The directors of the Company (the “**Directors**”) believe that with its continuous effort in promoting large-scale intelligent manufacturing, R&D of new technology and vertical integration, firmly propelling the strategies in platform, components as well as system integration, adhering to a customer-centric service strategy, firmly promoting lean management, the Group will be able to maintain its relatively long-term competitiveness, provide high-end and high quality products and quick response services for our general customers, and ultimately strive to achieve the vision of the Group as “to illuminate machines”.



## PROSPECTS

The Directors consider that the geopolitical situation is still intense, the international trade barriers have yet to be removed, and some countries are reintroducing severe social restrictions due to material impact from the variants of the COVID-19 outbreak, all of which continue to pose significant macroeconomic uncertainties. According to a report released in July this year by Techno Systems Research Co. Ltd (“TSR”), an independent third-party research institution, the growth rate of global smartphones was expected to be 5.8% in 2021, slightly lower than the general market forecast of 8%-10% at the beginning of the year, with the downward adjustment mainly due to the ongoing pandemic and tight supply of some semiconductor parts and components. Although the global economy still faces great uncertainty in the short term, the Directors believe that 5G is one of the definitive directions for global technology and economic development, and intelligent mobile terminals, such as smartphones, smart vehicles, smart homes, smart wearable and etc., are important carriers for the further commercialisation of 5G and the popularisation of IoT. Therefore, there remains good development opportunities and broad development prospects for the intelligent mobile terminal industry. As a fundamental communication network, 5G will change users’ information consumption habits and completely lift the bandwidth limit of emerging applications. According to the data released by the Ministry of Industry and Information Technology of the PRC on 13 July 2021, the accumulated shipment of 5G smartphones in China reached approximately 128 million units in the first half of 2021, accounting for approximately 73.4% of smartphone shipment in the same period. 110 new models were launched, representing a year-on-year increase of 1.9% and accounting for 51.6% of the number of new models launched in the same period. According to the forecast data from independent third-party research institutions, the number of global 5G mobile phone users will reach 2.5 billion by 2025, and Chinese products will continue to account for approximately half of the global market share. Driven by the popularisation of 5G, the progress of intelligent driving has also accelerated. According to forecasts by independent market research institutes and key securities traders, the proportion of passenger vehicles in China meeting the combined assisted driving (L2) and conditional autonomous driving (L3) levels as defined by the International Society of Automotive Engineers (SAE) will reach 30% and 12% respectively by 2025, while the number of camera modules used in both of which will reach approximately 3 and 8 units respectively, which are much higher than the current average number of approximately 1.7 units used per passenger vehicle. In terms of the IoT, an independent third-party research institute released the Worldwide IoT Spending Guide 2021 V1 (《2021年V1全球物聯網支出指南》) in June this year, estimating that worldwide IoT spending will reach US\$690.47 billion in 2021 and US\$1.1 trillion in 2025, with a compound annual growth rate of 11.4%. In particular, China’s market share will increase to 25.9%.

The intelligent vision systematic product is still one of the highlights that consumers are most concerned with when purchasing intelligent mobile communication terminals, and is also one of the important interfaces for information interaction in new IoT fields such as automobiles and smart homes. Therefore, the Directors remain confident in the long-term development prospects of the intelligent vision industry, and will continue to establish technological advantages by promoting the R&D of new materials, new processes and new products, further enhancing profitability by optimising customer structure and improving product mix, improving production efficiency and reducing manufacturing costs by further strengthening production automation and striving to move towards intelligent production, enhancing risk prevention capability by strengthening internal control management, and strengthening the systematic capability of intelligent visual products by further promoting vertical integration of core parts and components, so as to enhance the core competitiveness of the Group.

The Directors are unswervingly committed to the strategy of continuously promoting the development of intelligent vision systematic products. The Directors believe that the importance of camera modules in mobile terminals has increased and the changes in the technological trend of the industry in recent years will be beneficial to the first-tier module manufacturers with vertical integration capabilities. The main reasons are as follows: (i) the trend of consumers' demand for higher quality intelligent vision systematic products remains unchanged, but the upgrade path has gradually shifted from focusing on optical lens design and semiconductor chip design in the past to strengthening structural design, such as new optical image stabilisation, continuous optical zoom, variable aperture, etc. The upstream materials used in camera modules tend to be customised and require module manufacturers to be highly involved in product design and coordination integration, which will help module manufacturers to increase the added value of products; and (ii) the increase in the popularity of 5G commercial applications and 3D imaging applications will continue to change the habits of mobile phone users, whereas more applications of dynamic shooting, games and AR/VR will continue to enhance the iteration of the specifications of mobile phone camera modules; (iii) automotive camera modules provide an interactive information entrance for drivers. Unlike laser radar, which is mainly used as a distance measurement, it is the only sensor used in vehicles for objects sensing. It will be used in large-scale driving assistance systems for road conditions sensing, surround view parking or driver fatigue detecting. The increased penetration rate of intelligent driving systems will significantly increase the adoption of camera modules and impose more stringent requirements on specifications; and (iv) the rapid growth of the IoT market also brings opportunities to the intelligent vision industry. In particular, the pandemic has changed the way people interact with one another, and the consumption habits of users were passively changed by the noncontact economy. In addition, the 5G network has empowered various artificial intelligent products, providing the necessary conditions for the Internet of Everything. The sub-markets such as service robots such as sweeping robots, delivery robots and drones are expected to have significant growth. In particular, the functional requirements such as the path identification, the target identification and the avoidance of obstacles will bring new opportunities to the camera module industry.

In the past two years, the Group has laid a solid foundation in terms of technology layout, customer layout and product layout of camera modules used in automotive and IoT fields, and achieved mass production. In the future, the Group will focus on securing more new projects and capacity construction, endeavoring to expand production scale in the short to medium term, and strive to become one of the major manufacturers in the industry. At the same time, the face recognition function of mobile payment, wearable devices, smart home and other new consumption patterns are emerging, which will provide favorable conditions for the Group's development in line with consumers' pursuit of a healthy and convenient lifestyle.

The Directors also fully recognized that the global political and economic cooperation was still weak with the rise of trade protectionism, and the COVID-19 pandemic has not yet been extinguished, the monetary policies of major economies may be subject to substantial adjustments, which leads to relatively large uncertainties to the global economic growth. Despite facing various challenges ahead, the Directors believe that opportunities and challenges come in pairs. The Group will adhere to the vision of “to illuminate machines”, actively strengthen the capacity building in three aspects, namely optical design, computing imaging and system integration, continue to strengthen the R&D of new materials, new processes and new products, continue to improve the large-scale automated precision manufacturing capabilities, continue to promote the construction and expansion of production bases in India, actively promote lean management, actively carry out customer relationship marketing, actively strive to increase the share of customer cooperation, and continuously enhance the Group’s core competitiveness. The Group will also focus on promoting the development of high-end products such as high pixel camera modules, multi-camera modules, optical image stabilisation modules, ToF modules, periscope camera modules and optical under-glass fingerprint recognition modules in various forms, and assist in promoting the development of the camera module lens, 3D module lens and under-glass fingerprint recognition module lens of Newmax Technology Co., Ltd. (“**Newmax Technology**”, a company listed on the Taipei Exchange in Taiwan, stock code: 3630), the associate company. The Company will strive to strengthen the technical cooperation and resource integration of camera modules and key components such as lens sets, and strive to achieve further breakthrough in the application of camera modules in non-mobile phone field.

At the same time, the Directors believe that opportunities are reserved for those who are ready at all times, and that being prepared is not only about the present, but also about the future. In this regard, the Company held a Board meeting on 25 August 2021, at which the Resolution on Strategic Planning for the Five-Year (2021-2025) Operation and Development of Q Technology (Group) Company Limited (the Strategic Planning for the Five-Year (2021-2025) Operation and Development of Q Technology (Group) Company Limited (《丘鈇科技(集團)有限公司五年(2021-2025年)經營發展戰略規劃》), the “**Strategic Planning**”) was considered and approved to guide the Group’s operation and development in the next five years. The main contents of the Strategic Planning are as follows:

## **I. Background on the Strategic Planning**

1. Macro background: On the one hand, the world is facing political changes, the international political situation is becoming more complex, trade protectionism and ideological competition are on the rise, and the impact of the COVID-19 outbreak is widespread and far-reaching. All of these indicated that the uncertainty and instability of global economic development have increased. On the other hand, a new round of technological revolution and industrial transformation is developing in depth, and China is at a critical stage of dual upgrade of industries and consumption. Innovation has become the main driver of economic development. In today’s world, there are both opportunities and challenges.

2. Policy background: Optics and optoelectronics industry is one of the strategic industries supported by the PRC. In order to promote sustainable and healthy development of the industry, Chinese governments at all levels have issued a series of supportive policies, such as “13th Five-Year” National Science and Technology Innovation Plan (《「十三五」國家科技創新計劃》), “13th Five-Year” National Development Planning on Emerging Sectors of Strategic Importance (《「十三五」國家戰略性新興產業發展規劃》), “13th Five-Year” Information Industry Development Guide (《「十三五」信息產業發展指南》), and the National Guidelines for Developing the Standards System of the Internet of Vehicles Industry (Related to Intelligent Transportation) (《國家車聯網產業標準體系建設指南(智能交通相關)》). These policies encourage the development of a new generation of optics and optoelectronic components, providing strong policy support for the development of such as camera module and other optics and optoelectronics industry.
3. Industry background: In the AI-driven IoT era, optics + mathematics propel advances of visual technology which, plus rapid development and application of 5G communications, intelligent driving, 3D Sensing and other technologies, have promoted the camera as the most important information acquisition interface and thus is more widely used in the Metaverse, mobile phones, vehicles, smart homes, IoT and other fields. The further demand for privacy and security from individuals and families is driving the widespread use of fingerprint recognition modules in intelligent mobile terminals such as handsets and computers. In the future, in addition to the specification upgrading and increase in number of camera modules used in smartphone applications, smart vehicles, AR/VR, smart homes and IoT intelligent terminals and other new products will become an important driver of further growth in the camera module industry. The upgrade of visual system and optical components will also become an important driver of innovation and growth of intelligent terminals in the above fields.
4. Development of the Group: Since its establishment in 2007, the Group has rapidly developed into a leader in the camera module and fingerprint identification module industry. During the five financial years from 2016 to 2020, the Group’s revenue grew at a compound annual growth rate of approximately 51.2% as compared to its revenue in 2015, and it has achieved rapid growth in revenue and profit, continuous improvement in customer structure, continuous optimization of product mix, full-scale roll-out of automated production, initial success in internationalization, and gradual commencement of vertical integration. The Group is facing good development opportunities and is at an important stage of rapid development of camera module applications and vertical chain integration in the automotive and IoT fields, based on smartphone camera modules.



## II. Strategic Objectives

In the AI-driven IoT era, the Group will continue to uphold the mission of “to illuminate machines” and adhere to the values of “focusing on excellent customer experience, upholding striver spirit and operating business with craftsmanship”. Concentrating in the integrated intelligent vision system industry, the Group aims to become a leader in providing integrated intelligent vision solutions in China, taking camera module products as the cornerstone and upstream key components vertical integration as a means. In the next five years, the Group will strive to achieve the following objectives:

1. Industry positioning: To rank (i) top two in terms of sales scale of smartphone camera module in China; (ii) top two in terms of sales scale of fingerprint identification module in China which is comparable to the scale of major peers; and (iii) top five in terms of sales scale in the automotive camera module industry.
2. New fields: To pursue aggressive progress in automobile, AR/VR, smart home and IoT fields, and allow revenue from these fields account for one-fourth or more of the total revenue from camera module products.
3. Vertical integration: With module packaging and testing as the cornerstone, to bring into play abilities to integrate the industry chain, and keep determined to extend development to upper reaches of the industry chain, leading the industry with its capability to provide integrated intelligent vision solutions.

### III. Development Principles

In the future, the Group will follow the development principles of “innovation, expansion, integration and balance” and continue to focus on the intelligent vision industry. It will take technology R&D and product innovation as the driving force to steadily expand capability and service areas, accelerate integration of resources in the upstream of the industry chain, and adhere to the balanced strategy of both development and risk control. The Group will strive to optimise its internal resource allocation and business structure, building a business structure system consisting of four major segments, namely smartphone, automobile, IoT and industrial investment, so as to establish and improve its core competitiveness engaging in a complete intelligent vision industry chain. We will build up our own capabilities in terms of commercial, delivery, quality, technical, service, customer relationship and operational capability to provide integrated intelligent vision solutions for our customers, and improve the overall operational efficiency and profitability of the Group.

#### ***(I) Smartphone***

1. Target customers: Leading global smartphone brands and manufacturers.
2. Basic orientation: To meet the broad, diverse and rapidly changing needs of our customers.
3. Capability development:
  - (1) R&D: The Group will continue to enhance R&D investment in products, materials and processes to form a strong competitive edge in the R&D and design of intelligent vision products, so as to satisfy customers’ comprehensive demand for camera modules in terms of size, functionality, performance and cost, as well as for fingerprint recognition modules of different types.
  - (2) Manufacturing: With the COB process as the cornerstone, the Group will continue to promote the industrial 4.0 mass production infrastructure. It will continue to promote the construction of a manufacturing system with automatic production, digital process and intelligent control in accordance with the construction standards of a fully automated digital intelligent factory, fully realise lean production management, maintain its leading position in the industry in terms of manufacturing first pass yield and efficiency and develop our FC process capabilities when opportunities arise. At the same time, we will simultaneously promote the construction and expansion of two production and research bases in Kunshan and India, and gradually push ahead the construction of production and research bases in other overseas countries. The Group endeavours to establish an international presence and enhance its ability to serve global smartphone brands and manufacturers.

- (3) Integration: Using module packaging and testing as a platform, we will extend our capabilities to upstream components, developing lenses, voice coil motors, circuit boards, filters, automated equipment and testing software. We will further develop our ability to provide complete integrated module solutions to provide customers with optical module solution services rather than just optical module packaging and testing services.

## **(II) Smart Vehicles**

1. Target customers: Starting from serving the PRC's leading automobile brands and the world's leading smart vehicles automotive system solution provider, we will eventually develop into a core partner of automotive camera module and its key components for the world's leading automobile brands and smart vehicles automotive system solution provider.
2. Basic orientation: To meet the broad, diverse and long lifecycle needs of our customers.
3. Capability development:
  - (1) R&D: Continuously strengthen the R&D of packaging and testing technologies and material technologies for DMS, surround view, perimeter view and ADAS modules to form an industry-leading R&D and design capability for automotive camera module products.
  - (2) Manufacturing: In order to meet the higher safety standards of automotive camera and to improve their features such as high temperature resistance, anti-magnetic, shock resistance and long service life, it is necessary to enhance the capabilities of laboratory simulation, active alignment (AA) and internal reference calibration.
  - (3) Integration: Using module packaging and testing as a platform, we will develop product capabilities in different processes and specifications for automotive module lenses, camera modules, laser/mm-wave radar and head-up display (HUD) to provide customers with a full matrix of services for automotive modules +.

## **(III) IoT**

In addition to smartphone and smart vehicles business segments, the Group will continue to develop its intelligent vision products business in other consumer electronics fields, in particular the IoT field. The Group's business in the IoT field will adopt a marketing strategy of 1+6+X, to be specific, namely:

1. Focusing on intelligent visual products in the IoT field; and
2. Starting from the six niche markets of drones, smart wearable, smart home, smart audio/video screens, laptops and AR/VR, we will pay close attention to the demand for intelligent vision products in other IoT fields (X) at the same time and grow into a leader in the camera module industry in the IoT field of consumer electronics.

#### ***(IV) Industrial Investment***

1. Guiding ideology: The investment serves industrial layout and long-term development, and strategic planning of industry development guides the specific direction of investment.
2. Key directions: Electronic components, software services, algorithms and storage in the upstream of the intelligent vision industry; specific applications and intelligent terminals in the downstream of the intelligent vision industry; intelligent vision products in the digital society (Metaverse) with virtual-real symbiosis, to establish a closer cooperation with upstream and downstream partners, thus facilitating the Group to develop stronger intelligent vision systematic capabilities more rapidly.

#### **IV. Safeguards for Strategic Planning**

1. Talent and organisation: Adhering to the concept of “talent is the first productive force”, the Group continues with the multi-pronged approach of internal training, external introduction and school-enterprise cooperation to cultivate talents, actively promote echelon construction of high-end technical, management, marketing and risk control talents, and strive to establish a multi-tiered, diverse and responsible talent team. We will establish a distribution mechanism based on responsibility and contribution, and adopt diversified incentives such as equity, salary, bonus and training based on humanistic care. We provide clear guidelines for career development planning and clear paths of advancement, as well as livable staff dormitories, canteens, sports, learning and entertainment venues to stimulate organisational vitality, in an effort to make our staff receive the best spiritual and material rewards in the industry.
2. Corporate culture construction: The Group will insist on the concept of “unified values are the spiritual contract of Q Tech’s staff”, guiding all staff to form the sense of mission of “to illuminate machines”. The Group establishes the values of “focusing on excellent customer experience, building on team contribution, upholding striver spirit and operating business with craftsmanship” through training, preaching, setting up examples and incorporating into the assessment. This will lay a spiritual foundation for the Group’s development and growth and create a spiritual bond for all staff to enhance their cohesiveness.
3. System: We will develop excellent and empowering management and service systems. On the one hand, with high-quality product production and delivery as the core, and riding on the six technical platforms of design, process, equipment, material, software and IT, we will build a sound industrial Internet mass production system, gradually realise production automation, process digitization and control intelligence, and form a closed-loop system of market insight, customer demand, product research and development, project follow-up, quality control, production delivery, after-sales service and benchmarking to guarantee quality product delivery to customers. On the other hand, we will comprehensively build an empowering organizational management system, to promote the establishment and improvement of control processes and systems such as integrated product development (IPD) and leads to cash (LTC).

4. Compliance and risk control: We will firmly implement the balanced development and risk control concept of “compliance with the law, development accompanied with risk control”. On the one hand, the Group will advocate compliant operation and guide all staff to establish the awareness of operation according to the law and strictly comply with relevant domestic and international laws and regulations and industry guidelines. We will focus on integrity building and information disclosure to prevent insider trading, illegal trading and false trading. We will also adhere to our ESG philosophy of “treating environmental protection as our key responsibilities” to practice environmental protection and staff care and protection. On the other hand, the Group will continue to establish a sound management structure and internal control procedures in accordance with the requirements of good corporate governance. It will strengthen financial and capital management, maintain the supervision mechanism of review of action and effective authorization; create a good atmosphere for healthy development and compliant operation, and establish a sound auditing mechanism with both internal and external audits. The Group will build up a solid defence for its sustainable development by putting in place measures where appropriate.

The Directors are confident in leading the Group to embrace the challenges, make further efforts to achieve good development and strive to create greater value for the shareholders of the Company (the “**Shareholders**”). However, the Strategic Planning is developed by the Directors based on the current operating conditions of the Group, the market environment and the forecast of the future development of the industry. Subject to the changing macroeconomic environment, industry development trend, the Group’s operating conditions and etc., the Company may not be able to achieve or fully achieve the Strategic Planning, and may make corresponding adjustments to the Strategic Planning in accordance with the market situation and actual operating and development needs. Therefore, the forward-looking statements in the Strategic Planning regarding the development objectives and business plans of the Company and/or the Group do not constitute a commitment by the Company to its Shareholders or potential investors.

## **FINANCIAL REVIEW**

### **Revenue**

During the Period, the revenue of the Group was approximately RMB9,335,841,000, representing an increase of approximately 6.1% as compared with approximately RMB8,802,020,000 of the Corresponding Period. The increase in revenue was mainly attributable to the solid growth in the sales volume of camera modules as compared with that of the Corresponding Period due to the improvement of the Group's customer structure during the Period.

### **Cost of sales**

As a result of an increase in revenue during the Period, cost of sales of the Group increased by approximately 2.3% to approximately RMB8,253,076,000 as compared with approximately RMB8,070,013,000 of the Corresponding Period. The increase in cost of sales was primarily attributable to the increase in cost of raw materials due to the expansion of sales scale, and the increase in labour costs by approximately 17.1% from approximately RMB347,307,000 in the Corresponding Period to approximately RMB406,869,000 in the Period due to the increase in average remuneration of employees.

### **Gross profit and gross profit margin**

During the Period, gross profit of the Group was approximately RMB1,082,765,000 (the Corresponding Period: approximately RMB732,007,000), representing a year-on-year increase of approximately 47.9%, while gross profit margin was approximately 11.6% (the Corresponding Period: approximately 8.3%). The significant increase in gross profit margin was mainly attributable to the Group's continuous optimization of the product mix of camera modules during the Period, which enhanced the added value of camera module products.

### **Other revenue**

During the Period, other revenue of the Group was approximately RMB44,008,000, representing a decrease of approximately 42.5% as compared with approximately RMB76,583,000 of the Corresponding Period. The decrease in other revenue was primarily due to the decrease in government grants included in other revenue, which decreased by approximately RMB36,912,000 from approximately RMB70,359,000 of the Corresponding Period to approximately RMB33,447,000 of the Period.

## **Other net loss**

During the Period, the Group recorded other net loss of approximately RMB30,063,000, representing an increase of approximately 72.9% as compared with net loss of approximately RMB17,387,000 in the Corresponding Period. Such other net loss was mainly attributable to: (i) impairment provision for interest in an associate of approximately RMB22,222,000 made during the Period, and no such provision was made during the Corresponding Period; (ii) provision for impairment loss of assets of approximately RMB20,678,000 made on certain property, plant and equipment due to the restructuring of the asset and business during the Period, and no such provision was made during the Corresponding Period; and (iii) net loss on foreign currency exchange option contracts of approximately RMB13,289,000 (the Corresponding Period: net gain of approximately RMB12,391,000).

## **Selling and distribution expenses**

During the Period, selling and distribution expenses of the Group amounted to approximately RMB6,919,000, representing a decrease of approximately 33.2% as compared with approximately RMB10,362,000 of the Corresponding Period. The ratio of selling and distribution expenses to revenue was approximately 0.1%, which was at similar level of that of the Corresponding Period. Such decrease was mainly attributable to the reclassification of express expenses from selling and distribution expenses to cost of sales.

## **Administrative and other operating expenses**

During the Period, total administrative and other operating expenses of the Group amounted to approximately RMB82,620,000, representing an increase of approximately 16.9% as compared with approximately RMB70,646,000 of the Corresponding Period. The change in administrative and other operating expenses was mainly attributable to the increase of staff salaries and labour expenses by approximately 17.6% from approximately RMB31,430,000 of the Corresponding Period to approximately RMB36,950,000 resulting from the increase in number of staff and average salary.

## **R&D expenses**

During the Period, the total R&D expenses of the Group amounted to approximately RMB317,697,000, representing an increase of approximately 9.3% as compared with approximately RMB290,751,000 of the Corresponding Period. As the Group actively recruited R&D talents to strengthen its research and development of camera module products applicable in automotive, IoT and other fields, there was a significant increase in R&D staff costs as compared to that of the Corresponding Period.

## **Finance costs**

During the Period, the finance costs of the Group was approximately RMB14,765,000, representing a decrease of approximately 49.2% as compared with approximately RMB29,081,000 of the Corresponding Period. The decrease in finance costs was mainly attributable to a decrease in the annual interest rate of bank borrowings as compared to that of the Corresponding Period as a result of the Group's active restructuring of bank borrowings.



## Share of loss of an associate

During the Period, Newmax Technology, an associate of the Company, recorded a loss. The share of loss of an associate attributable to the Company was approximately RMB18,213,000, representing an increase of approximately 18.4% as compared with a loss of approximately RMB15,386,000 for the Corresponding Period.

## Income tax expenses

During the Period, income tax expenses of the Group was approximately RMB85,755,000, representing an increase of approximately RMB46,300,000 or approximately 117.3% as compared with approximately RMB39,455,000 of the Corresponding Period. The increase in income tax expenses was mainly attributable to profit before taxation of approximately RMB656,496,000 recorded by the Group during the Period, which increased by approximately 75.1% as compared with approximately RMB374,977,000 of the Corresponding Period.

## Profit for the Period

Based on the foregoing, the Group recorded a profit of approximately RMB570,741,000 for the Period, representing a significant increase of approximately 70.1% as compared to approximately RMB335,522,000 of the Corresponding Period. The significant increase in profit was mainly attributable to the solid growth in sales revenue as well as the significant increase in gross profit margin of the Group during the Period

## LIQUIDITY AND FINANCIAL RESOURCES

### Bank Borrowings

As at 30 June 2021, the Group's bank borrowings amounted to approximately RMB1,637,985,000, representing a decrease of approximately 23.2% from approximately RMB2,133,257,000 as at 30 June 2020 and representing an increase of approximately 29.7% from approximately RMB1,263,232,000 as at 31 December 2020. Among the borrowings, short-term borrowings repayable within one year or on demand were approximately RMB1,559,029,000 whereas long-term borrowings were approximately RMB78,956,000.

As at 30 June 2021, the Group's bank borrowings were mainly denominated in RMB and/or USD. The cash flow overview of the Group for the six months ended 30 June 2021 and 2020, was set out as follows:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net cash (used in)/generated from operating activities	<b>(209,300)</b>	659,372
Net cash used in investing activities	<b>(150,376)</b>	(319,297)
Net cash used in financing activities	<b>(316,397)</b>	(119,870)



As at 30 June 2021, the cash and cash equivalents of the Group amounted to approximately RMB1,299,826,000, representing an increase of approximately RMB668,985,000 from approximately RMB630,841,000 as at 30 June 2020, and representing a decrease of approximately RMB683,690,000 from approximately RMB1,983,516,000 as at 31 December 2020. The decrease in cash and cash equivalents as compared with that of the end of last year was mainly attributable to the net cash outflow from operating activities as the Group increased its stock of key materials such as chips to cope with future delivery demands, while sales in the later period of the Period have not yet been collected.

### **Operating activities**

During the Period, the Group recorded a net cash outflow in operating activities of approximately RMB209,300,000, while a net cash inflow of approximately RMB659,372,000 was recorded in the Corresponding Period, mainly because the Group increased its stock of key materials such as chips to cope with future delivery demands, while sales in the later period of the Period have not yet been collected.

### **Investing activities**

The net cash outflow used in investing activities of the Group during the Period amounted to approximately RMB150,376,000, while the net cash outflow used in investing activities amounted to approximately RMB319,297,000 in the Corresponding Period. The net cash outflow used in investing activities of the Group during the Period was mainly due to the investment in plant expansion and purchasing equipment amounted to approximately RMB246,800,000.

### **Financing activities**

The net cash outflow used in the financing activities of the Group during the Period amounted to approximately RMB316,397,000 (the Corresponding Period: approximately RMB119,870,000), which was mainly attributable to: (i) a cash inflow of bank borrowings of approximately RMB1,145,747,000 and a cash expenditure of bank borrowing repayment of approximately RMB1,233,544,000 during the same period; (ii) the change in pledged bank deposits used as guarantee for bank borrowings of approximately RMB208,519,000; (iii) the receipt of a subscription amount for ordinary shares of the Company of approximately RMB59,036,000 from employees exercising their share options under the share option scheme of the Company; and (iv) the completion of payment of a final dividend for the year 2020 of approximately RMB48,603,000 by the Company during the Period.

### **Gearing ratio**

The gearing ratio of the Group as at 30 June 2021, as defined by the balance of bank borrowings and lease liabilities divided by total equity at the end of the Period, was approximately 38.3%, representing a decrease of approximately 30.5 percentage points from approximately 68.8% as at 30 June 2020, and representing an increase of approximately 3.7 percentage points from approximately 34.6% as at 31 December 2020, which was mainly attributable to: in order to meet the demand for production capacity investment and working capital, the balance of the Group's bank borrowings increased by approximately RMB374,753,000 as at 30 June 2021 as compared to that of 31 December 2020, and at the same time, the Company completed the payment of a final dividend of approximately RMB48,603,000 for the year 2020 during the Period.

## TREASURY POLICIES

The Group's treasury policy was disclosed in the prospectus of the Company dated 20 November 2014 (the “**Prospectus**”), and was amended by the risk management committee (the “**Risk Management Committee**”) of the Company on 24 March 2016, the details of which were disclosed under the “Management Discussion and Analysis” section of the 2016 to 2020 annual report. The Board, the Risk Management Committee of the Company and the staff at the relevant positions always remain alert to the performance and risk assessment of the wealth management products. At the same time, the Company also pays close attention to the liquidity and debt asset position of the Group in order to ensure the sufficiency of its working capital and maintain the debt asset ratio at a reasonable level.

## MATERIAL ACQUISITION AND DISPOSAL

On 15 December 2020, the Company submitted an application in relation to a possible spin-off and separate listing of Kunshan QT China on the Shenzhen Stock Exchange or Shanghai Stock Exchange in the PRC (the “**Proposed Spin-off**”) to the Stock Exchange for approval pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), and received the approval from the Stock Exchange on 23 April 2021. On 23 June 2021, Kunshan QT China submitted an application to the ChiNext of Shenzhen Stock Exchange for the proposed listing, and received the notice of acceptance from the Shenzhen Stock Exchange on 30 June 2021. As the equity interest of the Company in Kunshan QT China is expected to decrease upon completion of the proposed initial public offering of Kunshan QT China's ordinary shares, the Proposed Spin-off will constitute a deemed disposal of the Company under Chapter 14 of the Listing Rules and constitute a discloseable transaction of the Company. For details, please refer to the inside information announcements of the Company dated 15 December 2020, 23 April 2021, 23 June 2021 and 30 June 2021.

Save as disclosed above, the Group did not have any material acquisitions or disposals of its subsidiaries, associates and joint ventures for the Period.

## SIGNIFICANT INVESTMENT

The Group did not hold any significant investment for the six months ended 30 June 2021.

## CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any contingent liabilities.

## PLEDGE OF ASSETS

As at 30 June 2021, the assets pledged by the Group included bank deposits and shares of an associate of approximately RMB625,111,000 (30 June 2020: approximately RMB410,991,000), which were used as guarantee for bank borrowings and bank guarantee letters.

## EMPLOYEE POLICIES AND REMUNERATION

As at 30 June 2021, the number of staff of the Group was 10,950 (including contractual staff and non-contractual staff such as staff under internship agreements and labour service agreements) (as at 30 June 2020: 10,168). The Group is committed to providing all staff with fair working environment, providing newly recruited staff with induction training and job technical counseling to help them to adopt to job requirements quickly, providing all staff with clear job responsibilities guidelines and for employees at different positions with on-the-job training together with other training programmes to help to improve their skills and knowledge, and strived to provide all staff with competitive remuneration packages. During the Period, the remuneration of the employees (including staff under labour service agreements and internship agreements) of the Group was approximately RMB522,836,000 (the Corresponding Period: approximately RMB430,591,000). Apart from basic salary, the package also includes performance bonus, medical insurance and provident fund (staff under internship agreements and etc are handled according to the laws and regulations of the PRC).

Meanwhile, the Company has granted a total of 89,561,600 share options to its staff on 26 October 2016, 9 June 2017, 7 December 2018, 21 June 2019 and 16 September 2020 respectively pursuant to a share option scheme (the “**Share Option Scheme**”) adopted on 13 November 2014, among which, the specific details of the outstanding share options are as follows:

- (i) On 7 December 2018, the Company granted a total of 12,720,000 share options to 83 staff (none of the grantees are Directors, chief executive or substantial shareholders of the Company or any of their respective associates) in accordance with the Share Option Scheme (the “**Share Options 2018**”), and the grantees may apply to exercise the share options by phases from 1 April 2020 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 7 December 2018 for details). During the Period, the Company has accepted the applications from 66 staff and issued a total of 3,087,600 ordinary shares at the exercise price of HK\$4.65 per share and total consideration received was approximately HK\$14,357,000. A total of 31,500 and 7,200 options granted on 7 December 2018 were lapsed or cancelled respectively as a result of the resignation of 1 staff and the personal performance of 1 staff during the Period. As at 30 June 2021, a total of 3,063,300 Share Options 2018 were outstanding.
- (ii) On 21 June 2019, the Company granted a total of 11,454,000 share options to 68 staff (none of the grantees are Directors, chief executive or substantial shareholders of the Company or any of their respective associates) in accordance with the Share Option Scheme (the “**Share Options 2019**”), and the grantees may apply to exercise the share options by phases from 1 April 2021 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 21 June 2019 for details). During the Period, the Company has accepted the applications from 42 staff and issued a total of 1,743,200 ordinary shares at the exercise price of HK\$6.02 per share and total consideration received was approximately HK\$10,494,000. A total of 258,000 options granted on 21 June 2019 were lapsed as a result of the resignations of 3 staff during the Period. As at 30 June 2021, a total of 2,506,800 Share Options 2019 were outstanding.

- (iii) In addition, on 16 September 2020, the Company granted a total of 17,879,600 share options to 119 staff (including two executive Directors, Mr. Hu Sanmu and Mr. Fan Fuqiang) in accordance with the Share Option Scheme (the “**Share Options 2020**”), and grantees may apply to exercise the share options by phases from 1 April 2021 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 16 September 2020 for details). During the Period, the Company has accepted the applications from 81 staff (including two executive Directors, Mr. Hu Sanmu and Mr. Fan Fuqiang) and issued a total of 4,904,280 ordinary shares at the exercise price of HK\$9.22 per share and total consideration received was approximately HK\$45,217,000. A total of 248,000 and 22,280 options granted on 16 September 2020 were lapsed or cancelled respectively as a result of the resignations of 3 staff and the personal performance of 6 staff during the Period. As at 30 June 2021, a total of 12,051,840 Share Options 2020 were outstanding.

## **FOREIGN EXCHANGE EXPOSURE**

The Group is exposed to currency risk primarily due to certain receivables, payables, cash balances and loans that are denominated in foreign currencies other than RMB arising from the operating activities such as bank borrowings, product sales and purchase of raw materials. The Group is also exposed to currency risk from the exchange or translation of USD and Hong Kong Dollars into RMB. During the Period, as the sales income of the Group was still mainly settled in RMB but various raw materials for production and some equipment for production were purchased from overseas and settled in USD, while the central parity rate of RMB against USD recorded an upward adjustment of approximately 1.0% from 6.5249 at the beginning of the Period to 6.4601 at the end of the Period, the Group eventually recorded a foreign exchange gain of approximately RMB20,437,000 (the Corresponding Period: foreign exchange loss of approximately RMB25,774,000). As affected by multiple factors such as politics, economic, and supply and demand, the trend of RMB against USD in the future is subject to great uncertainties. It is difficult to adjust the business model of the Group in the short run. Therefore, the profit or loss of the Group may still be affected by exchange rate fluctuation in the future. The Group will, on one hand, continuously strive to strengthen the expansion of overseas business and strive to reduce the proportion of USD expense; on the other hand, the Group will continuously enhance daily monitoring of the exchange rate, and fix the future foreign exchange costs by properly using financial instruments, so as to strengthen the management of foreign exchange risks and strive to reduce foreign exchange loss. However, the Group is also clearly aware that there are many factors affecting exchange rates, and the mechanism to determine exchange rate is complicated and fickle, thus it is difficult to estimate its trend. Therefore, the profit or loss of the Group may still be affected by exchange rate fluctuation.

## **USE OF PROCEEDS FROM GLOBAL OFFERING**

On 2 December 2014, the Shares of the Company were initially listed on the Main Board of the Stock Exchange. The net proceeds from the above global offering were approximately HK\$658,000,000 (after deducting relevant listing expenses). As at 30 June 2021, the fund raised was fully utilised in accordance with the intended use of the Global Offering.

## USE OF PROCEEDS FROM PLACING OF SHARES

On 12 December 2016, the Company completed the placing of 40,000,000 new ordinary Shares under a general mandate granted to the Directors by the Shareholders to two placees, being Value Partners Hong Kong Limited and The People's Insurance Company (Group) of China Limited, who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, at the placing price of HK\$3.90 per placing Share. The net proceeds of the aforesaid placing were approximately HK\$154,428,000, after deducting relevant placing commission, professional fees and all related expenses. As at 30 June 2021, the fund raised was fully utilised. The capital utilisation was consistent with the intended use of the net proceeds of the placing.

On 29 December 2017, the Company completed the placing of 20,000,000 new ordinary Shares under a general mandate granted to the Directors by the Shareholders to not less than six placees, being professional, institutional and/or other investors, who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, at the placing price of HK\$10.80 per placing Share. The net proceeds from the above placing was approximately HK\$214,218,000, after deducting the related placing commission, professional fees and all related expenses. As at 30 June 2021, the fund raised was fully utilised. The capital utilisation was consistent with the intended use of the net proceeds of the placing.

On 23 December 2019, the Company completed the placing of 15,000,000 existing Shares (the **"Placing Shares"**) at the placing price of HK\$13.68 per each Placing Share (the **"Placing"**) to not less than six placees (who were professional investors and whose respective ultimate beneficial owners were (a) independent of, and not connected with, the Company and its connected person; and (b) independent of, and are not acting in concert with, QT Investment, the controlling shareholder of the Company, and persons acting in concert with QT Investment). On 30 December 2019, the Company allotted and issued 15,000,000 new Shares to QT Investment (the **"Subscription"**). Upon the completion of the Placing and Subscription, the net proceeds obtained by the Company was approximately HK\$203,300,000, after deducting all costs and expenses incurred by QT Investment in connection with the Placing and Subscription and to be borne by the Company, and other expenses incurred by the Company which included the placing agent's commission, the stamp duty, the Stock Exchange trading fee and the SFC transaction levy. As at 30 June 2021, the net proceeds was fully utilised. The capital utilisation was consistent with the intended use of the net proceeds of the Placing.

## DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (the Corresponding Period: Nil).



## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Directors have been aware and have confirmed that they had complied with the required standard for securities transactions by Directors set out in the Model Code during the Period.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to fulfilling its responsibilities to the Shareholders and enhancing Shareholders' value through good corporate governance.

The Company has fully complied with the applicable code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “**CG Code**”) during the Period.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS**

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee comprises of three independent non-executive Directors, namely Mr. Ng Sui Yin (the chairman), Mr. Ko Ping Keung and Mr. Chu Chia-Hsiang. The Audit Committee has reviewed the interim results and the interim report of the Company for the Period with the Company's management. The Company's independent auditor, KPMG, has also reviewed the interim financial report for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by HKICPA.

## **EVENTS AFTER THE REPORTING PERIOD**

Saved as disclosed in the section headed “Business Review” and above, there was no other important event affecting the Group that occurred after 30 June 2021 and up to the date of this announcement.

## **INTERIM REPORT**

This results announcement is available on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.qtechsmartvision.com>). The 2021 interim report will be despatched to the Shareholders and will be published on the above websites in due course.

## APPRECIATION

The Company would like to take this opportunity to express its sincere thanks and gratitude to the Shareholders, and various parties for their continuous support as well as the Directors and its staff for their dedication and hard work.

By Order of the Board  
**Q Technology (Group) Company Limited**  
**He Ningning**  
*Chairman and Executive Director*

Hong Kong, 25 August 2021

*As at the date of this announcement, the Executive Directors are Mr. He Ningning (Chairman), Mr. Hu Sanmu (Chief Executive Officer) and Mr. Fan Fuqiang; and the Independent Non-executive Directors are Mr. Chu Chia-Hsiang, Mr. Ko Ping Keung and Mr. Ng Sui Yin.*