Q TECHNOLOGY (GROUP) COMPANY LIMITED
丘鈦科技(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 2015

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2015 amounted to approximately RMB868,749,000, a decrease of approximately 10.0% as compared with the corresponding period in the year 2014 (the "Corresponding Period").
- Gross profit of the Group for the six months ended 30 June 2015 was approximately RMB111,539,000, while gross profit margin was approximately 12.8%.
- The profit of the Group for the six months ended 30 June 2015 was approximately RMB63,014,000, a decrease of approximately 29.2% as compared with the Corresponding Period.
- Basic earnings per share for the six months ended 30 June 2015 was approximately RMB0.063.

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Q Technology (Group) Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 together with the relevant comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
Revenue	*3&4*	**868,749**	965,081
Cost of sales	*6*	**(757,210)**	(796,835)
Gross profit		**111,539**	168,246
Other income	*5*	**15,895**	7,195
Other net loss	*5*	**(1,149)**	(5,888)
Selling and distribution expenses		**(2,376)**	(2,400)
Administrative and other operating expenses		**(10,302)**	(18,129)
Research and development expenses		**(35,820)**	(33,224)
Profit from operations		**77,787**	115,800
Finance costs	*6(a)*	**(6,116)**	(10,203)
Profit before taxation	*6*	**71,671**	105,597
Income tax	*7*	**(8,657)**	(16,645)
Profit for the period		**63,014**	88,952
Attributable to:			
Equity shareholders of the Company		**63,014**	88,952
Profit for the period		**63,014**	88,952
		RMB Cents	*RMB Cents*
Earnings per share	*8*		
Basic		**6.3**	17.8
Diluted		**6.0**	16.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit for the period	**63,014**	88,952
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of subsidiaries outside the Mainland China	**(544)**	(654)
– Available-for-sale financial assets: net movement in the fair value reserve	**(2,871)**	8,590
Other comprehensive income for the period	**(3,415)**	7,936
Total comprehensive income for the period	**59,599**	96,888
Attributable to:		
Equity shareholders of the Company	**59,599**	96,888
Non-controlling interests	**–**	–
Total comprehensive income for the period	**59,599**	96,888

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015 – unaudited
(Expressed in Renminbi)

	Notes	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment		**381,553**	335,787
Lease prepayments		**17,672**	17,880
Intangible assets		**217**	134
Deferred tax assets		**5,311**	5,146
Prepayment for acquisition of property, plant and equipment		**14,438**	1,007
		419,191	359,954
Current assets			
Inventories		**145,438**	141,597
Trade and other receivables	*9*	**849,929**	872,582
Other financial assets		**–**	125,377
Short-term bank deposits	*10*	**235,307**	249,919
Cash and cash equivalents		**359,896**	553,104
		1,590,570	1,942,579
Current liabilities			
Bank borrowings	*11*	**365,878**	712,679
Trade and other payables	*12*	**481,514**	444,823
Current tax payable		**7,117**	11,968
		854,509	1,169,470
Net current assets		**736,061**	773,109
Total assets less current liabilities		**1,155,252**	1,133,063
Non-current liabilities			
Deferred income		**949**	975
Deferred tax liabilities		**4,919**	7,800
		5,868	8,775
NET ASSETS		**1,149,384**	1,124,288
CAPITAL AND RESERVES			
Capital	*13(b)*	**8,038**	7,908
Reserves		**1,141,346**	1,116,380
TOTAL EQUITY		**1,149,384**	1,124,288

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial statements have 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 27 August 2015.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements of the Company, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial statements in conformity with IAS 34 requires management of the Company 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.

The 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 Group since the 2014 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").

The interim financial statements are 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.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's interim financial statements:

- Annual Improvements to IFRSs 2010-2012 Cycle

- Annual Improvements to IFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial positions 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 SEGMENTAL REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the People's Republic of China ("PRC").

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Revenue		
PRC (including Hong Kong)	**864,348**	931,773
Overseas	**4,401**	33,308
	868,749	965,081

The Group had three (six months ended 30 June 2014: five) customers with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2015. The amount of sales to these customers amounted to approximately RMB496,343,000 (six months ended 30 June 2014: RMB772,525,000) for the six months ended 30 June 2015.

4 SEASONALITY OF OPERATIONS

The Group normally experiences on average 20% to 30% higher sales in the second half year, compared to first half year. As a result, the Group typically reports lower revenues for the first half of the year than the second half.

For the twelve months ended 30 June 2015, the Group reported revenue of RMB2,064,752,000 (twelve months ended 30 June 2014: RMB1,838,194,000).

5 OTHER INCOME AND OTHER NET LOSS

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Other income		
Government grants *(Note)*	**4,547**	308
Interest income	**5,722**	505
Investment income (reclassified from equity on disposal)	**4,741**	5,606
Others	**885**	776
	15,895	7,195
Other net loss		
Net foreign exchange loss	**(1,149)**	(6,011)
Gain on disposal of property, plant and equipment	**–**	123
	(1,149)	(5,888)

Note: During the six months ended 30 June 2015, government grants amounting to RMB4,500,000 were included in other income as receivable from local government for its successful listing in Hong Kong.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expenses	**6,116**	10,203
(b) Staff costs		
Contributions to defined contribution retirement plans	**2,577**	1,500
Salaries, wages and other benefits	**59,705**	48,170
Equity-settled share based payment expenses	**598**	2,023
	62,880	51,693
(c) Other items		
Amortisation		
– lease prepayments	**208**	208
– intangible assets	**18**	1
Depreciation	**19,126**	13,902
Auditors' remuneration	**552**	–
Operating lease charges in respect of properties	**231**	39
Research and development expenses *(Note (i))*	**35,820**	33,224
Impairment loss recognised on trade receivables	**–**	78
Impairment loss written back on trade receivables	**–**	(360)
Cost of inventories *(Note (ii))*	**773,562**	816,776
Listing expenses	**–**	8,778

Notes:

(i) Research and development expenses include staff costs of employees in the design, research and development department of RMB10,517,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB8,570,000) respectively which are included in the staff costs as disclosed in Note 6(b).

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

(ii) Cost of inventories includes RMB62,014,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB50,660,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**8,315**	16,578
Hong Kong Profits Tax	**–**	159
	8,315	16,737
Deferred tax		
Origination and reversal of temporary differences	**342**	(92)
	8,657	16,645

(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) Ltd. ("Kunshan QT Hong Kong") is subject to Hong Kong Profits Tax at 16.5%.

(iii) Effective from 1 January 2008, the PRC statutory income tax rate is 25%. The Company's subsidiary, Kunshan Q Technology Limited ("Kunshan QT China"), was qualified as a High and New Technology Enterprise ("HNTE") in 2009, which entitled it to enjoy a preferential income tax rate of 15% from the year 2009 to 2011 according to relevant regulations in the PRC Corporate Income Tax Law. Kunshan QT China successfully renewed the HNTE qualification on 21 May 2012 and continued to enjoy a preferential income tax rate of 15% for another three years starting from 1 January 2012. As at 30 June 2015, Kunshan QT China was in the process of renewing the HNTE qualification. As at 6 July 2015, Kunshan QT China was identified as the "First Batch of Proposed HNTE in Jiangsu Province 2015". According to the relevant regulations and preliminary feedback from the PRC authorities, the Directors believe that Kunshan QT China is probable to be qualified for the renewal of the HNTE qualification.

(iv) 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 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. 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%.

8 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 RMB63,014,000 (six months ended 30 June 2014: RMB88,952,000) and the weighted average of 1,004,323,000 ordinary shares (six months ended 30 June 2014: 500,000,000 ordinary shares, after adjusting the capitalisation issue in 2014) in issue during the interim period, and is shown as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2015	2014
	'000	*'000*
Issued ordinary share at 1 January	**1,000,000**	–
Effect of capitalisation issue	**–**	500,000
Effect of share options exercised	**4,323**	–
Weighted average number of ordinary shares at 30 June	**1,004,323**	500,000

The weighted average number of shares in issue during the six months ended 30 June 2014 represents the 500,000,000 shares in issue before the listing of shares on the Stock Exchange, as if such shares had been outstanding during first half of 2014.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB63,014,000 (six months ended 30 June 2014: RMB88,952,000) and the weighted average number of ordinary shares of 1,046,344,000 (six months ended 30 June 2014: 540,439,000 shares, after adjusting the capitalisation issue in 2014), and is shown as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2015	2014
	'000	*'000*
Weighted average number of ordinary shares at 30 June	**1,004,323**	500,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**42,021**	40,439
Weighted average number of ordinary shares (diluted) at 30 June	**1,046,344**	540,439

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
Trade receivables		
– third parties	**576,823**	511,695
– related parties	**13,626**	29,068
Bills receivable		
– third parties	**239,740**	310,606
Trade and bills receivables	**830,189**	851,369
Less: allowance for doubtful debts	**(503)**	(503)
	829,686	850,866
Amounts due from related parties	**8**	3
Other deposits, prepayments and receivables	**20,235**	21,713
	849,929	872,582

All of the trade and other receivables are expected to be recovered or recognised as expense within one year, except for the Group's deposits amounting to RMB41,000 as at 30 June 2015 (31 December 2014: RMB82,000), which are expected to be recovered after more than one year.

Bill receivable represented outstanding bank acceptance bills and commercial acceptance bills. As at 30 June 2015, bills receivable amounting to RMB42,798,000 (31 December 2014: RMB31,280,000) were pledged as security for bills payable. Bills receivable are due in 3 to 6 months from the date of issue.

As at 30 June 2015, bills receivable amounting to RMB159,013,000 (31 December 2014: RMB140,969,000) were pledged as security for bank borrowings.

The management considers that related parties are under influence of the Group's controlling shareholder, hence no material credit risk exists on sales to related companies.

In respect of the sales to third party customers, individual credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivables with the following ageing analysis based on due date are as follows:

	As at 30 June 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
Neither past due nor impaired	**829,669**	850,776
Less than 3 months past due	**–**	89
Over 3 less than 6 months past due	**17**	–
Over 6 less than 12 months past due	**–**	1
Over 12 less than 24 months past due	**–**	251
More than 24 months	**503**	252
	830,189	851,369

As at 30 June 2015, trade receivables amounting to RMB239,740,000 (31 December 2014: 310,606,000) were settled by bills and recorded as bills receivable which will be matured within 3 months. Such settlement arrangement therefore would result in actual cash receipts in relation to those customers beyond the respective original credit periods from the Group's cashflow perspective.

(b) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 30 June 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
Neither past due nor impaired	**829,669**	850,776
Less than 3 months past due	**–**	89
Over 3 less than 6 months past due	**17**	–
Over 6 less than 12 months past due	**–**	1
	829,686	850,866

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

As at 30 June 2015, receivables that were past due but not impaired related to customers that have good track records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10 SHORT-TERM BANK DEPOSITS

As at 30 June 2015, bank deposits amounting to RMB174,171,000 (31 December 2014: RMB249,919,000) have been mainly pledged as security for bank borrowings and bills payable (see Notes 11 and 12). The pledged bank deposits will be released upon the settlement of relevant bank borrowings and bills payable.

11 BANK BORROWINGS

As at 30 June 2015, the bank borrowings with annual interest rate of 2.89% (31 December 2014: 2.97%), were repayable within one year or on demand as follows:

	As at 30 June 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
Bank borrowings		
– secured *(Note)*	**295,839**	580,159
– unsecured	**70,039**	132,520
	365,878	712,679

Note: The bank borrowings were secured by assets of the Group and the carrying amounts of these assets are as follows:

	As at 30 June 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
Available-for-sale financial assets	**–**	125,377
Pledged bank deposits	**170,000**	245,271
Bills receivable	**159,013**	140,969
	329,013	511,617

12 TRADE AND OTHER PAYABLES

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Trade payables		
– third parties	**338,321**	311,297
– related parties	**1,457**	1,208
Bills payable *(Note (a))*		
– third parties	**73,096**	43,174
Trade and bills payables *(Note (b))*	**412,874**	355,679
Accrued payroll	**12,132**	17,962
Amounts due to related parties	**788**	2,442
Other payables and accruals	**55,720**	68,740
	481,514	444,823

All of the trade and other payables as at 30 June 2015 are expected to be settled or recognised as income within one year or are repayable on demand.

(a) As at 30 June 2015, bills payable with carrying value of RMB40,282,000 (31 December 2014: RMB29,716,000) and RMB32,814,000 (31 December 2014: RMB13,458,000) were secured by bills receivable and pledged bank deposits, respectively.

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

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Within 3 months	**296,878**	298,517
Over 3 months but within 6 months	**17,702**	9,450
Over 6 months but within 1 year	**11,268**	623
Over 1 year	**702**	695
	326,550	309,285

As at 30 June 2015, the accrued trade payables which represented the amounts with no invoice received by the end of the reporting period date, amounted to RMB86,324,000 (31 December 2014: RMB46,394,000).

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB4.10 cents (equivalent to HK$5.20 cents) per ordinary share (six months ended 30 June 2014: nil)	**41,699**	–

The final dividend in respect of financial year ended 31 December 2014 has been fully paid on 19 June 2015.

The Company did not propose any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

(b) Share capital

(i) Authorised shares of the Company

	As at 30 June 2015		As at 31 December 2014	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary share of HK0.01 each	**50,000,000**	**500,000**	50,000,000	500,000

(ii) Ordinary shares of the Company

	Number of shares issued	Nominal value of fully paid shares *HK$'000*	Nominal value of fully paid shares *RMB'000*
At 5 May 2014 (date of incorporation) issue of one ordinary share of HK$0.01 each	1	–	–
Share issued upon reorganisation	1	–	–
At 30 June and 1 July 2014	2	–	–
Additional share issued	1	–	–
Capitalisation issue *(note(i))*	749,999,997	7,500	5,931
Share issued by share offer *(note(ii))*	250,000,000	2,500	1,977
At 31 December 2014	1,000,000,000	10,000	7,908
At 1 January 2015	**1,000,000,000**	**10,000**	**7,908**
Share issued for exercise of share options for the period *(Note(c))*	**16,495,000**	**165**	**130**
At 30 June 2015	**1,016,495,000**	**10,165**	**8,038**

(i) Pursuant to the written resolution of the Company's shareholders passed on 13 November 2014, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the global offering the directors had authorised to allot and issue a total of 749,999,997 shares, by way of capitalisation of the sum of HK$7,499,999.97 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

(ii) The shares of the Company were listed on the Stock Exchange on 2 December 2014, with a total number of 250,000,000 shares issued to the public, with par value of HK$0.01 each. The gross proceeds received by the Company from the global offering were approximately HK$697.5 million.

(c) Equity settled share-based transactions

During the six months period ended 30 June 2015, pursuant to the Company's Employee Share Option Schemes, 16,495,000 options (six months ended 30 June 2014: nil) were exercised to subscribe for 16,495,000 (six months ended 30 June 2014: nil) ordinary shares in the Company at a consideration of RMB 6,598,000 (six months ended 30 June 2014: nil). As at 30 June 2015, the total number of options outstanding was 39,745,000 (31 December 2014:56,700,000), of which 11,625,000 (31 December 2014: nil) was exercisable at an exercise price of RMB0.4.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With influences from various aspects, China's economy is facing downturn pressure, while the economic structural adjustments still take time. With China's GDP growth rate hitting 6 years low in the first half of 2015, many sectors are facing considerable difficulties and challenges, in particular, China's smartphone industry. In addition, seasonal fluctuation together with the increasing market competition continues to affect the business environment of China and the world's smartphone industry in the first half of 2015. In spite of the more sluggish macro-economic environment and weaker demand, the Group still endeavours to maintain its sustainable competitiveness and growth by means of enhanced customer base as well as product structure.

During the six months ended 30 June 2015 (the "Period"), despite the unfavourable economic environment, weaker consumer demand and pressure from keen competition which posed challenges to the Group, its total sales volume of camera modules increased year-on-year by approximately 5.3% to approximately 37 million units. While due to reasons such as the average selling price having decreased by approximately 14.5% as compared with the six months ended 30 June 2014 (the "Corresponding Period"), revenue of the Group decreased by approximately 10.0%, from approximately RMB965,081,000 to approximately RMB868,749,000. For reasons such as the decrease of average selling price is faster than the decrease of costs of raw materials as compared with the Corresponding Period, the overall gross profit margin decreased from approximately 17.4% in the Corresponding Period to approximately 12.8% in the first half of 2015.

During the Period, the Group has proactively responded to the market demand of high pixel products in developing high-end camera modules with resolutions of 8 mega pixels, 13 mega pixels and higher, the total sales volume of which has increased by approximately 73.8% to approximately 11.34 million units compared with the Corresponding Period, the total sales volume of which accounted for approximately 30.6% of the total sales volume for the Period (the Corresponding Period: 18.6%), whilst the revenue of which accounted for approximately 47.2% of the Group's total revenue for the Period (the Corresponding Period: 33.1%). The shift to higher pixels camera modules has demonstrated the market recognition of the Group's high-end products, which allowed it to be more competitive in the high pixels products segment.

During the Period, the Group continues to place great emphasis on expanding its domestic and overseas customer base as well as on sustaining the relationship with its existing core clients. Since the cooperation with Guangdong OPPO Mobile Telecommunications Corp,. Ltd ("OPPO") and Zhuhai Meizu Technology Co., Ltd ("Meizu") in 2014, the Group has started mass production of the above customers' products and delivered satisfactory performance. In addition, during the Period and as of the date of this announcement, the Group has successfully maintained and expanded its customer base without losing any customers, including establishing business relationship with more than five renowned domestic and international branded smartphone manufacturers, which has demonstrated good customer relationship management and sales capabilities of the Group as well as a substantive progress to enhance its customer base.

During the Period, the Group reviewed and improved its production know-how continuously and was dedicated to developing more advanced technologies and products. After 30 June 2015 and up to the date of this announcement, the Group established cooperation with Fingerprint Cards AB ("FPC") from Sweden, which greatly improved its ability to launch new products featuring the fingerprint recognition technology. All of the above further strengthened the competitive advantages of the Group. During the Period, camera modules with resolution of 13 mega pixels and higher have been produced on a mass production scale. Research and development ("R&D") of camera modules with phase detection auto-focus ("PDAF") function and gesture recognition has been completed and such products have been produced on a mass production scale, which enables the Group to become one of the first few manufacturers in China that has a good command of PDAF as well as gesture recognition technologies in the manufacture of camera modules. Dual camera modules, fingerprint recognition modules and outdoor sports cameras had their R&D completed and mass production will commence within a short term. Furthermore, the Group continues to optimise the assembling production lines and testing procedures for camera modules and has adopted an increasing number of active alignment ("AA") devices and technologies, catering for the need of manufacturing more sophisticated and cutting-edge products.

On 19 June 2015, Shenzhen Q Technology Limited ("Shenzhen QT China") was established by the Group in order to expand the sales of the Group and provide after-sales service in the southwestern part of China. Shenzhen QT China has a registered capital of RMB5,000,000.

The Directors believe that, despite challenges such as the unfavourable macro-economic environment, the weakened consumer demand and pressure from keen competition, the Group is making every effort to enhance its product structure as well as customer base, and to focus on R&D of new products and their functionality, which is expected to gradually pay off and lay a good foundation for its operation and development in the future.

PROSPECTS

Although the third and fourth quarters are the traditional peak season for the smartphone industry, the Directors also realise that the second half of 2015 will be full of challenges. On one hand, the impact of new products launched by international brands such as iPhone is unpredictable, whereas the saturation of China's smartphone market may not be eliminated in the short run. On the other hand, profit might be constrained by the intense competition. Nevertheless, the Directors remain cautiously optimistic about the ongoing demand of camera modules, and believe that the end-customer's demand for camera modules with enhanced functionality and wider range of applications remains high in the long run; dual camera and multi-camera solutions are being improved and therefore would bring new and increased demand for camera modules. To address the challenges and seize the opportunities, the Group will continue to enhance the R&D of new products and their functionality, expand the application of products, improve the level of automation, and proactively maintain relationship with its existing customers as well as expand its customer base, and enhance the core competence of the Group. Meanwhile, in view of the changes of the market, the Group will further improve its sales and its sales channel, strengthen the marketing towards the customers of emerging markets, and continue its expansion into new, high-potential markets. Among the new customers of the Group in the first half of 2015, two are from emerging markets such as India. The Directors are confident to lead the Group to embrace the challenges, and believe that the breakthroughs made in the first half of 2015 in terms of both customer base and product structure have laid a good foundation for future growth of the Group.

Above all, the Group will continue to pursue its vision of "Smart Camera, Smart Solution". With sophisticated hardware production capabilities, the Group will proactively yet prudently address challenges from the economic environment, enhance R&D of software capacities, make every effort to become an integrated optical system solution provider, and strive to create more value for the shareholders of the Company (the "Shareholders") in the long term.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2015, the revenue of the Group was approximately RMB868,749,000, a decrease of approximately 10.0% as compared with the Corresponding Period. The decrease in revenue was mainly attributable to (i) the decrease in the average selling price of camera modules by approximately 14.5% as compared with the Corresponding Period; and (ii) the global periodic supply shortage or supply shortage of certain components due to quality issues of the suppliers, which affected the manufacturing and delivery of approximately 1,800,000 units on request though the sales volume increased by approximately 5.3% as compared with the Corresponding Period.

Cost of sales

For the six months ended 30 June 2015, the cost of sales of the Group decreased by approximately 5% from approximately RMB796,835,000 for the six months ended 30 June 2014 to approximately RMB757,210,000 for the six months ended 30 June 2015. The decrease in the cost of sales of the Group was primarily attributable to (i) the costs of raw materials decreased by approximately 8.7% to approximately RMB657,879,000 as compared with the Corresponding Period, as a result of the reduced price of raw materials and components; (ii) depreciation cost that was attributable to manufacturing cost increased by approximately 52.9% to approximately RMB17,103,000 as compared with the Corresponding Period, as a result of the expansion of the cleanrooms and equipment; (iii) direct labour cost increased by approximately 27.7% to approximately RMB47,811,000 as compared with the Corresponding Period due to an increase in the salaries arising from an increase in the total number of employees, contracted staff and interns of the Group; and (iv) other manufacturing cost such as renovation cost, electricity charges and water charges increased by approximately 41.2% to approximately RMB16,305,000 as compared with the Corresponding Period due to the expansion of production capacities.

Gross profit and gross profit margin

For the six months ended 30 June 2015, the gross profit of the Group was approximately RMB111,539,000 (the Corresponding Period: RMB168,246,000), a decrease of approximately 33.7% as compared with the Corresponding Period. Gross profit margin was approximately 12.8% (the Corresponding Period: 17.4%). The decrease in gross profit margin was mainly attributable to the following factors, including: (i) though the average purchasing price decreased by 13.4% as compared with the Corresponding Period, the average selling price decreased by 14.5%, along with the changes of product mix, which has led to a fall of gross profit margin as compared with the Corresponding Period; (ii) manufacturing labour rate increased due to an increase in the salaries arising from an increase in the total number of employees, contracted staff and interns of the Group, which has led to a decrease of the gross profit margin as compared with the Corresponding Period; (iii) with the monthly production capacities expanded to 13 million units as at 30 June 2015 from 11 million units as at 31 December 2014 in preparation for the anticipated demands of sophisticated camera modules with OIS function in the second half of 2015, together with the insignificant increase in sales volume, which led to a decrease in the utilisation rate of the production as compared with the Corresponding Period as well as increase in fixed depreciation rate, thus resulted in a decrease of the gross profit margin as compared with the Corresponding Period; and (iv) manufacturing expenses such as water and electricity expenses increased, which has led to a decrease of the gross profit margin as compared with the Corresponding Period.

Other income

The other income of the Group increased by approximately 120.9% from approximately RMB7,195,000 for the six months ended 30 June 2014 to approximately RMB15,895,000 for the six months ended 30 June 2015, primarily due to (i) an increase in interest income from the bank deposits of the Group from approximately RMB505,000 for the six months ended 30 June 2014 to approximately RMB5,722,000 for the six months ended 30 June 2015; and (ii) the Group has received a letter from the Kunshan government approving the grant of initial public offering bonus, which is recognised as an income of approximately RMB4,500,000.

Other net loss

The Group had other net loss of RMB5,888,000 for the six months ended 30 June 2014, while the Group had other net loss of RMB1,149,000 for the six months ended 30 June 2015, primarily due to the decrease of net exchange losses.

Selling and distribution expenses

For the six months ended 30 June 2015, the selling and distribution expenses of the Group amounted to approximately RMB2,376,000 which were comparable with that of the Corresponding Period (the Corresponding Period: RMB2,400,000).

Administrative and other operating expenses

For the six months ended 30 June 2015, the total administrative and other operating expenses of the Group decreased to approximately RMB10,302,000, from approximately RMB18,129,000 during the Corresponding Period, representing a decrease of approximately 43.2% as compared with the Corresponding Period. The decrease in administrative and other operating expenses was mainly attributable to the expenses related to the listing of shares of the Company on the Main Board of the Stock Exchange of approximately RMB8,778,000 incurred in the Corresponding Period, whereas the Group did not incur such expenses in the Period.

Research and development expenses

For the six months ended 30 June 2015, the total R&D expenses of the Group amounted to approximately RMB35,820,000 (the Corresponding Period: RMB33,224,000), representing an increase of approximately 7.8% as compared with the Corresponding Period. The increase in R&D expenses for the Period was mainly attributable to additional efforts and resources devoted to the research of new products and new functionality by the Group. This allowed the Group to develop products with higher pixels and enhanced functionality, such as dual camera, optical image stabilisation ("OIS"), fingerprint recognition, PDAF, gesture recognition, and new products such as outdoor sports camera, as well as to optimise and enhance the standards of production technique.

Finance costs

The finance costs of the Group decreased by approximately 40.1% from approximately RMB10,203,000 for the six months ended 30 June 2014 to approximately RMB6,116,000 for the six months ended 30 June 2015, primarily due to the decrease in interest expenses as a result of the decrease in bank borrowings of the Group.

Income tax expenses

The income tax expenses of the Group decreased from approximately RMB16,645,000 for the six months ended 30 June 2014 to approximately RMB8,657,000 for the six months ended 30 June 2015, which was mainly attributable to the decrease in the profit before taxation by approximately 32.1% as compared with the Corresponding Period.

The effective tax rate decreased to approximately 12.1% for the Period from approximately 15.8% for the Corresponding Period, primarily due to (i) the decrease in non-deductible share-based payments and listing expenses by approximately RMB1,425,000 and RMB6,140,000 respectively; and (ii) the increase of bonus deduction allowance of R&D expenses.

Kunshan QT China was qualified as an HNTE in 2009. It renewed the HNTE qualification successfully on 21 May 2012, and has applied to renew the HNTE qualification since April 2015. Pursuant to the relevant regulations of the PRC Corporate Income Tax Law, upon the qualification being renewed, Kunshan QT China is entitled to enjoy a preferential income tax rate of 15% for another three years commencing from 1 January 2015. As at 6 July 2015, Kunshan QT China was identified as the "First Batch of Proposed High and New Technology Enterprise in Jiangsu Province 2015". According to the relevant regulations and preliminary feedback from the PRC authorities, the Directors believe that Kunshan QT China is probable to be qualified for the renewal of the HNTE qualification.

Profit for the Period

Based on the foregoing, the profit of the Group for the six months ended 30 June 2015 amounted to approximately RMB63,014,000 (the Corresponding Period: RMB88,952,000), representing a decrease of approximately 29.2% as compared with the Corresponding Period.

LIQUIDITY AND FINANCIAL RESOURCES

Bank borrowings

For the six months ended 30 June 2015, the Group's bank borrowings amounted to approximately RMB365,878,000, representing a decrease of approximately 48.7% from approximately RMB712,679,000 as at 31 December 2014. All of those bank borrowings are payable within 1 year with annual interest rate of approximately 2.89%.

For the six months ended 30 June 2015, the Group's bank borrowings were denominated in RMB and USD.

For the six months ended 30 June 2015 and 2014, the cash flow overview of the Group was set out as follows:

	For the six months ended 30 June	
	2015	2014
	RMB	*RMB*
Net cash generated from operating activities	**223,093,000**	11,104,000
Net cash used in investing activities	**(10,150,000)**	(48,206,000)
Net cash (used in)/generated from financing activities	**(405,718,000)**	115,859,000

As at 30 June 2015, the cash and cash equivalents of the Group amounted to approximately RMB359,896,000, representing a decrease of approximately RMB193,208,000 from approximately RMB553,104,000 as at 31 December 2014. Such decrease was mainly due to the increase in net cash used in financing activities.

Operating activities

The net cash generated from operating activities of the Group during the Period amounted to approximately RMB223,093,000, which increased significantly as compared to the Corresponding Period. Such increase was primarily attributable to the fact that the Group no longer repaid advance from the related company through endorsement of bills receivable during the Period, whilst that the endorsement of bills receivables to CK Telecom Limited ("Heyuan CK") in the second half of 2013 transferred the right of proceeds from customers to Heyuan CK, which decreased the cash generated from operating activities in the first half of 2014.

Investing activities

The net cash used in the investing activities of the Group during the Period amounted to approximately RMB10,150,000, which was mainly due to the purchase of equipment and the construction of plant in the amount of approximately RMB77,007,000.

Financing activities

The net cash used in the financing activities of the Group during the Period amounted to approximately RMB405,718,000, which was mainly due to the payment of dividend to the Company's shareholders of approximately RMB41,699,000 (approximately HK$52,858,000) and repayment of bank borrowings of approximately RMB593,839,000, partially offset by net cash generated from the new bank borrowings of approximately RMB160,255,000.

Gearing ratio

Gearing ratio in the first half of 2015, which is defined by bank borrowings and related parties' loans divided by total equity at the end of the period, was approximately 31.8%, which was considerably improved when compared with approximately 63.4% in the Corresponding Period. Such decrease was primarily due to a decrease of bank borrowings by approximately 48.7% as compared with the amount as at 31 December 2014. The net debt to equity ratio (defined by bank borrowing and related parties' loans deducted by cash and cash equivalents and bank deposits over 3 months divided by total equity) is approximately -4.8% (31 December 2014: 14.2%).

Treasury policies

The Group's treasury policy was disclosed in the prospectus of the Company dated 20 November 2014 (the "Prospectus"). 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, so as to ensure that the wealth management operation does not pose excessive risk to the principal amount. At the same time, the Company also pays attention to the liquidity position of the Group in order to ensure the sufficiency of its working capital.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisitions or disposals of its subsidiaries and associated companies for the six months ended 30 June 2015.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the six months ended 30 June 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2015, the Group has not entered into any legally binding agreements or arrangements with respect to any material investment opportunities.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2015, the assets pledged by the Group included bills receivable of approximately RMB201,811,000 (of which approximately RMB42,798,000 was pledged as security for bills payable, and approximately RMB159,013,000 was pledged as security for bank borrowings), and bank deposits of approximately RMB174,171,000 (which was mainly pledged as security for bills payable and bank borrowings).

EMPLOYEE POLICIES AND REMUNERATION

As at 30 June 2015, the Group had a total of 1,175 employees (31 December 2014:1,529) (excluding staff under labour service agreements and internship agreements). The total remuneration of the employees of the Group was approximately RMB62,880,000 for the six months ended 30 June 2015 (the Corresponding Period: RMB51,693,000). The Group has adopted an equal policy on remuneration with same position receiving same package and provides to all staff attractive salary benefits. Apart from the basic salary, the package also includes year-end bonus, medical insurance and social insurances (staff under labour service agreements and internship agreements are treated according to the laws and regulations of the PRC). In addition, the Company has adopted the pre-IPO share option scheme and a share option scheme on 13 November 2014. Further information on those schemes was available in the annual report of the Company for the year ended 31 December 2014. The Company provided on-the-job training together with other training programmes for the employees at different positions to improve their skills and knowledge during the Period.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through bank borrowings, and sales and purchases which give rise to receivables, payables, cash balances and loan balances that are denominated in foreign currencies other than RMB. The currencies giving rise to our currency risk are primarily USD and Hong Kong Dollars.

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 2015, approximately HK$293,116,000 of the net proceeds was utilised, among which: (i) approximately HK$44,665,000 was utilised to purchase production and testing machinery and equipment; (ii) approximately HK$60,553,000 was utilised to enhance R&D capabilities; (iii) approximately HK$75,488,000 was utilised to expand production base; (iv) approximately HK$46,715,000 was utilised to repay bank borrowings; and (v) approximately HK$65,695,000 was utilised for general corporate purposes.

DIVIDEND

For the year ended 31 December 2014, the Board recommended the payment of a final dividend to the Shareholders whose names appeared on the register of members of the Company on 9 June 2015. The payment of such dividends was made on 19 June 2015.

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2014: Nil).

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

During the six months ended 30 June 2015, 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 contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has made specific enquiries with the Directors and all of them confirmed that they had complied with the required standard 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 three members, namely Mr. Ng Sui Yin (the chairman), Ms. Chen Jun and Mr. Chu Chia-Hsiang, all being independent non-executive Directors. The Audit Committee has reviewed the interim results of the Company and the interim report for the Period with the Company's management. The Company's independent auditor, KPMG, has also reviewed such results.

EVENTS AFTER THE PERIOD

Saved as disclosed in the section headed "Business Review", there were no other important events affecting the Group occurred after 30 June 2015 and up to the date of this announcement.

PUBLICATION OF REPORT

This results announcement is published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.qtechglobal.com). The 2015 interim report will be despatched to the Shareholders and will be available 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, 27 August 2015

As at the date of this announcement, the Executive Directors are Mr. He Ningning (Chairman), Mr. Wang Jianqiang (Chief Financial Officer) and Mr. Yang Peikun (Chief Executive Officer); and the Independent Non-executive Directors are Mr. Chu Chia-Hsiang, Ms. Chen Jun and Mr. Ng Sui Yin.