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Q Tech

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2015 amounted to approximately RMB2,202,395,000, representing an increase of approximately 1.9% as compared with that of last year. While there was an increase in shipment volume of camera modules of approximately 18.9% as compared with that of last year, the modest growth in revenue was mainly attributed to a decrease in average selling price of camera modules of approximately 14.3% as compared with that of last year.

- Gross profit of the Group for the year ended 31 December 2015 was approximately RMB240,571,000, representing a decrease of approximately 31.8% as compared with that of last year, while gross profit margin for the year ended 31 December 2015 was approximately 10.9%. The decrease in gross profit was mainly attributed to: (i) the decrease in average selling price which was faster than the decrease in average purchasing price of raw materials; (ii) the impact of Renminbi depreciation in 2015; and (iii) the increase in manufacturing cost which was mainly caused by the increasing labor cost.

- Profit of the Group for the year ended 31 December 2015 was approximately RMB101,999,000, representing a decrease of approximately 47.8% as compared with that of last year. The fall in net profit was mainly attributed to the decrease in gross profit and the increase in foreign exchange loss.

- Basic and diluted earnings per share for the year ended 31 December 2015 were approximately RMB0.101 and RMB0.098 respectively.

- The Board does not recommend the payment of any final dividend for the year ended 31 December 2015.

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Q Technology (Group) Company Limited (the "Company") announces the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 (the "Year") together with the relevant comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*2*	**2,202,395**	2,161,084
Cost of sales		**(1,961,824)**	(1,808,505)
Gross profit		**240,571**	352,579
Other revenue	*3*	**23,622**	35,539
Other net loss	*3*	**(31,476)**	(7,077)
Selling and distribution expenses		**(6,237)**	(5,647)
Administrative and other operating expenses		**(27,505)**	(39,723)
Research and development expenses		**(74,326)**	(73,423)
Profit from operations		**124,649**	262,248
Finance costs	*4(a)*	**(9,948)**	(23,171)
Profit before taxation	*4*	**114,701**	239,077
Income tax	*5*	**(12,702)**	(43,571)
Profit for the year		**101,999**	195,506
Earnings per share		***RMB Cents***	*RMB Cents*
Basic	*6*	**10.1**	31.8
Diluted	*6*	**9.8**	29.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi)

	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**101,999**	195,506
Other comprehensive income for the year (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	**23,827**	(957)
– Available-for-sale financial assets: net movement in the fair value reserve	**(2,871)**	(2,292)
Other comprehensive income for the year	**20,956**	(3,249)
Total comprehensive income for the year	**122,955**	192,257

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**420,670**	335,787
Lease prepayments		**17,464**	17,880
Intangible assets		**1,476**	134
Deferred tax assets		**4,922**	5,146
Prepayment for acquisition of property, plant and equipment		**9,398**	1,007
		453,930	359,954
Current assets			
Inventories		**209,262**	141,597
Trade and other receivables	7	**888,786**	872,582
Other financial assets	8	**600**	125,377
Current tax assets		**10,349**	–
Pledged bank deposits		**145,519**	249,919
Cash and cash equivalents		**282,215**	553,104
		1,536,731	1,942,579
Current liabilities			
Bank borrowings		**142,164**	712,679
Trade and other payables	9	**622,053**	444,823
Current tax payable		**2,095**	11,968
		766,312	1,169,470
Net current assets		**770,419**	773,109
Total assets less current liabilities		**1,224,349**	1,133,063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2015
(Expressed in Renminbi)

	2015	2014
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred income	**4,752**	975
Deferred tax liabilities	**2,040**	7,800
	6,792	8,775
NET ASSETS	**1,217,557**	1,124,288
CAPITAL AND RESERVES		
Capital	**8,132**	7,908
Reserves	**1,209,425**	1,116,380
TOTAL EQUITY	**1,217,557**	1,124,288

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015
(expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on new and revised IFRSs that are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand unless otherwise indicated as the Group's principal activities were carried out in the People's Republic of China (the "PRC"). RMB is the functional currency for the Company's subsidiary established in the Mainland China. The functional currency of the Company and its subsidiaries outside the Mainland China is US dollars.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Derivative financial instruments

– Other financial assets

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) 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:

- Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual improvements to IFRSs 2010-2012 cycle
- Annual improvements to IFRSs 2011-2013 cycle

These amendments and new interpretation do not have an impact on these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE AND SEGMENTAL REPORTING

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 Value Added Tax and is after deduction of any trade discounts.

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
PRC (including Hong Kong)	**2,163,600**	2,102,627
Overseas	**38,795**	58,457
	2,202,395	2,161,084

The Group had three (2014: four) customers with whom transactions had exceeded 10% of the Group's revenue for the year ended 31 December 2015. The amount of sales to these customers amounted to approximately RMB1,255,948,000 (2014: RMB1,385,151,000) for the year ended 31 December 2015.

3 OTHER REVENUE AND OTHER NET LOSS

	2015	2014
	RMB'000	*RMB'000*
Other revenue		
Government grants *(Note)*	**5,832**	3,031
Interest income	**11,311**	5,236
Investment income	**4,741**	26,405
Others	**1,738**	867
	23,622	35,539

	2015	2014
	RMB'000	*RMB'000*
Other net loss		
Net foreign exchange loss	**(30,878)**	(7,200)
(Loss)/gain on disposal of property, plant and equipment	**(1,098)**	123
Net gain on foreign currency forward contracts	**600**	–
Loss on disposal of intangible assets	**(100)**	–
	(31,476)	(7,077)

Note: The amounts included RMB4,500,000 (2014: RMB1,000,000) cash subsidies received from local government for the Company's successful listing in Hong Kong.

4 PROFIT BEFORE TAXATION

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

		2015	2014
		RMB'000	*RMB'000*
(a)	**Finance costs**		
	Interest expenses	**9,948**	23,171
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans	**5,481**	3,853
	Salaries, wages and other benefits	**144,733**	111,893
	Equity settled share-based payment expenses	**835**	3,284
		151,049	119,030
(c)	**Other items**		
	Amortisation		
	– lease prepayments	**416**	416
	– intangible assets	**145**	11
	Depreciation	**41,888**	30,899
	Auditors' remuneration	**1,896**	1,230
	Operating lease charges in respect of properties	**1,001**	397
	Research and development costs *(Note (i))*	**74,326**	73,423
	Impairment loss recognised on trade receivables	**1**	138
	Cost of inventories *(Note (ii))*	**2,001,968**	1,818,519

Notes:

(i) Research and development costs include staff costs of employees in the design, research and development department of RMB26,773,000 for the year ended 31 December 2015 (2014: RMB22,269,000), which are included in the staff costs as disclosed in Note 4(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 RMB155,762,000 (2014: RMB118,567,000) for the year ended 31 December 2015 relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**11,971**	35,809
PRC dividend withholding tax	**5,760**	–
	17,731	35,809
Deferred tax		
Origination and reversal of temporary differences	**(5,029)**	7,762
	12,702	43,571

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**114,701**	239,077
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	**29,946**	63,850
Tax effect of PRC preferential tax treatments *(iii)*	**(9,275)**	(23,185)
Tax effect of bonus deduction allowance of research and development costs	**(8,389)**	(8,264)
Effect of non-deductible expenses	**249**	3,370
Tax effect of unused tax loss not recognised	**171**	–
PRC dividend withholding tax *(iv)*	**–**	7,800
Actual tax expense	**12,702**	43,571

Notes:

(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 BVI.

(ii) No provision was made for Hong Kong Profits Tax in 2015 and 2014 as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during 2015 and 2014. Kunshan Q Technology (Hong Kong) Ltd. ("Kunshan QT Hong Kong") is subject to Hong Kong Profits Tax at 16.5% in 2015 and 2014.

(iii) Effective from 1 January 2008, the PRC statutory income tax rate is 25%. Kunshan Q Technology Limited ("Kunshan QT China") was qualified as a High and New Technology Enterprise ("HNTE") in 2009, which entitled to 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 6 July 2015 respectively and continued to enjoy a preferential income tax rate of 15% for another three years commenced from 1 January 2015.

(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%.

6 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 RMB101,999,000 (2014: RMB195,506,000) and the weighted average of 1,014,174,000 (2014: 615,753,000) ordinary shares in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2015	2014
	'000	*'000*
Issued ordinary share at 1 January	**1,000,000**	–
Effect of issuance of share	**–**	95,890
Effect of capitalisation issue	**–**	500,000
Effect of issuance of shares upon initial public offering, net of issuing costs	**–**	19,863
Effect of share options exercised	**14,174**	–
Weighted average number of ordinary shares at 31 December	**1,014,174**	615,753

(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 RMB101,999,000 (2014: RMB195,506,000) and the weighted average of ordinary shares of 1,046,124,000 shares (2014: 660,740,000) calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**1,014,174**	615,753
Effect of deemed issue of shares under the Company's share option schemes	**31,950**	44,987
Weighted average number of ordinary shares (diluted) at 31 December	**1,046,124**	660,740

7 TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Current Assets		
Trade receivables		
– third parties	**751,647**	511,695
– related parties	**13,546**	29,068
Bills receivable		
– third parties	**116,670**	310,606
Trade and bills receivables	**881,863**	851,369
Less: allowance for doubtful debts	**(504)**	(503)
	881,359	850,866
Amounts due from related parties	**–**	3
Other deposits, prepayments and receivables	**7,427**	21,713
	888,786	872,582

All of the trade and other receivables are expected to be recovered or recognised as expense within one year, except for trade receivables amounting to RMB504,000 (2014: RMB503,000) and the Group's deposits amounting to RMB9,000 (2014: RMB82,000) as at 31 December 2015, which are expected to be recovered after more than one year.

Bills receivable represented outstanding bank acceptance bills and commercial acceptance bills. As at 31 December 2015, bills receivable amounting to RMB27,128,000 (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 31 December 2015, no bills receivable (2014: RMB140,969,000) was pledged as security for bank borrowings.

(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:

	2015	2014
	RMB'000	*RMB'000*
Within 1 month	**613,254**	468,413
More than 1 month but within 3 months	**250,927**	382,363
More than 3 months but within 6 months	**17,165**	89
More than 6 months but within 1 year	**13**	1
	881,359	850,866

In 2015, the basis of presentation of ageing analysis of trade and bills receivables and respective comparatives above were changed from due date to invoice date. The directors consider such presentation is more in line with the industry practice.

As at 31 December 2015, trade receivables amounting to RMB116,670,000 (31 December 2014: RMB310,606,000) 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.

As at 31 December 2015, amounts due from related parties are unsecured, interest free and have no fixed repayment terms.

(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 year is as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**503**	371
Impairment loss recognised	**1**	251
Reversal of impairment loss recognised	**–**	(113)
Uncollectible amounts written off	**–**	(6)
At 31 December	**504**	503

As at 31 December 2015, the Group's trade and bills receivables of RMB504,000 (2014: RMB503,000) were individually determined to be impaired. The individually impaired receivables are mainly related to customers that the Group terminated business with them, and management assessed that the receivables are not probable to be recovered. Consequently, specific allowances for doubtful debts were recognised in full. The Group does not hold any collateral over these balances.

(c) 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:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**864,181**	850,776
Less than 3 month past due	**17,165**	89
Over 6 less than 12 months past due	**13**	1
	881,359	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 31 December 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.

8. OTHER FINANCIAL ASSETS

	2015	2014
	RMB'000	*RMB'000*
Foreign currency forward contracts	**600**	–
Available-for-sale financial assets	**–**	125,377
	600	125,377

The fair value of the foreign currency forward contracts is measured using the forward exchange rates at the end of the reporting period and comparing to the contractual rates, with the resulting value discounted back to the present value. The terms of the forward contracts are 6 months.

As at 31 December 2015, no available-for-sale financial assets (2014: RMB125,377,000) had been pledged as security for bank borrowings.

9 TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Current liabilities		
Trade payables and accruals		
– third parties	**547,636**	311,297
– related parties	**203**	1,208
Bills payable *(Note (a))*		
– third parties	**34,117**	43,174
Trade and bills payables *(Note (b))*	**581,956**	355,679
Accrued payroll	**24,231**	17,962
Amounts due to related parties *(Note (c))*	**–**	2,442
Other payables and accruals	**15,866**	68,740
	622,053	444,823

All of the trade and other payables as at 31 December 2015 are expected to be settled or recognised as income within one year or are repayable on demand.

(a) As at 31 December 2015, bills payable with carrying value of RMB25,771,000 (2014: RMB29,716,000) was secured by bills receivable.

As at 31 December 2015, bills payable with carrying value of RMB8,346,000 (2014: RMB13,458,000) was secured by pledged bank deposits.

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**530,719**	298,517
More than 3 months but within 6 months	**1,464**	9,450
More than 6 months but within 1 year	**912**	623
More than 1 year	**4**	695
	533,099	309,285

As at 31 December 2015, the accrued trade payables which represented the amounts with no invoice received by the end of the year, amounted to RMB48,857,000 (2014: RMB46,394,000).

(c) As at 31 December 2015, amounts due to related parties were unsecured, interest-free and have no fixed repayment terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back to the year of 2015, the path to global economic recovery was still fraught with difficulties and challenges, while the economic growth rate of the PRC continued to slow down. At the same time, the median price of RMB versus US Dollar ("USD") decreased by over 6% during the Year, far exceeded that in the year of 2014. Despite the lowering of the reserve ratio and benchmark interest rates by PRC's central bank for five times during the Year to increase money supply, however, the GDP growth rate of the PRC for the Year still dropped below 7% for the first time in the past three decades. The securities market also experienced a roller-coaster type fluctuation. In view of the aforesaid situations, the structural adjustment of the PRC economy still encountered multiple pressures. Despite the complicated domestic and global economic environments and the very unpromising situations in certain industries, the mobile telecommunication industry still maintained its vigour. According to the research data released by a leading market research, analysis and advisory corporation specialising in information technology, telecommunications and consumer technology, the shipment volume of global mobile phones and smartphones still maintained a growth during the Year, and the PRC branded smartphones, in fact, had further improved their influence and market share globally.

During the Year, as one of the main suppliers of camera modules for mid-to-high end smartphone brands in the PRC, the Group continued to adhere to the mission of providing satisfactory experiences to customers and firmly implemented the corporate strategy of dual adjustment in customer structure and product mix. We successfully realized a continuous growth in sales capacity, among which, the shipment volume of camera modules reached approximately 98,390,000 units, representing an increase of approximately 18.9% as compared with that of year 2014. Revenue for the Year amounted to approximately RMB2,202,395,000, representing an increase of approximately 1.9% as compared with that of year 2014. However, due to competition in the industry and certain adverse conditions for operation, including decrease in average selling price, increase in manufacturing costs and increase in foreign exchange costs, the gross profit of the Group dropped and led to a decrease in profit after taxation of the Group during the Year. Profit after taxation for the Year amounted to approximately RMB101,999,000, representing a decrease of approximately 47.8% as compared with that of year 2014. Basic and diluted earnings per share for the Year were approximately RMB0.101 and RMB0.098, respectively.

During the Year, we consistently focused on the core corporate strategy of dual adjustment in customer structure and product mix. On the basis of continuously maintaining close and favourable cooperation relationship with our core customers, on one hand, we vigorously expanded overseas quality mobile telecommunication terminal branded customers, achieving a breakthrough in marketing several leading overseas smartphone branded customers, and, on the other hand, we fully explored the PRC branded smartphone manufacturers by taking the open channels as main marketing channels, and had successfully explored several well-known brand enterprises, including a leading renowned brand in the PRC, and achieved our target in customer structure adjustment. Furthermore, we constantly enhanced our research and development ("R&D") efforts and technical innovation, continuously implemented improvements to our production technologies in order to upgrade the quality of our products. During the Year, we carried out product mix adjustment progressively. On one hand, we successfully established a gradual in-depth cooperative relationship with mainstream fingerprint recognition chips suppliers such as Fingerprint Cards AB ("FPC") and Goodix, laying a solid foundation for entering the fingerprint recognition module business, and, on the other hand, we achieved a significant breakthrough in dual/multiple camera, phase detection auto-focus ("PDAF"), optical image stabilization ("OIS"), iris recognition, high-end products with over 20 mega pixels and outdoor sports camera modules. Such adjustment in product mix has shown initial results.

For traditional product pixel mix, our product mix also improved to a certain extent during the Year. The shipment volume of products with resolution of 5 mega pixels and higher accounted for approximately 90.5% (2014: 84.0%) of the total shipment volume and its revenue accounted for approximately 94.7% (2014: 92.5%) of the total revenue. The shipment volume of products with resolution of 8 mega pixels and higher accounted for approximately 39.5% (2014: 19.7%) of the total shipment volume and its revenue accounted for approximately 55.2% (2014: 34.5%) of the total revenue. The shipment volume of products with resolution of 13 mega pixels and higher accounted for approximately 5.8% (2014: 2.6%) of the total shipment volume and its revenue accounted for approximately 13.4% (2014: 6.6%) of the total revenue. The above sales analysis of product pixel mix demonstrated that there is increasing demand for our high-end products which have gained recognition of the market and customers. Although the increases in the shipment volume and revenue of the products with 13 mega pixels and higher were relatively moderate and the sales and promotion of newly developed dual/multiple camera, PDAF, OIS products were still in its initialization stage, we had successfully obtained the qualification of high-end pixel products of all major customers during the Year, which established a solid foundation for further optimizing the Group's product pixel mix.

With the correct customer structure and product mix adjustment strategy adopted by the management along with dedication of all staff, we managed to maintain a stable growth in business capacity and achieved our anticipated goals of adjusting customer structure smoothly under a difficult, complicated and competitive market environment, laying a good foundation for the subsequent continuous optimization of product mix. Meanwhile, the Company continued to maintain its healthy corporate culture and management structure and devotes unremitting efforts in the R&D of high-end products and automated production, earned good market reputation and received positive recognition from the industry and clients. These efforts had established a solid foundation for the Group for forging a better brand image.

After taking into consideration of our operation strategies and in order to maintain sufficient working capital, the Board does not recommend the payment of any final dividend for the Year.

AWARDS AND HONORS

In 2015, we continued to adhere to the customer-oriented service strategies and devoted our best efforts to satisfy customers' needs in product R&D, delivery, quality and technology innovation, which helped us to earn positive recognition of our products and services from the industry, the local government and our customers.

In August 2015, Kunshan Q Technology Limited ("Kunshan QT China"), a wholly-owned subsidiary of the Group, won the "Best Cooperation Award" presented by Shanghai HUAQIN Telecom Technology Co. Ltd. ("Shanghai Huaqin") at the 10th anniversary of Shanghai Huaqin, and became the only module manufacturer to receive such award.

In November 2015, Kunshan QT China won the 2015 "Global Partner Excellence Award" given by ZTE Corporation. This is the fourth consecutive year that Kunshan QT China has won the said award.

In November 2015, Kunshan QT China won the 2015 "Core Supplier of the Year Award" and "High Quality Supplier Award" awarded by Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd.. This is also the second time that Kunshan QT China has won the said awards.

In February 2016, Kunshan QT China was awarded the 2015 "Top Ten Brand-building Enterprise" in Kunshan, Jiangsu Province, the PRC. This is the first time that Kunshan QT China has won this award. Kunshan QT China will also be awarded a bonus amounting to RMB1,000,000 by the Kunshan Municipal People's Government.

The aforementioned awards and honors had reflected the high recognition of us by the local government and our core customers, which has enhanced our confidence in driving the product mix optimization strategies and maintaining sound operation.

PROSPECTS

As far as we are aware and concerned, 2016 will still be full of challenges. On one hand, the global and domestic economic environments are still fraught with uncertainties, the adjustment to the PRC economic structure still requires time and the growth in overseas demand still has uncertainties. Moreover, the uncertainties in the prospect of the mobile telecommunication industry also remain high under the macro economic environment. On the other hand, affected by multiple factors such as politics, economy, and supply and demand, the trend of RMB against USD is still subject to great uncertainties and the control task of our exchange risks remains heavy. However, we believe that the smart mobile telecommunication terminals industry in 2016 will still be prosperous, and the demand for innovative products will bring more opportunities for the Group. On one hand, our adjustment in customer structure has demonstrated its initial results. This helps the Group to establish cooperation relationship in full pixel with certain leading mobile phone brands in the PRC and a number of top brands from overseas and also achieve a substantive breakthrough in the R&D and production of new products including PDAF, dual/multiple camera module and face recognition, thereby building a good foundation for striving to realize the continuous growth in our sales capacity and the significant improvement in product pixel mix. On the other hand, as disclosed in an announcement of the Company dated 29 January 2016, the Group has commenced mass production and sales of fingerprint recognition modules ("Fingerprint Recognition Business"), and has established cooperation relationship with two leading smartphone brands manufacturers in China, which is expected to lay a solid foundation for the Group for achieving business growth highlights in the forthcoming financial years along with the development of the new products sector. Therefore, we shall maintain a service strategy that focuses on customer experience, further improve the development of new products and new technology, elevate our automated production standards, actively enhance the percentage of sales of products with 13 mega pixels and higher and aggressively drive the exploration of Fingerprint Recognition Business. Also, we shall continue our efforts in expanding the business cooperation with target customers, further optimizing our customer structure and product mix and improving our influence in and contribution to the industry.

Recalling the past, looking at today and prospecting the future, we are confident in leading our staff to tackle challenges, seize opportunities and maximize returns for our shareholders. At the same time, we are also fully aware that, under the ever changing macro environment, our business is facing various challenges. As the ever-intense industry competition might lead to even more intense price competition, the task of developing target customers might not be accomplished as expected, and we might not achieve our goals of product mix optimization on schedule. Given that the Group might continue to focus on sales in the domestic market and a considerable number of core components rely on import purchases, and that the currency rates of RMB against USD might be subject to even higher uncertainty, the Group is still confronted with foreign exchange risks. Therefore, we would require more persistent efforts than just confidence alone to achieve better results.

FINANCIAL REVIEW

Revenue

For the Year, revenue of the Group was approximately RMB2,202,395,000, representing an increase of approximately 1.9% or RMB41,311,000 as compared with that of last year. While there was an increase in shipment volume of camera modules of approximately 18.9% as compared with that of last year, the modest growth in revenue was mainly attributed to a decrease in average selling price of camera modules of approximately 14.3% as compared with that of last year.

Cost of sales

For the Year, cost of sales of the Group increased by approximately 8.5% from approximately RMB1,808,505,000 to approximately RMB1,961,824,000 as compared with that of last year. The increase in the cost of sales of the Group was primarily attributed to (i) the increase in the total input costs of raw materials by approximately 7.0% to approximately RMB1,744,614,000 as compared with that of last year; (ii) the increase in direct labor cost by approximately 30.3% to approximately RMB111,126,000 as compared with that of last year; and (iii) the increase in depreciation cost that was attributed to manufacturing cost by approximately 28.4% to approximately RMB33,673,000 as compared with that of last year.

Gross profit and gross profit margin

For the Year, gross profit of the Group was approximately RMB240,571,000 (2014: RMB352,579,000), representing a decrease of approximately 31.8% as compared with that of last year. Gross profit margin was approximately 10.9% (2014: 16.3%), representing a decrease of approximately 5.4% as compared with that of last year. The decrease in gross profit margin was mainly attributable to: (i) the decrease in average selling price of approximately 14.3% as compared with that of last year which was faster than the decrease in average purchasing price of raw materials of approximately 12.6% as compared with that of last year; (ii) the impact of RMB depreciation in 2015; and (iii) an increase in manufacturing cost for the Year, mainly caused by the increase in labor cost as compared with that of last year.

Other revenue

For the Year, other revenue of the Group decreased by approximately 33.5% from approximately RMB35,539,000 to approximately RMB23,622,000 as compared with that of last year. The decrease was primarily due to a decrease of approximately RMB21,664,000 in investment income from the available-for-sale financial assets of the Group from approximately RMB26,405,000 for the year ended 31 December 2014 to approximately RMB4,741,000 for the Year, notwithstanding that (i) there was an increase of approximately RMB6,075,000 in interest income from the deposits of the Group from approximately RMB5,236,000 in 2014 to approximately RMB11,311,000 for the Year; and (ii) there was an increase of approximately RMB2,801,000 in grants from Kunshan Government to award the listing of the Company and the technology upgrade re-engineering as compared with that of last year.

Other net loss

For the Year, the Group had other net loss of approximately RMB31,476,000, representing an increase of approximately 344.8% from that of approximately RMB7,077,000 for the year ended 31 December 2014. The increase was mainly attributed to the depreciation of RMB against USD during the Year.

Selling and distribution expenses

For the Year, total selling and distribution expenses of the Group increased by approximately 10.4% from approximately RMB5,647,000 (2014) to RMB6,237,000 for the Year, which accounted for approximately 0.3% (2014: 0.3%) of the revenue. The increase in selling and distribution expenses was mainly attributed to the increase of sales staff's salaries during the Year.

Administrative and other operating expenses

For the Year, total administrative and other operating expenses of the Group amounted to approximately RMB27,505,000 (2014: RMB39,723,000), representing a decrease of approximately 30.8% as compared with that of last year, which accounted for approximately 1.2% (2014: 1.8%) of the revenue. The decrease in administrative and other operating expenses was mainly attributed to the relevant listing expenses of RMB16,892,000 in 2014 not being incurred in 2015 despite of an increase of management personnel salaries as compared with that of 2014.

R&D expenses

For the Year, total R&D expenses of the Group amounted to approximately RMB74,326,000 (2014: RMB73,423,000), representing an increase of approximately 1.2% as compared with that of last year, which accounted for approximately 3.4% (2014: 3.4%) of the revenue. The increase in R&D expenses for the Year was mainly attributed to the 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, enhance functionality and diversification, such as dual camera, OIS, fingerprint recognition, PDAF, gesture recognition, new products such as outdoor sports camera and precise algorithm, as well as to optimize and enhance the standards of production techniques.

Finance costs

Finance costs of the Group decreased by approximately 57.1% from approximately RMB23,171,000 for the year ended 31 December 2014 to approximately RMB9,948,000 for the Year, which was primarily due to the decrease in interest expenses as a result of the decreased bank borrowings of the Group by approximately 80.1%.

Income tax expenses

Income tax expenses of the Group decreased by approximately 70.8% from approximately RMB43,571,000 for the year ended 31 December 2014 to approximately RMB12,702,000 for the Year, which was primarily due to (i) the decrease in gross profit margin and depreciation of RMB against USD that resulted in a decrease of approximately 52.0% in profit before taxation as compared with that of last year; (ii) the decrease in non-deductible share-based payments and listing expenses by approximately RMB2,449,000 and RMB16,892,000 respectively for the Year as compared with that of last year, which reduced the taxation for the Year; and (iii) the increase of bonus deduction allowance of R&D expenses, which lowered the effective tax rate to approximately 11.1% (2014: 18.2%).

Kunshan QT China, a wholly-owned subsidiary of the Company, successfully renewed the HNTE qualification on 6 July 2015, and obtained the certificate recognized as a high and new technology enterprise. Kunshan QT China will continue to enjoy preferential policies of income tax rate of 15% and bonus deduction allowance of R&D expenses commenced from 1 January 2015. Chengdu Q Technology Limited ("Chengdu QT"), another wholly-owned subsidiary of the Company, was recognized as a software enterprise. According to the relevant PRC policies, Chengdu QT is entitled to preferential policies in a value-added tax levy-refund and "2-year exemption and 3-year half payment" of income tax commenced from 1 January 2015.

Profit for the year

For the Year, profit of the Group amounted to approximately RMB101,999,000 (2014: RMB195,506,000), a decrease of approximately 47.8% as compared with that of last year. Net profit margin for the Year was approximately 4.6% (2014: 9.0%). The fall in profit for the Year was mainly attributed to the decrease in gross profit and the increase in foreign exchange loss.

LIQUIDITY AND FINANCIAL RESOURCES

Bank borrowings

As at 31 December 2015, the Group's bank borrowings amounted to approximately RMB142,164,000, representing a decrease of approximately 80.1% from approximately RMB712,679,000 as at 31 December 2014. The terms of all the bank borrowings were within 1 year.

As at 31 December 2015, the Group's bank borrowings were denominated in RMB and/or USD.

For each of the year ended 31 December 2015 and 2014, the cash flow overview of the Group are set out as follows:

	For the year ended 31 December	
	2015	2014
	RMB	*RMB*
Net cash flow generated from operating activities	**323,999,000**	303,709,000
Net cash flow generated from investing activities	**4,067,000**	239,208,000
Net cash flow used in financing activities	**(617,697,000)**	(32,838,000)

At the end of the Year, the decrease in cash and cash equivalents of the Group was mainly due to the increase in net cash generated from operating activities; however, there was an outflow in net cash used in financing activities, which has led to the balance of cash and cash equivalents as at 31 December 2015 amounting to approximately RMB282,215,000, a decrease of approximately RMB270,889,000 as compared with that of 31 December 2014.

Operating activities

For the Year, the net cash flow from operating activities of the Group amounted to approximately RMB323,999,000, representing an increase of approximately RMB20,290,000 as compared with that of last year, which was primarily attributed to: (i) the fact that the Group no longer repaid the advance from related companies through the endorsement of bills receivable by the end of 2014, so that the Group could receive the fund itself when the bills receivable matured during the Year; and (ii) the slight increase in sales volume of the Group in 2015 as compared with that of 2014.

Investing activities

The net cash inflow from investing activities of the Group in 2015 amounted to approximately RMB4,067,000, which was mainly due to the purchase of equipment and construction of plants with a total amount of approximately RMB137,145,000, the net inflow of redeeming available-for-sale financial assets and purchase of available-for-sale financial assets of approximately RMB126,741,000, and the inflow of interest received of approximately RMB12,871,000.

Financing activities

The net cash outflow from financing activities of the Group as at 31 December 2015 amounted to approximately RMB617,697,000. The main factors affecting the net cash outflow from financing activities include the payment of dividends to the Company's shareholders of approximately RMB41,699,000, the proceeds from bank borrowings of approximately RMB312,379,000, and the outflow of repayment of bank borrowings of approximately RMB966,180,000.

Gearing ratio

The gearing ratio as at 31 December 2015 (which is defined as bank borrowings and related parties' loans divided by total equity at the end of the Year) was approximately 11.7%, which had considerably improved when compared with that of approximately 63.4% as at 31 December 2014. Such improvement was due to (i) the repayment of bank borrowings during the Year, which reduced the amount of bank borrowings from approximately RMB712,679,000 as at 31 December 2014 to approximately RMB142,164,000 as at 31 December 2015, representing a decrease of approximately 80.1%; and (ii) the profit recorded for the Year of approximately RMB101,999,000 which had exceeded the dividends paid to shareholders of approximately RMB41,699,000 in the first half of 2015.

Treasury policies

The Group's treasury policy was disclosed in the prospectus of the Company dated 20 November 2014 (the "Prospectus"), and there was no amendment to the Group's treasury policy during the Year. The Board, the risk management committee of the Board and the staff at the relevant positions always remain alert to the performance and risk assessment of the available-for-sale financial assets so as to assure 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 that the sufficiency of its working capital is not affected.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisitions or disposals of its subsidiaries, associates and joint ventures during the Year.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2015, there were no legally binding agreements or arrangements with respect to any material investment opportunities entered into by the Group.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2015, the assets pledged by the Group were bank deposits and bills receivable of approximately RMB172,647,000, which were pledged as security for bank borrowings and bills payable. As at 31 December 2015, the Group did not have any available-for-sale financial assets which were pledged.

EMPLOYEE POLICIES AND REMUNERATION

As at 31 December 2015, the Group had a total of 1,314 employees (31 December 2014: 1,175) (excluding staff under labor service agreements and internship agreements). During the Year, the Group has adopted an equal policy on remuneration with same position receiving same package and provides all staff with fair working and living environment, specific responsibility guidelines, and competitive salary benefits. Total remuneration of the employees of the Group (including the Directors' emoluments) for the Year was approximately RMB151,049,000 (31 December 2014: RMB119,030,000). Apart from basic salary, the package also includes year-end bonus, medical insurance and social insurances (staff under labor service agreements and internship agreements are treated according to the laws and regulations of the PRC). During the Year, the Company issued a total of 27,945,000 shares to 44 staff of the Group pursuant to their exercises of share options granted to them under the pre-IPO share option scheme and a share option scheme adopted by the Company on 13 November 2014 (for details, please refer to subsection D1 and D2 headed "Share Option Scheme" and "Pre-IPO Share Option Scheme" of Appendix IV "Statutory and General Information" of the Prospectus). The exercise price of all of the above share options was RMB0.40 per share. The stability of core management and technicians was thereby basically secured. Further, during the Year, the Company continued to provide on-the-job training together with other training programmes for the employees at different positions to improve their skills and knowledge.

DONATION TO SOCIETY

For the Year, in response to the appeal of Kunshan Municipal Government, Kunshan QT China, a wholly-owned subsidiary of the Group, participated in the "Charity Donation Day" activity held in Kunshan, Jiangsu Province, the PRC and donated RMB200,000 to the Civil Administration Welfare Foundation in Yushan Town, Kunshan, for supporting its philanthropy in helping the illness, elderly, minor and weak or disabled.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through bank borrowings, product sales and purchase of raw materials which give rise to receivables, payables, cash balances and loans that are denominated in foreign currencies other than RMB. The currencies that give rise to our currency risk are primarily generated from the exchange or translation of USD and Hong Kong Dollars into RMB. During the Year, exchange loss of the Group amounted to approximately RMB30,878,000. As affected by various factors in politics, economic, supply and demand, the currency trend of RMB against USD is still largely uncertain in the future. The control task in exchange risk is still very burdensome, and the Group will strive to control the overall exchange risk through various measures such as to increase USD income by strengthening overseas business expansion, actively coordinate with overseas suppliers to purchase domestically or make settlement in RMB, increase the proportion of USD deposits to total deposits balance, decrease the proportion of USD loans to total loans balance, and enhance monitoring of the exchange rate fluctuation on a daily basis.

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 31 December 2015, the balance of the fund raised was approximately 34.3% or approximately HK$225,801,000, and the utilized net proceeds were approximately 65.7% or approximately HK$432,199,000. Among the utilized net proceeds, (i) approximately HK$97,959,000 was utilised to purchase production and testing machinery and equipment; (ii) approximately HK$112,235,000 was utilised to enhance R&D capabilities; (iii) approximately HK$101,984,000 was utilised to expand the production base; (iv) approximately HK$46,715,000 was utilised to repay bank borrowings; (v) approximately HK$7,611,000 was utilised for overseas sales and procurement and future expansion to the overseas markets; and (vi) approximately HK$65,695,000 was utilised for general corporate purposes.

DIVIDEND

The Board does not recommend the payment of any final dividend for the Year.

For the year ended 31 December 2014, the Board had recommended the payment of a final dividends of approximately RMB41,699,000 (equivalent to approximately HK$52,858,000) to the shareholders of the Company, and the payment of such dividends was made in June 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the annual general meeting to be held on Friday, 20 May 2016, the register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016, both days inclusive. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 17 May 2016 for registration.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Pursuant to the applicable Company Law of the Cayman Islands and the articles of association of the Company, the Company may repurchase its shares under certain restrictions, and must comply with any of the applicable requirements implemented by the Stock Exchange from time to time when the Board exercises such right on behalf of the Company. During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

On 1 February 2016 (the "Date of Board Resolution"), the Board convened a meeting and passed various resolutions (the "Repurchase Resolutions") in relation to, amongst other matters, the repurchase of up to 5,000,000 ordinary shares of the Company (the "Relevant Shares") pursuant to a buy-back mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 22 May 2015 (the "2015 AGM"). The Relevant Shares represented approximately 0.494% of the aggregate number of the issued share capital of the Company as at the date of the 2015 AGM and approximately 0.486% of the issued shares of the Company as at the date of the Date of Board Resolution. As at the date of this announcement, the Company had not repurchased any of its shares pursuant to the Repurchase Resolutions. The proposed repurchase of any of the Relevant Shares pursuant to the Repurchase Resolutions may or may not proceed.

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"). All the Directors have confirmed that they had complied with the required standard set out in the Model Code during the Year.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance. For the Year, the Company has fully complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. Particulars of the principal corporate governance practices adopted by the Company will be disclosed in the Corporate Governance Report set out in the 2015 annual report of the Company.

ENVIRONMENTAL PROTECTION MANAGEMENT

The Group has all along strictly complied with the environmental protection laws and policies applicable to the respective member companies of the Group where the jurisdictions of such companies are located. For the Year, the Group had newly added, formulated and implemented a number of rules and regulations in relation to environmental protection management such as the implementation of Wastewater Management Regulations to further perfect the wastewater treatment system, and had strengthened its management and control in production and domestic sewage to ensure that the wastewater discharge is in compliance with statutory requirements. The Group had also amended its implementation of the Fire Safety Management Regulations with particular focus on strengthening of a self-check of the fire control facilities and improving the fire prevention and control capability, and successfully obtained the compliance certificate granted by High-Tech Industry Development Environmental Protection Zone of Kunshan.

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 (chairman of Audit Committee), Ms. Chen Jun and Mr. Chu Chia-Hsiang, all being Independent Non-executive Directors. The Audit Committee had reviewed the annual results of the Company for the year ended 31 December 2015 with the Company's management.

EVENTS AFTER THE REPORTING YEAR

Saved as disclosed in this announcement and/or other announcements of the Company, there were no other important events affecting the Group that had occurred after 31 December 2015 and up to the date of this announcement.

ANNUAL REPORT

The annual results announcement of the Group is published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.qtechglobal.com). The 2015 annual 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, 24 March 2016

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