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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 2020**

#### **HIGHLIGHTS**

- Revenue of the Group for the year ended 31 December 2020 amounted to approximately RMB17,400,369,000, representing an increase of approximately 32.1% as compared with that of 2019. The steady growth in revenue was mainly attributable to the significant progress made in the implementation of the Group’s product structure optimisation strategy over the years, which led to a notable year-on-year increase in the average selling price of camera modules, driving the steady growth of the Group’s revenue from sales of camera modules for the year ended 31 December 2020 as compared to last year.
- Gross profit of the Group for the year ended 31 December 2020 was approximately RMB1,770,585,000, representing a growth of approximately 50.1% as compared with that of 2019, while gross profit margin for the year ended 31 December 2020 was approximately 10.2% (2019: approximately 9.0%). The steady increase in gross profit margin was mainly attributable to: (i) the significant enhancement of product structure of camera modules helped to increase the added value of camera module business; and (ii) the continuous optimisation of labour and depreciation costs promoted by the production automation upgrade and transformation.
- Profit of the Group for the year ended 31 December 2020 was approximately RMB840,108,000, representing a growth of approximately 54.9% as compared with that of 2019. The main reasons for the rapid growth in profit were that: (i) the Group recorded a steady growth in revenue for the year ended 31 December 2020 as compared to that of 2019; (ii) the gross profit margin of the camera module business increased steadily; and (iii) the subsidies or incentives received by the Group from local governments at all levels increased significantly during the year ended 31 December 2020 as compared to that of 2019. However, Newmax Technology Co., Ltd., an associate of the Company, recorded a loss for the year ended 31 December 2020, which imposed a negative effect on the profit (recorded a profit for the year of 2019).
- Basic and diluted earnings per share for the year ended 31 December 2020 were approximately RMB0.719 and RMB0.714 respectively.
- Taking into consideration of the required capital expenditures for the expansion of capacity planning of camera modules and fingerprint recognition modules in the year of 2021, the Board recommended a payment of final dividend of HKD5.0 cents (equivalent to approximately RMB4.2 cents) per share for the year ended 31 December 2020 to the shareholders whose names appear on the register of members on Thursday, 3 June 2021.

## FINANCIAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Q Technology (Group) Company Limited (the “**Company**”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with the relevant comparative figures for the year ended 31 December 2019 as follows:

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

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	2	<b>17,400,369</b>	13,169,678
Cost of sales		<u>(15,629,784)</u>	<u>(11,989,806)</u>
<b>Gross profit</b>		<b>1,770,585</b>	1,179,872
Other revenue	3	<b>129,839</b>	43,013
Other net loss	3	<b>(85,513)</b>	(63,839)
Selling and distribution expenses		<b>(26,066)</b>	(14,946)
Administrative and other operating expenses		<b>(152,626)</b>	(128,140)
Research and development expenses		<u><b>(589,737)</b></u>	<u>(396,244)</u>
<b>Profit from operations</b>		<b>1,046,482</b>	619,716
Finance costs	4(a)	<b>(53,524)</b>	(52,811)
Share of (loss) /profit of an associate		<u><b>(22,890)</b></u>	<u>39,996</u>
<b>Profit before taxation</b>	4	<b>970,068</b>	606,901
Income tax	5(a)	<u><b>(129,960)</b></u>	<u>(64,529)</u>
<b>Profit for the year</b>		<u><b>840,108</b></u>	<u>542,372</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<u><b>840,108</b></u>	<u>542,372</u>
<b>Profit for the year</b>		<u><b>840,108</b></u>	<u>542,372</u>
<b>Earnings per share</b>		<b>RMB Cents</b>	<b>RMB Cents</b>
Basic	6(a)	<u><b>71.9</b></u>	<u>47.6</u>
Diluted	6(b)	<u><b>71.4</b></u>	<u>47.2</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2020

(Expressed in Renminbi)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>	<u>840,108</u>	<u>542,372</u>
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of operations outside the Mainland China	<u>95,973</u>	<u>(3,842)</u>
<b>Other comprehensive income for the year</b>	<u>95,973</u>	<u>(3,842)</u>
<b>Total comprehensive income for the year</b>	<u>936,081</u>	<u>538,530</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<u>936,081</u>	<u>538,530</u>
<b>Total comprehensive income for the year</b>	<u>936,081</u>	<u>538,530</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		2,959,555	2,703,926
Interest in an associate		416,058	433,190
Intangible assets		4,280	4,895
Deferred tax assets		81,451	43,504
Prepayment for acquisition of non-current assets		52,469	64,476
Other non-current assets		7,050	21,917
		<u>3,520,863</u>	<u>3,271,908</u>
<b>Current assets</b>			
Inventories		1,943,025	1,913,368
Trade and other receivables	7	3,589,028	4,919,289
Other financial assets		100,000	–
Derivative financial assets	8	–	26,472
Pledged bank deposits		266,562	92,647
Cash and cash equivalents		1,983,516	411,517
		<u>7,882,131</u>	<u>7,363,293</u>
<b>Current liabilities</b>			
Short-term bank borrowings		1,104,021	1,269,548
Trade and other payables	9	6,013,472	5,934,662
Contract liabilities		7,990	257,072
Derivative financial liabilities	8	48,277	9,142
Lease liabilities		25,823	23,355
Current tax payable		76,740	49,387
		<u>7,276,323</u>	<u>7,543,166</u>
<b>Net current assets/(liabilities)</b>		<u>605,808</u>	<u>(179,873)</u>
<b>Total assets less current liabilities</b>		<u>4,126,671</u>	<u>3,092,035</u>
<b>Non-current liabilities</b>			
Long-term bank borrowings		159,211	59,237
Lease liabilities		19,041	30,786
Deferred income		137,593	129,655
Deferred tax liabilities		25,000	5,402
		<u>340,845</u>	<u>225,080</u>
<b>NET ASSETS</b>		<u>3,785,826</u>	<u>2,866,955</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital		9,383	9,248
Reserves		3,776,443	2,857,707
<b>TOTAL EQUITY</b>		<u>3,785,826</u>	<u>2,866,955</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(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**”), accounting principles generally accepted in Hong Kong 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. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current accounting period reflected in these financial statements.

### (b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2020 comprise the Company, its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in an associate.

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 PRC. RMB is the functional currency for the Company’s subsidiaries established in the Mainland China. The functional currency of the Company and its subsidiaries in Hong Kong, Singapore and BVI is US dollars. The functional currency of the Company’s subsidiary in Taiwan is New Taiwan dollars (“**TWD**”). The functional currency of the Company’s subsidiary in India is Indian Rupee (“**INR**”). The functional currency of the Company’s subsidiary in Korea is Korea Won (“**KRW**”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments and other financial assets are stated at their fair value.

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

## 2 Revenue and segmental reporting

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

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

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

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

	<b>Camera modules</b> <i>RMB'000</i>	<b>Fingerprint recognition modules</b> <i>RMB'000</i>	<b>Subtotal of reportable segments</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>2020</b>					
Revenue	15,202,259	2,101,351	17,303,610	96,759	17,400,369
Cost of sales	<u>(13,687,302)</u>	<u>(1,875,983)</u>	<u>(15,563,285)</u>	<u>(66,499)</u>	<u>(15,629,784)</u>
Gross profit	<u>1,514,957</u>	<u>225,368</u>	<u>1,740,325</u>	<u>30,260</u>	<u>1,770,585</u>
<b>2019</b>					
Revenue	10,360,228	2,758,860	13,119,088	50,590	13,169,678
Cost of sales	<u>(9,531,731)</u>	<u>(2,423,154)</u>	<u>(11,954,885)</u>	<u>(34,921)</u>	<u>(11,989,806)</u>
Gross profit	<u>828,497</u>	<u>335,706</u>	<u>1,164,203</u>	<u>15,669</u>	<u>1,179,872</u>

Others mainly represent revenue from sales of waste materials.

Segment profit represents the gross profit earned by each segment without allocation of expenses and other income for the year. This is the measure reported to the most senior executive management of the Group for the purposes of resource allocation and assessment of segment performance.

The Group does not allocate specific assets or liabilities to the operating segments as the most senior executive management does not use the information to measure the performance of the segments.

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>		
PRC (including Hong Kong)	<b>16,801,346</b>	12,725,114
Overseas	<b>599,023</b>	444,564
	<b>17,400,369</b>	13,169,678

The Group had three (2019: three) customers with whom transactions had exceeded 10% of the Group's revenue for the year ended 31 December 2020. The amount of sales to these customers amounted to approximately RMB15,240,829,000 (2019: approximately RMB10,808,346,000) for the year ended 31 December 2020.

### 3 Other revenue and other net loss

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Other revenue</b>		
Government grants ( <i>note</i> )	<b>112,779</b>	28,986
Interest income	<b>16,916</b>	13,911
Others	<b>144</b>	116
	<b>129,839</b>	43,013

*Note:* Government grants were received from several local government authorities as a recognition of the Group's contribution towards the local economic development, of which the entitlement was under the discretion of the relevant authorities.

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Other net loss</b>		
Net foreign exchange gain/(loss)	<b>48,916</b>	(25,373)
Loss on disposal of property, plant and equipment	<b>(11,406)</b>	(17,514)
Loss on impairment of machinery	<b>(28,155)</b>	(10,587)
Net realised and unrealised loss on foreign exchange option contracts	<b>(100,728)</b>	(9,864)
Net realised and unrealised gain/(loss) on foreign currency forward contracts	<b>5,860</b>	(501)
	<b>(85,513)</b>	(63,839)

#### 4 Profit before taxation

Profit before taxation is arrived at after charging:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>(a) Finance costs</b>		
Interest on bank borrowings	51,598	51,581
Interest on lease liabilities	1,926	1,230
	<u>53,524</u>	<u>52,811</u>
<b>(b) Staff costs</b>		
Contributions to defined contribution retirement plans	24,390	18,961
Salaries, wages and other benefits	868,553	703,379
Equity settled share-based payment expenses	30,165	3,051
	<u>923,108</u>	<u>725,391</u>
<b>(c) Other items</b>		
Amortisation cost of intangible assets	615	558
Depreciation charge		
– owned property, plant and equipment	356,251	275,958
– right-of-use assets	27,635	14,799
	<u>383,886</u>	<u>290,757</u>
Impairment losses		
– trade receivables	293	766
– other receivables	150	–
– machinery	28,155	10,587
– inventories	17,977	53,067
	<u>46,575</u>	<u>64,420</u>
Auditors' remuneration		
– Audit and review services for the Group	1,981	1,981
– Audit services for subsidiaries	253	170
Research and development costs ( <i>note (i)</i> )	589,737	396,244
Cost of inventories ( <i>note (ii)</i> )	15,943,968	12,232,550



Notes:

- (i) Research and development costs include staff costs of employees in the design, research and development department of approximately RMB142,089,000 for the year ended 31 December 2020 (2019: approximately RMB103,013,000), 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 carrying amount of inventories sold, carrying amount of inventories recognized as research and development expense, and write down of inventories. Cost of inventories includes approximately RMB966,643,000 (2019: approximately RMB778,634,000) for the year ended 31 December 2020 relating to staff costs, depreciation, lease expenses 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 statement of profit or loss and other comprehensive income

- (a) **Income tax in the consolidated statement of profit or loss and other comprehensive income represents:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax</b>		
PRC Corporate Income Tax	145,073	80,968
PRC Dividend Withholding Tax	4,500	–
	<u>149,573</u>	<u>80,968</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(19,613)	(16,439)
	<u>129,960</u>	<u>64,529</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	970,068	606,901
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	250,828	142,988
Tax effect of PRC preferential tax treatments ( <i>note (iv)</i> )	(112,336)	(58,653)
Tax effect of additional deduction on research and development costs	(38,628)	(26,344)
Tax effect of non-deductible expenses	4,939	752
Tax effect of non-taxable income	(316)	(129)
Tax effect of unused tax losses not recognised	1,375	941
Withholding tax on profit retained by PRC subsidiaries ( <i>note (v)</i> )	24,098	4,974
Actual tax expense	<u>129,960</u>	<u>64,529</u>

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) Kunshan Q Technology (Hong Kong) Limited (“**Kunshan QT Hong Kong**”) and Kunshan Q Technology International Limited (“**QT international**”) are subject to Hong Kong Profits Tax at 16.5%.
- (iii) Kunshan Q Tech Microelectronics (India) Private Limited (“**India Q Tech**”), Q Technology Korea Limited (“**Korea Q Tech**”) and Q Technology (Singapore) Private Limited (“**Singapore Q Tech**”) are subject to the local income tax at 25%, 10% and 17% respectively.
- (iv) Effective from 1 January 2008, the PRC statutory income tax rate is 25%. Kunshan QTech Microelectronics Co.,Ltd. (昆山丘鈦微電子科技股份有限公司) (“**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, 6 July 2015 and 24 October 2018 respectively and continued to enjoy a preferential income tax rate of 15% for another three years commenced from 1 January 2018. Shenzhen Q Technology Limited (深圳市丘鈦微電子科技有限公司) (“**Shenzhen QT Subsidiary**”) was qualified as a HNTE on 9 December 2019 to enjoy a preferential income tax rate of 15% for three years commenced from 1 January 2019.
- (v) According to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008 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 approximately RMB840,108,000 (2019: approximately RMB542,372,000) and the weighted average of 1,168,251,000 (2019: 1,139,599,000) ordinary shares in issue during the year, calculated as follows:

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

	2020 ’000	2019 ’000
Issued ordinary share at 1 January	1,157,476	1,131,722
Effect of share options exercised	10,775	7,836
Effect of shares issued for the placement	—	41
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<b>1,168,251</b>	<b>1,139,599</b>

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB840,108,000 (2019: approximately RMB542,372,000) and the weighted average of ordinary shares of 1,176,282,000 shares (2019: 1,150,230,000) calculated as follows:

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

	<b>2020</b>	2019
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares at 31 December	<b>1,168,251</b>	1,139,599
Effect of deemed issue of shares under the Company's share option schemes	<b>8,031</b>	10,631
	<b>1,176,282</b>	1,150,230

**7 Trade and other receivables**

	<b>2020</b>	2019
	<b>RMB '000</b>	<b>RMB '000</b>
Trade receivables		
– third parties	<b>3,400,788</b>	4,771,573
– related parties	<b>1,263</b>	7,479
Bills receivable		
– third parties	<b>76,190</b>	57,969
Trade and bills receivables	<b>3,478,241</b>	4,837,021
Less: loss allowance	<b>(1,590)</b>	(1,297)
	<b>3,476,651</b>	4,835,724
Other deposits, prepayments and receivables	<b>112,377</b>	83,565
	<b>3,589,028</b>	4,919,289

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

Bills receivable represented outstanding bank acceptance bills and commercial acceptance bills. Bills receivable are due in 3 to 6 months from the date of issue.

As at 31 December 2020, no trade receivables were pledged as security for short-term bank borrowings (31 December 2019: approximately RMB278,827,000).

(a) **Ageing analysis**

As of the end of the year, 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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	2,553,862	3,076,543
More than 1 month but within 3 months	806,368	1,733,705
More than 3 months but within 6 months	116,353	25,178
More than 6 months but within 1 year	68	298
	<u>3,476,651</u>	<u>4,835,724</u>

Trade debtors are generally due within 30 to 90 days from the date of which invoice issued.

(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 during the year is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January	1,297	531
Impairment losses recognised	<u>293</u>	<u>766</u>
As at 31 December	<u>1,590</u>	<u>1,297</u>

## 8 Derivative financial assets and liabilities

	<b>At 31 December 2020</b>		
	<b>Notional amount RMB'000</b>	<b>Assets RMB'000</b>	<b>Liabilities RMB'000</b>
Foreign currency derivative instruments			
– Forward contracts	267,030	–	(975)
– Option contracts	535,042	–	(47,302)
	<u>802,072</u>	<u>–</u>	<u>(48,277)</u>
<b>Total</b>	<b><u>802,072</u></b>	<b><u>–</u></b>	<b><u>(48,277)</u></b>
	<b>At 31 December 2019</b>		
	<b>Notional amount RMB'000</b>	<b>Assets RMB'000</b>	<b>Liabilities RMB'000</b>
Foreign currency derivative instruments			
– Forward contracts	1,112,704	–	(9,142)
– Option contracts	587,396	26,472	–
	<u>1,700,100</u>	<u>26,472</u>	<u>(9,142)</u>
<b>Total</b>	<b><u>1,700,100</u></b>	<b><u>26,472</u></b>	<b><u>(9,142)</u></b>

The Group entered into foreign currency option and foreign currency forward contracts with banks. As at 31 December 2020, the notional amount of outstanding contracts amounted to approximately USD122,925,000 (31 December 2019: approximately USD243,700,000). All these option and forward contracts are matured within one year.

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

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

## 9 Trade and other payables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables and accruals		
– third parties	4,472,760	4,593,637
– related parties	32,199	24,367
Bills payable ( <i>note (a)</i> )		
– third parties	<u>962,415</u>	<u>973,655</u>
Trade and bills payables ( <i>note (b)</i> )	5,467,374	5,591,659
Accrued payroll	157,703	123,013
Other payables and accruals	<u>388,395</u>	<u>219,990</u>
	<u><u>6,013,472</u></u>	<u><u>5,934,662</u></u>

All of the trade and other payables as at 31 December 2020 are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bills payable unsecured	<u>962,415</u>	<u>973,655</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	4,480,859	4,932,881
More than 3 months but within 6 months	389,087	345,546
More than 6 months but within 1 year	32,172	5,964
More than 1 year	<u>22,860</u>	<u>12,387</u>
	<u><u>4,924,978</u></u>	<u><u>5,296,778</u></u>

As at 31 December 2020, the accrued trade payables which represented the amounts with no invoice received by the end of the year, amounted to approximately RMB542,396,000 (31 December 2019: approximately RMB294,881,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

At the beginning of the Chinese New Year this Year, the abrupt outbreak of the novel coronavirus (COVID-19) epidemic soon evolved into a global pandemic. Countries around the world experienced multiple-wave of the pandemic. Control measures to restrict social and economic activities had to be taken, such as lockdown, suspension of work and classes, resulting in a severe blow to economic activities. Regarding international social cooperation, as 10 ASEAN countries and 15 countries including China, Japan, Korea, Australia and New Zealand have officially signed the “Regional Comprehensive Economic Partnership Agreement”, the multilateral trade will get back on track. At the same time, however, the macro economy is still facing great uncertainty as the populist governments continue to dominate the political trend as well as the intense geopolitical situation. Despite the complicated backdrop, according to the data released by the National Bureau of Statistics of China on 28 February 2021, the gross domestic products (GDP) of the PRC for the Year increased by 2.3% as compared to that of last year, and the overall economy remained stable, which is a solid foundation for the steady growth of the Company’s results.

Consumer confidence was adversely affected by economic fluctuations, which had a negative impact on smartphone sales. According to the summary data of various independent third-party institutions’ research, smartphone shipments for the whole year of 2020 decreased by 6% to 10% year-on-year, of which decline was more significant for high-end handsets with unit selling price above USD500. According to the data released by the Ministry of Industry and Information Technology of the PRC in January 2021, the shipment volume of domestic smartphones in the PRC decreased by approximately 20.8% year-on-year during the Year. Nevertheless, the proportion of sales of 5G mobile phones continued to increase and accumulated to approximately 163 million units in 2020, reflecting that the new wave of smartphone replacement was in the process of development and set to go. Meanwhile, consumers’ continuing demand for enhancing photo shooting effect of handsets has driven the improvement on specifications of camera module products such as multi-camera, ultra-high pixel, optical zoom and optical image stabilisation, leading to a relatively stable development of camera-module-related industry against the backdrop of more stringent cost control adopted by smartphone brands.

With the trust and supports of customers and the joint efforts of all employees, despite facing great challenges from the macro economy, the Group still overcame difficulties and successfully sustained the growth momentum of last year. Both the sales revenue and net profit reached new high and achieved three strategic goals: (i) the product structure and unit price of camera modules increased significantly year-on-year, strengthening the market position of the Group as one of the Tier 1 manufacturers of camera modules; (ii) more balanced and comprehensive coverage of major mobile phone brand customers adopting Android system at home and abroad; and (iii) the continuous improvement of layout of non-handset business such as automotive camera modules and Internet of Things (IoT) product camera modules and the successive mass production and sales, paving way for long-term growth. However, as affected by factors including the pandemic, the Group failed to achieve the sales volume and production expansion targets of camera modules set at the beginning of the Year.

Looking back to the Year, the average selling price of camera modules increased significantly, driving the Group's sales revenue to approximately RMB17,400,369,000, representing an increase of approximately 32.1% as compared to approximately RMB13,169,678,000 for last year. During the Year, the proportion of the sales volume of camera module products with resolutions of 10 mega pixels and above to the sales volume of camera module products of the Group increased by approximately 17.5 percentage points to approximately 71.3%, and the proportion of the sales volume of camera module products with resolutions of 32 mega pixels and above to the sales volume of camera module products increased by approximately 14.6 percentage points to approximately 24.2%, driving the average selling price of camera modules to increase by approximately 51.7% from approximately RMB25.52 for last year to approximately RMB38.72. Such increase has fully reflected the significant improvement in the Group's supplier position of high-end products to its core customers and the continuous improvement in customer recognition.

During the Year, despite the weakness in sales of smartphones, the sales volume of the Group's camera module products was generally stable and reached approximately 392.59 million units, representing a slight decrease of approximately 3.3% as compared to approximately 406.04 million units of last year, which was within the shipment target as amended in the positive profit alert and revision of the objective of shipment of camera modules announcement of the Company dated 13 July 2020, i.e. "endeavor to achieve that the shipment of camera modules in 2020 will decrease by not more than 5% to increase by approximately 5% comparing with that of the previous year". The sales volume of camera modules for the Year was below expectation, mainly due to: (i) the impact of the scope and time of COVID-19 outbreak was beyond expectation, resulting in a decrease in the global sales volume of handsets as compared to that of last year; (ii) certain customers were affected by the trade disputes between major economies around the world and were unable to procure critical parts and components, which limited the manufacturing capacity, while other customers were unable to completely fill the gap in the market in a timely manner; and (iii) semiconductor production capacity in the fourth quarter of 2020 remained tight, as part of the core components used for the production of mobile phones were out of stock, which affected the corresponding demand of handset manufacturers for camera modules. However, the decrease in the sales volume of camera modules of the Group was less than that of smartphones, mainly due to three reasons: (i) the increase in the proportion of handsets with tri-camera and quad-camera design, resulting in the continuous increase in the average number of camera modules assembled by each smartphone; (ii) the Group's efforts to capture market share, especially the increase in market share of high-end camera modules; and (iii) continuous optimisation of customer structure, in which the Group successfully obtained the supplier qualification of important overseas smartphone customers during the Year and gradually increased the shipment.



The stagnant shipment of smartphones had a relatively bigger impact on the sales volume of the Group's fingerprint recognition module products. At the same time, the impact of the pandemic on the shipment volume of high-end mobile phones had a more severe impact on the average selling price of fingerprint recognition modules, mainly due to: (i) each mobile phone is usually equipped with only one fingerprint recognition module, leading to a highly correlated shipping volume of both products; (ii) under-glass fingerprint recognition module is more widely adopted by high-end smartphones, the weakness of sales of which indirectly caused the product mix enhancement of fingerprint recognition module products slowdown; (iii) the decrease in consumption power of consumers as a result of the pandemic, mobile phone brands partially delayed the specification upgrade of fingerprint recognition modules, and the launch of certain new products such as ultra-thin fingerprint recognition modules and large-size fingerprint recognition modules was delayed; and (iv) the increase in competition for sensing chips, which led to a decrease in material costs and lowered the overall product selling price.

During the Year, the Group's gross profit margin was approximately 10.2%, representing an increase of approximately 1.2 percentage points as compared with approximately 9.0% in last year. Despite the unsatisfactory production capacity utilization rate as a result of the pandemic affecting the shipment of mobile phones, the gross profit margin still recorded a positive growth, which was mainly attributable to: (i) the significant optimisation of the product mix of camera modules helped to enhance the added value of camera module business and reduce marginal costs such as labour costs and depreciation; and (ii) the intensified effectiveness of production line upgrading and reformation through automated and digitized production as well as the reducing demand for production staff with the same production capacity, resulting in a continuous decrease in the proportion of labour cost.

During the Year, the Group vigorously promoted the core strategy of vertical integration of intelligent visual products. In the field of lens sets, the Group carried out more in-depth technical cooperation with an associate, Newmax Technology Co., Ltd. ("**Newmax Technology**", a company listed on the Taipei Exchange in Taiwan, stock code: 3630). The Group strengthened communication and resource integration in the field of high resolution RGB lens, and strived to assist Newmax Technology in obtaining the supplier qualification of multiple customers, so as to promote Newmax Technology to a better improvement on customer base, technical capability and production capacity. In the first half of the Year, Newmax Technology was hit by the suspension of production due to the pandemic, recording a net loss attributable to shareholders of approximately NT\$190,000,000. However, with all the hardworks of the management team and the support of customers, the results in the second half of the Year improved significantly, the sales revenue increased by approximately 40.1% on a half-on-half basis. At the same time, the core competitiveness of Newmax Technology, such as customer base, technical capabilities and production capacity scale, continued to improve. In the second half of the Year, the Company made a breakthrough in the expansion of the high-resolution RGB lens business, including successfully obtained the supplier qualification of two famous mobile phone brand customers using Android system, and gradually secured more projects of the handset RGB lens of 5P or above. In addition, the construction of the new plant in the central science park of Taichung was progressing satisfactorily. It is expected that the civil construction and decoration works will be completed by mid-2021, and the production capacity of lens sets will be expanded to a relatively larger scale according to customer needs. After the technology accumulation and customer structure optimisation this Year, it will expectantly enter a new stage of sales expansion.

In addition, during the Year, the Group strived for continuous development in system capability of intelligent vision products, and vigorously promoted the Turnkey Solution that takes into account both performance and cost efficiency, including main camera module products with resolutions of 13 mega pixels, 48 mega pixels and 64 mega pixels, all of which are striving to be adopted by multiple customers and targeted to mass production gradually in 2021.

During the Year, the Group continued to promote the research and development (“**R&D**”) of camera module products, strengthen the R&D of new materials, new processes and new products, resulting in an remarkable improvement in the functions and performance of camera module products. In terms of functions, the Group has become one of the three largest camera module manufacturers in the PRC with single camera modules with resolutions of 32 mega pixels and above. Not only has the Group successfully produced 64 mega pixels and 108 mega pixels products, but it has also fully mastered the production process of various products such as large-chip and different sizes of pixel, being the main supplier of fixed-focus, automatic focus, telescope and wide-angle camera module projects for the flagship models of multi-brand customers. In terms of performance, during the Year, the Group successfully brought the micro-gimble image stabilisation technology into the mobile phone, which doubled the range of traditional optical image stabilisation (OIS) angle, redefined the scope of video image stabilisation and low light condition shooting of the mobile phone camera module, and fully grasped the technologies of five-fold periscope optical zoom module, ultra-micro-image module, variable aperture and close loop-like auto-focus (AF) module and other new technologies. At the same time, the R&D team completed a number of pre-research work on cutting-edge technologies in the industry, including the dToF module technology used in the rear camera 3D solution, which realised the function of single-zone and multi-zone light emitting dToF, which can be used for high precision measurement.

The Group has always strived to position itself as an advanced intelligent vision product system company serving its intelligent mobile terminal customers including smartphones, automobiles, smart homes and other IoT application scenarios. In addition to the smartphone segment, after years of hard work and collaboration by the Company’s team, preliminary results have been achieved in various market segments such as in-vehicle and IoT products. The Company launched its automotive camera module products for the first time since the second quarter of 2018, obtained the Tier 1 or Tier 2 supplier qualifications for various well-known domestic automobile brands within less than two years, as well as successfully commenced the mass production of advanced driver assistance system (ADAS) and intelligent cabin (In-Cabin) camera module products. At present, the camera module projects of more than ten automobile models have entered the stage of product R&D and certification, striving to achieve mass production in 2021. At the same time, the Group began to make mass production of IoT products such as sweeping robots camera modules and drones camera modules for the Year, covering leading customers in the relevant industry, entered into the camera module market of wearable devices, including smart watch products, and continued to expand in non-handset industry fields.

During the Year, the Group continued to promote the industrial 4.0 mass production infrastructure and carried out large-scale production automation upgrading and transformation. The production lines of the Kunshan production base have basically completed the automatic connection of the front, middle and back end production processes, from the COB packaging process, dispensing, welding to testing, all processes were interconnected and intercommunicable, fully adopted the construction standard of fully-automated digital intelligent factory to achieve more efficient errorproof, anti-mixing and omission-proof standards, thereby optimising production yield and efficiency. In addition, the Group made extensive use of automatic optical inspection equipment (AOI), set up automatic warehousing system, strengthened logistics control on bulk delivery to promote lean production. Moreover, the Group continued to optimise its customer service standard by directly connecting with the delivery system of customers to promote the development of “one-click delivery” system, which significantly enhanced the overall experience of customers in terms of delivery efficiency and quality. Meanwhile, although the construction of the second phase plant of the production base in India was delayed in the first half of the Year due to the COVID-19 pandemic, the overall progress had been resumed and various public works had been fully commenced. The production capacity layout is expected to be gradually put in place in 2021 to meet the fast-growing order demand from overseas customers.

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

## PROSPECTS

In 2020, the global economy was affected by the sudden outbreak of a once-in-a-century pandemic, and experienced unprecedented ups and downs. Restrictive measures on social and economic activities such as lockdown, suspension of work and suspension of market were imposed one after another. The gross domestic product of major economies except the PRC experienced a decline, and the unemployment rate remained high. The later the pandemic is alleviated, the greater the damage to the national economy, affecting the consumer confidence even further. Although the global economy is highly interconnected and it is difficult for anyone to get rid of it, China's early achievements in pandemic prevention work and economic production activities have generally returned to normal, making China as one of the few countries with positive GDP growth in 2020.

Although the economy is unlikely to recover in the short term, the Directors believe that 5G is one of the definitive directions for global technology and economic development, as smart mobile communication terminal is an important carrier for the further commercialisation of 5G and the popularisation of IoT. Therefore, the intelligent mobile communication terminal industry still has good development opportunities and broad development prospects. As a fundamental communication network, 5G will change users' information consumption habits and completely lift the bandwidth limit of emerging applications. According to the data released by the Ministry of Industry and Information Technology of the PRC on 11 January 2021, the accumulated shipment of 5G mobile phones in China reached approximately 163 million units in 2020, representing a continuous increase in its proportion to total shipment of mobile phones from 26.5% in January to 68.4% in December, and the cumulative number of new 5G mobile phones launched reached 218. According to the forecast data from independent third-party research institutions, the number of global 5G mobile users will reach 2.5 billion by 2025, and Chinese products will continue to account for approximately half of the global market share.

The intelligent vision systematic product is still one of the highlights that consumers are most concerned with when purchasing intelligent mobile communication terminals, and is also one of the important interfaces for information interaction in new IoT fields such as automobiles and smart homes. Therefore, the Directors remain confident in the long-term development prospects of the intelligent vision industry, and will continue to establish technological advantages by promoting the R&D of new materials, new processes and new products, further enhancing profitability by optimising customer structure and improving product structure, improving production efficiency and reducing manufacturing costs by further strengthening production automation and striving to move towards intelligent production, enhancing risk prevention capability by strengthening internal control management, and strengthening the systematic capability of intelligent visual products by further promoting vertical integration of core parts and components, so as to enhance the core competitiveness of the Group, better cope with the possible fluctuations in the situation in 2021 and seize the opportunities of industry development.

The Directors are unswervingly committed to the strategy of continuously promoting the development of intelligent vision systematic products. The importance of camera modules in mobile terminals has increased and the changes in the technological trend of the industry in recent years will be beneficial to the first-tier module manufacturers with vertical integration capabilities. The main reasons are as follows: (i) the trend of consumers' demand for higher quality intelligent vision system products remains unchanged, but the upgrade path has gradually shifted from focusing on optical lens design and semiconductor chip design in the past to strengthening structural design, such as new optical image stabilisation, continuous optical zoom, variable aperture, etc. The upstream materials used in camera modules tend to be customised and require module manufacturers to be highly involved in product design and coordination and integration, which will help module manufacturers to increase the added value of products; and (ii) the increase in the popularity of 5G commercial applications and 3D imaging applications will continue to change the habits of mobile phone users, whereas more applications of dynamic shooting, games and AR/VR will continue to enhance the iteration of the specifications of mobile phone camera modules.

At the same time, the non-handset application market will lead the camera module industry to a new growth territory with the increase in demand for camera modules by smart vehicles and IoT terminals. The Group will adhere to the development strategy of developing camera modules for mobile phones as the foundation and actively promoting the business of camera modules for vehicle and IoT. Automotive camera modules provide an interactive information entrance for drivers. Unlike laser radar, which is mainly used as a distance measurement, it is the only sensor used in vehicles for objects sensing. It will be used in large-scale driving assistance systems for road conditions sensing, surround view parking or detect driver fatigue. The increased penetration rate of intelligent driving systems will significantly increase the adoption of camera modules and impose more stringent requirements on specifications. In the past two years, the Group has laid a solid foundation in terms of technology layout, customer layout and product layout, and achieved mass production. In the future, the Group will focus on securing more new projects and capacity construction, endeavoring to expand production scale in the short to medium term, and strive to become one of the major manufacturers in the industry.

The rapid growth of the IoT market also brings opportunities to the intelligent vision industry. In particular, the pandemic has changed the way people interact with one another, and the consumption habits of users were passively changed by the non-contact economy. In addition, the 5G network has empowered various artificial intelligence products, providing the necessary conditions for the Internet of Everything. The sub-markets such as service robots such as sweeping robots, delivery robots and drones are expected to have significant growth. In particular, the functional requirements such as the path identification, the target identification and the avoidance of obstacles will bring new opportunities to the camera module industry. At the same time, the face recognition function of mobile payment, wearable devices, smart home and other new consumption patterns are emerging, which will provide favorable conditions for the Group's development in line with consumers' pursuit of a healthy and convenient lifestyle.



The Group will adhere to the vision of “to illuminate machines”, actively strengthen the capacity building in three aspects, namely optical design, computing imaging and system integration, continue to strengthen the R&D of new materials, new processes and new products, continue to improve the large-scale automated precision manufacturing capabilities, continue to promote the construction and expansion of production bases in India, actively promote lean management, actively carry out customer relationship marketing, actively strive to increase the share of customer cooperation, and continuously enhance the Group’s core competitiveness. The Group will also focus on promoting the development of high-end products such as high pixel camera modules, multi-camera modules, optical image stabilisation modules, ToF modules, periscope camera modules and optical under-glass fingerprint recognition modules in various forms, and assist in promoting the development of the camera module lens, 3D module lens and under-glass fingerprint recognition module lens of the associate company. The Company will strive to strengthen the technical cooperation and resource integration of camera modules and key components such as lens sets, and strive to achieve further breakthrough in the application of camera modules in non-mobile phone field.

The Group will strive to achieve the following objectives in 2021: (i) the shipment volume of camera modules in 2021 will increase by not less than 30% as compared with that of the previous year, of which the shipment volume of camera modules with resolutions of 32 mega pixels and above will account for not less than 30%; (ii) the shipment volume of fingerprint recognition modules in 2021 will increase by not less than 30% as compared with that of the previous year, of which the shipment volume of under-glass fingerprint recognition modules will account for not less than 50%; and (iii) continue to review customers’ demand and the business development of the Group and gradually expand the production capacity of camera modules from approximately 53 million units per month by the end of 2020 to 65 million units per month by the end of 2021 (the production capacity statistics of which are still based on the previous standard efficiency of camera modules with resolutions of 13 mega pixels); and the production capacity of fingerprint recognition modules will gradually expand from a total of approximately 14 million units per month by the end of 2020 to not less than 18 million units per month by the end of 2021.

The Directors are confident in leading the Group to embrace the challenges, make further efforts to achieve good development and strive to create greater value for the shareholders of the Company (the “**Shareholders**”).

## AWARDS AND HONOURS

During the Year, the Group continued to adhere to our customer-oriented service strategies, always considered the provision of good personal experience for customers as our operation direction and devoted our best efforts to satisfy customers' needs in product R&D, sales delivery, after-sales service, product quality and technology innovation, and gained high recognition of the Group's comprehensive ability, products and services from the local governments, industry and our customers.

In March 2020, Kunshan QTech Microelectronics Co., Ltd. (昆山丘鈦微電子科技股份有限公司)(formerly known as “Kunshan Q Technology Limited” (昆山丘鈦微電子科技有限公)) (“**Kunshan QT China**”), a subsidiary of the Company, was awarded the “Top Ten Intelligence Production Transformation Enterprise and Top Economies of Scale Production Enterprise in Kunshan City for the Year 2019” qualification granted by the People's Government of Kunshan City;

In July 2020, Kunshan QT China was honored with the title of “2020 Jiangsu Southern National Independent Innovation Demonstration Zone Gazelle Enterprise” granted by the Construction and Promotion Service Centre of Jiangsu Southern National Independent Innovation Demonstration Zone;

In July 2020, Kunshan QT China was awarded with RMB1 million for the “Meeting the Target 48M OIS First Pass Yield” award granted by OPPO, a world-renowned smartphone brand;

In October 2020, Kunshan QT China received the “2020 Outstanding Contribution Award for the Stable Growth of Foreign Investment” and the “2020 Outstanding Contribution Award for the Stable Growth of Industry” granted by the People's Government of Kunshan City;

In November 2020, Kunshan QT China was awarded the title of “2020 Advanced Enterprise for Poverty Alleviation through Labour Cooperation and Employment in Eastern and Western Regions” granted by Suzhou Municipal Human Resources and Social Security Bureau;

In December 2020, Kunshan QT China received the “Best Innovation Award”, “Excellent Quality Award” and “Best Delivery Award” for 2020 granted by vivo Mobile Communication Co., Ltd. (維沃移動通信有限公司), a world-renowned smartphone brand;

In December 2020, Kunshan QT China received the “Excellent Supplier” award for 2020 granted by Shanghai Huaqin Technology Co., Ltd (上海華勤技術股份有限公司), a world-renowned smartphone manufacturer;

In January 2021, Kunshan QTech Biological Recognition Technology Limited (昆山丘鈦生物識別科技有限公司)(“**QTech Biological Recognition**”), a wholly-owned subsidiary of the Company, received the “Excellent Delivery Guarantee Award” for 2020 granted by Huawei, a world-renowned smartphone brand;

In January 2021, the Company was honored with the “2020 Quality Excellence Award” granted by Ecovacs Robotics Co., Ltd (科沃斯機器人股份有限公司), a world-famous robot product manufacturer;

In January 2021, the Company was awarded the “Best TMT Company” at the 5th Golden Hong Kong Stocks' Annual Awards Ceremony co-hosted by Zhitongcaijing.com (智通財經) and Hithink RoyalFlush Information Network Co., Ltd. (同花順財經); and

In February 2021, Kunshan QT China received the 2020 “Excellent Delivery Team” award granted by OPPO Guangdong Mobile Communication Co., Ltd. (OPPO廣東移動通信有限公司), a world-renowned smartphone brand.

## **FINANCIAL REVIEW**

### **Revenue**

During the Year, the revenue of the Group was approximately RMB17,400,369,000, representing a year-on-year growth of approximately 32.1% as compared with approximately RMB13,169,678,000 in 2019. The steady growth in revenue was mainly attributable to the significant progress made in the implementation of the Group's product structure optimisation strategy over the years, which led to a notable year-on-year increase in the average selling price of camera modules, driving the steady growth of the Group's revenue from sales of camera modules for the Year as compared to that of last year.

### **Cost of sales**

During the Year, the cost of sales of the Group amounted to approximately RMB15,629,784,000, representing a year-on-year growth of approximately 30.4% as compared with approximately RMB11,989,806,000 in 2019. The increase in cost of sales was primarily attributable to: (i) the increase in raw material cost by approximately 30.4% as compared with that of last year due to the expansion of sales scale; and (ii) the increase in depreciation cost of production base and equipment, which were invested for expanding production capacity, by approximately 27.8% from approximately RMB244,549,000 in 2019 to approximately RMB312,593,000.

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

For the Year, gross profit of the Group was approximately RMB1,770,585,000 (2019: approximately RMB1,179,872,000), representing an increase of approximately 50.1% as compared with that in 2019, while gross profit margin was approximately 10.2% (2019: approximately 9.0%). The steady increase in gross profit margin was mainly attributable to: (i) the apparent optimisation of product structure of camera modules helped to increase the added value of camera module business; and (ii) the continuous optimisation of labour and depreciation costs promoted by the production automation upgrade and transformation.

### **Other revenue**

During the Year, other revenue of the Group amounted to approximately RMB129,839,000, representing an increase of approximately 201.9% as compared with approximately RMB43,013,000 in 2019. The increase in other revenue was mainly attributable to: the increase of government grants and incentives received from local governments at different levels by approximately 289.1% as compared to that of last year.

### **Other net loss**

During the Year, the Group recorded other net loss of approximately RMB85,513,000, representing an increase of approximately 34.0% as compared with other net loss of approximately RMB63,839,000 in 2019. Such other net loss was mainly attributable to: (i) net foreign exchange gain for the Year, when aggregated with total net realised and unrealized loss or gain on foreign exchange option contracts and foreign currency forward contracts, amounted to a net loss of approximately RMB45,952,000, while the net foreign exchange loss of last year, when aggregated with total net realised and unrealized loss on foreign exchange option contracts and foreign currency forward contracts, amounted to a net loss of approximately RMB35,738,000, representing a year-on-year increase of approximately 28.6%; and (ii) the increase of impairment loss of machinery by approximately 165.9% from approximately RMB10,587,000 of last year to approximately RMB28,155,000 of the Year.



## **Selling and distribution expenses**

For the Year, selling and distribution expenses of the Group amounted to approximately RMB26,066,000, representing an increase of approximately 74.4% as compared with approximately RMB14,946,000 in 2019. The ratio of selling and distribution expenses to revenue was approximately 0.1%, which was at similar level of that of 2019. The increase in selling and distribution expenses was mainly attributable to the increase in sales staff for further enhancement of customer marketing and services for fields such as phone, vehicle and IoT, resulting in an increase in sales staff salaries.

## **Administrative and other operating expenses**

For the Year, total administrative and other operating expenses of the Group amounted to approximately RMB152,626,000, representing an increase of approximately 19.1% as compared with approximately RMB128,140,000 in 2019. The increase in administrative and other operating expenses was mainly attributable to the increase of staff salaries and labour expenses by approximately 44.0% from approximately RMB50,828,000 in 2019 to approximately RMB73,176,000 resulting from the increase in number of staff and average salary in the Year.

## **R&D expenses**

For the Year, the total R&D expenses of the Group amounted to approximately RMB589,737,000, representing an increase of approximately 48.8% as compared with approximately RMB396,244,000 in 2019. The R&D expenses for the Year were mainly utilised in the Group's continuous R&D investments in new products, new processes and automation upgrading and transformation.

## **Finance costs**

During the Year, the finance costs of the Group were approximately RMB53,524,000, representing an increase of approximately 1.4% as compared with approximately RMB52,811,000 in 2019. The increase in finance costs was mainly attributable to the increase in withdrawal and average amount of bank borrowing balance of the Group in the Year in order to fulfill the requirements for production and operation scale expansion.

## **Share of loss of an associate**

During the Year, Newmax Technology, an associate of the Company, recorded a loss. The share of loss of an associate attributable to the Company was approximately RMB22,890,000, while a share of profit of an associate of approximately RMB39,996,000 was recorded in 2019.

## **Income tax expenses**

During the Year, income tax expenses of the Group was approximately RMB129,960,000, whereas the income tax expenses in 2019 were approximately RMB64,529,000. It was mainly attributable to the profit before tax recorded by the Group for the Year amounting to approximately RMB970,068,000, representing a growth of approximately 59.8% as compared with approximately RMB606,901,000 in 2019.

## **Profit for the Year**

Based on the foregoing, the profit of the Group for the Year amounted to approximately RMB840,108,000 (2019: approximately RMB542,372,000), representing an increase of approximately 54.9% as compared with that of 2019.

## LIQUIDITY AND FINANCIAL RESOURCES

### Bank Borrowings

As at 31 December 2020, the Group's bank borrowings amounted to approximately RMB1,263,232,000, representing a decrease of approximately 4.9% from approximately RMB1,328,785,000 as at 31 December 2019. Among the borrowings, short-term borrowings were approximately RMB1,104,021,000 whereas long-term borrowings were approximately RMB159,211,000.

As at 31 December 2020, the Group's bank borrowings were mainly denominated in RMB and/or USD. The cash flow overview of the Group for the Year and 2019 was set out as follows:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net cash generated from operating activities	3,603,951	2,399,551
Net cash used in investing activities	(695,865)	(1,271,487)
Net cash used in financing activities	(1,314,869)	(816,739)

As of 31 December 2020, the cash and cash equivalents of the Group amounted to approximately RMB1,983,516,000, representing an increase of approximately RMB1,571,999,000 from approximately RMB411,517,000 as at 31 December 2019. The increase in cash and cash equivalents was mainly attributable to the profit of the Group for the Year increased rapidly as compared to last year, with net cash inflow from operating activities.

### Operating activities

During the Year, the Group recorded a net cash inflow from operating activities amounting approximately RMB3,603,951,000, representing an increase of approximately RMB1,204,400,000 as compared with the net cash inflow of approximately RMB2,399,551,000 in 2019, which was mainly attributable to the steady growth of revenue and steady increase of gross profit margin of the Group during the Year as compared to that of last year, and with the strong support from its overall customers, the overall turnover days of accounts receivables and bills receivables decreased from approximately 109 days in last year to approximately 87 days, while turnover days of trade and other payables were similar to that of last year. At the same time, the accounts payable of approximately RMB979,214,000 was directly paid by the bank to the suppliers in the settlement method of bank trade financing products, which was not included in the cash outflow from operating activities.

### Investing activities

The net cash outflow used in investing activities of the Group during the Year amounted to approximately RMB695,865,000, while the net cash outflow amounted to approximately RMB1,271,487,000 in 2019, which was mainly the expenses for plant expansion and purchasing equipment amounting to approximately RMB540,837,000. The decrease in net cash outflow was mainly attributable to the expansion plan for production capacity of camera modules that did not meet its expectations during the Year due to the impact of COVID-19 epidemic.

### Financing activities

The net cash outflow used in the financing activities of the Group during the Year amounted to approximately RMB1,314,869,000, while the net outflow in 2019 was approximately RMB816,739,000. The net cash outflow was increased by approximately RMB498,130,000 as compared with that of 2019, which was mainly attributable to: (i) the fund raised from the placing of shares of approximately RMB182,155,000 in the year of 2019, while there was no placing of shares during the Year; and (ii) the distribution of final dividend for the year of 2019 of approximately RMB107,152,000 during the Year, while there was no distribution of final dividend for the year of 2018 during the year of 2019.

## **Gearing ratio**

The gearing ratio of the Group as at 31 December 2020, as defined by the total balance of bank borrowings and lease liabilities divided by total equity at the end of the Year, was approximately 34.6%, representing a decrease of approximately 13.6 percentage points from approximately 48.2% as at 31 December 2019, which was mainly attributable to: the total amount of bank borrowings and lease liabilities at the end of the Year was similar to that at the end of last year, while the total equity at the end of the Year increased by approximately 32.1% as compare to that at the end of last year.

## **TREASURY POLICIES**

The Group's treasury policy was disclosed in the prospectus of the Company dated 20 November 2014 (the "**Prospectus**"), and was amended by the risk management committee (the "**Risk Management Committee**") of the Company on 24 March 2016, the details of which were disclosed under the "Management Discussion and Analysis" section of the 2016 to 2019 annual report. The Board, the Risk Management Committee of the Company and the staff at the relevant positions always remain alert to the performance and risk assessment of the wealth management products 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 close attention to the liquidity and debt asset position of the Group in order to ensure the sufficiency of its working capital and maintain the debt asset ratio at a reasonable level.

## **MATERIAL ACQUISITION AND DISPOSAL**

On 15 December 2020, the Company submitted an application in relation to a possible spin-off and separate listing of Kunshan QT China on the Shenzhen Stock Exchange or Shanghai Stock Exchange in the PRC (the "**Proposed Spin-off**") to the Stock Exchange for approval pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Proposed Spin-off, if materialised, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the inside information announcement of the Company dated 15 December 2020.

Save as disclosed above, the Group did not have any material acquisitions or disposals of its subsidiaries, associates and joint ventures for the year ended 31 December 2020.

## **SIGNIFICANT INVESTMENT**

The Group did not hold any significant investment for the year ended 31 December 2020.

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any contingent liabilities.

## PLEDGE OF ASSETS

As at 31 December 2020, the assets pledged by the Group included bank deposits and shares of an associate of approximately RMB433,167,000 (31 December 2019: approximately RMB478,632,000), which were used as guarantee for bank borrowings and bank guarantee letters.

## EMPLOYEE POLICIES AND REMUNERATION

As at 31 December 2020, the contractual staff of the Group has increased and the number of which reached 7,127 (excluding non-contractual staff such as staff under labour service agreements and internship agreements) (as at 31 December 2019: 3,745). The Group is committed to providing all staff with fair working environment, providing newly recruited staff with induction training and job technical counseling to help them to adapt to job requirements quickly, providing all staff with clear job responsibilities guidelines and for employees at different positions with on-the-job training together with other training programmes to help improving their skills and knowledge, and strived to provide all staff with competitive remuneration packages. For the Year, the remuneration of the employees (including staff under labour service agreements and internship agreements) of the Group was approximately RMB923,108,000 (2019: approximately RMB725,391,000). Apart from basic salary, the package also includes performance bonus, medical insurance and provident fund (staff under labour service agreements and internship agreements are treated according to the laws and regulations of the PRC).

Meanwhile, the Company has granted a total of 89,561,600 share options to its staff on 26 October 2016, 9 June 2017, 7 December 2018, 21 June 2019 and 16 September 2020 respectively pursuant to a share option scheme (the “**Share Option Scheme**”) adopted on 13 November 2014 (details of the Share Option Scheme are disclosed in sections D1 headed “Share Option Scheme” of Appendix IV “Statutory and General Information” of the Prospectus), with specific details as follows:

- (i) On 26 October 2016, the Company granted a total of 39,425,000 share options to 165 staff (including two executive Directors, Mr. Wang Jianqiang and Mr. Hu Sanmu) in accordance with the Share Option Scheme (the “**Share Options 2016**”), and grantees may apply to exercise the share options by phases from 1 April 2018 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 26 October 2016 for details). During the Year, the Company has accepted the applications from 127 staff (including two executive Directors, Mr. Wang Jianqiang and Mr. Hu Sanmu) and issued a total of 9,495,480 ordinary shares at the exercise price of HK\$4.13 per share and total consideration received was approximately HK\$39,216,000. A total of 120,720 options granted on 26 October 2016 were lapsed or cancelled as a result of the personal performance of 8 staff during the Year. As at 31 December 2020, none of the Share Options 2016 were outstanding.

- (ii) On 9 June 2017, the Company granted a total of 8,083,000 share options to 48 staff (none of the grantees are Directors, chief executive or substantial shareholders of the Company or any of their respective associates) in accordance with the Share Option Scheme (the “**Share Options 2017**”), and the grantees may apply to exercise the share options by phases from 1 April 2018 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 9 June 2017 for details). During the Year, the Company has accepted the applications from 21 staff and issued a total of 945,600 ordinary shares at the exercise price of HK\$6.22 per share and total consideration received was approximately HK\$5,882,000. As at 31 December 2020, none of the Share Options 2017 were outstanding.
- (iii) On 7 December 2018, the Company granted a total of 12,720,000 share options to 83 staff (none of the grantees are Directors, chief executive or substantial shareholders of the Company or any of their respective associates) in accordance with the Share Option Scheme (the “**Share Options 2018**”), and the grantees may apply to exercise the share options by phases from 1 April 2020 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 7 December 2018 for details). During the Year, the Company has accepted the applications from 70 staff and issued a total of 4,333,600 ordinary shares at the exercise price of HK\$4.65 per share and total consideration received was approximately HK\$20,151,000. A total of 528,000 and 44,800 options granted on 7 December 2018 were lapsed or cancelled respectively as a result of the resignations of 4 staff and the personal performance of 3 staff during the Year. As at 31 December 2020, a total of 6,189,600 Share Options 2018 were outstanding.
- (iv) On 21 June 2019, the Company granted a total of 11,454,000 share options at the exercise price of HK\$6.02 per share to 68 staff (none of the grantees are Directors, chief executive or substantial shareholders of the Company or any of their respective associates) in accordance with the Share Option Scheme (the “**Share Options 2019**”), and the grantees may apply to exercise the share options by phases from 1 April 2021 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 21 June 2019 for details). Such options were not exercisable during the Year; and a total of 2,266,000 options granted on 21 June 2019 were lapsed as a result of the resignation of 12 staff during the Year. As at 31 December 2020, a total of 4,508,000 Share Options 2019 were outstanding.
- (v) In addition, on 16 September 2020, the Company granted a total of 17,879,600 share options at the exercise price of HK\$9.22 per share to 119 staff (including two executive Directors, Mr. Wang Jianqiang<sup>(Note)</sup> and Mr. Hu Sanmu) in accordance with the Share Option Scheme (the “**Share Options 2020**”), and the grantees may apply to exercise the share options by phases from 1 April 2021 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 16 September 2020 for details). Such options were not exercisable during the Year; and a total of 653,200 options granted on 16 September 2020 were lapsed as a result of the resignation of 4 staff during the Year. As at 31 December 2020, a total of 17,226,400 Share Options 2020 were outstanding.

*Note:*

On 15 December 2020, Mr. Wang Jianqiang resigned from his position as an executive director of the and chief executive officer of the Company; and Mr. Fan Fuqiang was appointed as an executive director of the Company on the same day, he was also granted 630,000 Share Options 2020 on 16 September 2020.



## **FOREIGN EXCHANGE EXPOSURE**

The Group is exposed to currency risk primarily due to certain receivables, payables, cash balances and loans that are denominated in foreign currencies other than RMB arising from the operating activities such as bank borrowings, product sales and purchase of raw materials. The Group is also exposed to currency risk from the exchange or translation of USD and Hong Kong Dollars into RMB. During the Period, as the sales income of the Group was still mainly settled in RMB but various raw materials for production and some equipment for production were purchased from overseas and settled in USD, while the central parity rate of RMB against USD recorded an upward adjustment of approximately 6.5% from 6.9762 at the beginning of the Year to 6.5249 at the end of the Year, the Group eventually recorded a loss for the realised or unrealised foreign option contracts previously entrusted, and the amount of which exceeded the foreign exchange revenue and the revenue amount of realised and unrealised foreign currency forward contracts. As such, the Group recorded an exchange loss of approximately RMB45,952,000, representing an increase as compared to approximately RMB35,738,600 in 2019. As affected by multiple factors such as politics, economic, and supply and demand, the trend of RMB against USD in the future is subject to great uncertainties. It is difficult to adjust the business model of the Group in the short run. Therefore, the profit or loss of the Group may still be affected by exchange rate fluctuation in the future. The Group will, on one hand, continuously strive to strengthen the expansion of overseas business and strive to reduce the proportion of USD expense; on the other hand, the Group will continuously enhance daily monitoring of the exchange rate, and fix the future foreign exchange costs by properly using financial instruments, so as to strengthen the management of foreign exchange risks and strive to reduce foreign exchange loss. However, the Group is also clearly aware that there are many factors affecting exchange rates, and the mechanism to determine exchange rate is complicated and fickle, making it is difficult to estimate its trend. Therefore, the profit or loss of the Group may still be affected by exchange rate fluctuation.

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

On 2 December 2014, the shares (the “**Shares**”) of the Company were initially listed on the Main Board of the Stock Exchange by global offering. The net proceeds from the above global offering was approximately HK\$658,000,000 (after deducting relevant listing expenses). As at 31 December 2020, the fund raised was fully utilised in accordance with the intended use of the global offering.

## **USE OF PROCEEDS FROM PLACING OF SHARES**

On 12 December 2016, the Company completed the placing of 40,000,000 new ordinary Shares under a general mandate granted to the Directors by the Shareholders to two placees, being Value Partners Hong Kong Limited and The People’s Insurance Company (Group) of China Limited, who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, at the placing price of HK\$3.90 per placing Share. The net proceeds of the aforesaid placing were approximately HK\$154,428,000, after deducting relevant placing commission, professional fees and all related expenses. As at 31 December 2020, the fund raised was fully utilised. The capital utilisation was consistent with the intended use of the net proceeds of the placing.

On 29 December 2017, the Company completed the placing of 20,000,000 new ordinary Shares under a general mandate granted to the Directors by the Shareholders to not less than six placees, being professional, institutional and/or other investors, who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, at the placing price of HK\$10.80 per placing Share. The net proceeds from the above placing was approximately HK\$214,218,000, after deducting the related placing commission, professional fees and all related expenses. As at 31 December 2020, the fund raised was fully utilised. The capital utilisation was consistent with the intended use of the net proceeds of the placing.

On 23 December 2019, the Company completed the placing of 15,000,000 existing shares (the “**Placing Shares**”) at the placing price of HK\$13.68 per each placing share (the “**Placing**”) to not less than six placees (who were professional investors and whose respective ultimate beneficial owners were (a) independent of, and not connected with, the Company and its connected person; and (b) independent of, and are not acting in concert with, QT Investment, the controlling shareholder of the Company, and persons acting in concert with QT Investment). On 30 December 2019, the Company allotted and issued 15,000,000 new shares to QT Investment (the “**Subscription**”). Upon the completion of the Placing and Subscription, the net proceeds obtained by the Company was approximately HK\$203,300,000, after deducting all costs and expenses incurred by QT Investment in connection with the Placing and Subscription and to be borne by the Company, and other expenses incurred by the Company which included the placing agent’s commission, the stamp duty, the Stock Exchange trading fee and the SFC transaction levy. As at 31 December 2020, the net proceeds was fully utilised. Among the net proceeds used: (i) approximately HK\$162.6 million, representing approximately 80% of the net proceeds from the Subscription, was used as capital expenditure required for production capacity expansion for camera modules; and (ii) approximately HK\$40.7 million, representing approximately 20% of the net proceeds from the Subscription, was used for R&D. The capital utilisation was consistent with the intended use of the net proceeds of the Placing.

## **DIVIDEND**

Taking into consideration of the required capital expenditures for the expansion of capacity planning of camera modules and fingerprint recognition modules in the year of 2021, the Board recommended the payment of a final dividend for the year ended 31 December 2020 of HKD5.0 cents (equivalent to approximately RMB4.2 cents) per share (final dividend for the year ended 31 December 2019: HKD10.0 cents (equivalent to approximately RMB9.0 cents) per share) to the Shareholders whose names appear on the register of members of the Company on Thursday, 3 June 2021. Subject to the approval by the Shareholders at the forthcoming annual general meeting (the “**AGM**”) of the Company to be held on 24 May 2021, the proposed final dividend is expected to be paid in cash on or around Friday, 18 June 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the eligibility to attend the AGM to be held on 24 May 2021, the register of members of the Company will be closed from 18 May 2021 to 24 May 2021. 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 17 May 2021.

For the purpose of determining the eligibility to receive the final dividend, the register of members of the Company will be closed from 1 June 2021 to 3 June 2021, during which period no transfer of shares will be effected. 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 31 May 2021.

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

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

## ENVIRONMENTAL PROTECTION MANAGEMENT

The Group has strictly complied with the applicable environmental protection laws and policies in the jurisdictions where the respective members of the Group are located. During the Year, the Group had continued to revise, improve and implement a number of internal rules and regulations in relation to environmental protection management such as the implementation of Wastewater Management Regulations, Waste Gas Management Regulations and Greenhouse Gas Management Measures, and to further perfect the wastewater, waste gas and greenhouse gas treatment system in order to strengthen its management and control in production and domestic sewage so as to ensure that the wastewater discharge is in compliance with statutory requirements, and clarified the ranges, procedure and instrument of collecting the data of greenhouse gas for the effective management of greenhouse gas of the Group in the long run and prepared for reducing carbon emissions. As the same time, the Group had also amended and implemented certain regulations and measures including improving the Fire Safety Management Regulations and Emergency Plan, held fire drills with particular focus on strengthening of self-check of the fire control facilities and improving the fire prevention and control capability, and Kunshan QT China successfully obtained the compliance certificate in terms of work safety granted by Administration of Work Safety and Environmental Protection of Kunshan Hi-tech Industrial Development Park.

Particulars of the environmental protection management of the Company are disclosed in the Environmental, Social and Governance Report set out in the 2020 annual report of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance, and protecting and enhancing Shareholders’ value through good corporate governance. For the Year, the Company has fully complied with the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. The roles of the Chairman and the Chief Executive Officer are performed by different individuals to enhance the respective roles’ independence, accountability and responsibility.

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group, setting the Group’s values and standards, formulating the business plans and strategies, deciding all significant financial and operational issues, developing, monitoring and reviewing the Group’s corporate governance. The Board has established the audit committee (the “**Audit Committee**”), the nomination committee, the remuneration committee and the risk management committee, and all or the majority of members of the committees consist of independent non-executive directors. The respective terms of reference for such committees have been published on the respective websites of the Stock Exchange and the Company.



Particulars of the principal corporate governance practices adopted by the Company will be disclosed in the Corporate Governance Report set out in the 2020 annual report of the Company.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS**

The Company has established 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), Mr. Ko Ping Keung 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 2020 with the Company's management.

## **EVENTS AFTER THE REPORTING YEAR**

Save 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 2020 and up to the date of this announcement.

## **ANNUAL REPORT**

The annual results announcement of the Company is published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.qtechglobal.com>). The annual report for the Year will be available on the above websites and despatched to Shareholders 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, 26 March 2021

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