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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 2021

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2021 amounted to approximately RMB18,662,626,000, representing an increase of approximately 7.3% as compared with that of 2020. The steady growth in revenue was mainly attributable to a year-on-year increase of approximately 22.1% in the sales volume of camera modules.
- Gross profit of the Group for the year ended 31 December 2021 was approximately RMB1,761,982,000, representing a slight decrease of approximately 0.5% as compared with that of 2020, while gross profit margin for the year ended 31 December 2021 was approximately 9.4% (2020: approximately 10.2%). The slight year-on-year decrease in gross profit margin was mainly because: (i) the pandemic of COVID-19 continued in the second half of the year 2021 and the negative impact to consumption sentiment persisted, which caused a worse-than-expected sale of high-end Android system smartphone. As an indirect consequence, the adoption and sales of high-end camera modules declined accordingly, affecting the average unit sales price and the added value; (ii) the slowdown in fingerprint recognition module specification upgrades and the significant decrease in raw material prices of conventional capacitive fingerprint recognition modules and optical under-glass fingerprint recognition modules led to a significant decline in the average unit sales price, coupled with intensified competition causing a great impact to the gross profit margin of fingerprint recognition module products; (iii) the Group continued to strategically intensify its efforts in expanding IoT and automotive camera module business. However, no economies of scale has been achieved yet as these products were still in early stage of development; and (iv) the staff costs increased due to the increase in minimum wage and social security contribution base of the main production bases of the Group in the PRC in the second half of the year 2021.
- Profit of the Group for the year ended 31 December 2021 was approximately RMB862,846,000, representing a growth of approximately 2.7% as compared with that of the year 2020. The profit growth was mainly attributable to the steady growth in the sales volume of camera modules, which drove the revenue of the Group to achieve a steady year-on-year growth.
- Basic and diluted earnings per share for the year ended 31 December 2021 were approximately RMB0.732 and RMB0.728 respectively.

The Group will strive to achieve the following goals in 2022: (i) the sales volume of camera modules for mobile phones will achieve more than double-digit growth year-on-year over the previous year; (ii) the sales volume of camera modules in other fields will increase by not less than 100% over the previous year; and (iii) the sales volume of fingerprint recognition modules will increase by not less than 20% over the previous year.

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 2021 (the “**Year**”) together with the relevant comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Revenue	2	18,662,626	17,400,369
Cost of sales		<u>(16,900,644)</u>	<u>(15,629,784)</u>
Gross profit		1,761,982	1,770,585
Other revenue	3	153,410	129,839
Other net loss	3	(49,777)	(85,513)
Selling and distribution expenses		(22,867)	(26,066)
Administrative and other operating expenses		(161,452)	(152,626)
Research and development expenses		(642,267)	(589,737)
Profit from operations		1,039,029	1,046,482
Finance costs	4(a)	(30,050)	(53,524)
Share of loss of an associate		(51,682)	(22,890)
Profit before taxation	4	957,297	970,068
Income tax	5(a)	(94,451)	(129,960)
Profit for the year		862,846	840,108
Attributable to:			
Equity shareholders of the Company		862,976	840,108
Non-controlling interests		(130)	–
Profit for the year		862,846	840,108
Earnings per share		RMB Cents	RMB Cents
Basic	6(a)	73.2	71.9
Diluted	6(b)	72.8	71.4

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

For the year ended 31 December 2021

(Expressed in Renminbi)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	862,846	840,108
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of operations outside the Mainland China	29,602	95,973
Other comprehensive income for the year	29,602	95,973
Total comprehensive income for the year	892,448	936,081
Attributable to:		
Equity shareholders of the Company	892,578	936,081
Non-controlling interests	(130)	–
Total comprehensive income for the year	892,448	936,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		3,144,458	2,959,555
Interest in an associate		344,488	416,058
Intangible assets		20,127	4,280
Deferred tax assets		109,989	81,451
Prepayment for acquisition of non-current assets		98,479	52,469
Other non-current assets		15,550	7,050
		<u>3,733,091</u>	<u>3,520,863</u>
Current assets			
Inventories		2,258,176	1,943,025
Trade and other receivables	7	4,446,063	3,589,028
Other financial assets		51,287	100,000
Derivative financial assets	8	5,471	–
Pledged bank deposits		810,950	266,562
Cash and cash equivalents		1,743,070	1,983,516
		<u>9,315,017</u>	<u>7,882,131</u>
Current liabilities			
Short-term bank borrowings		1,707,670	1,104,021
Trade and other payables	9	6,258,928	6,013,472
Contract liabilities		23,971	7,990
Derivative financial liabilities	8	22,611	48,277
Lease liabilities		17,061	25,823
Current tax payable		48,884	76,740
		<u>8,079,125</u>	<u>7,276,323</u>
Net current assets		<u>1,235,892</u>	<u>605,808</u>
Total assets less current liabilities		<u>4,968,983</u>	<u>4,126,671</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

(Expressed in Renminbi)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities		
Long-term bank borrowings	50,000	159,211
Lease liabilities	13,673	19,041
Deferred income	200,081	137,593
Deferred tax liabilities	—	25,000
	<u>263,754</u>	<u>340,845</u>
NET ASSETS	<u>4,705,229</u>	<u>3,785,826</u>
CAPITAL AND RESERVES		
Share Capital	9,466	9,383
Reserves	<u>4,689,893</u>	<u>3,776,443</u>
Total equity attributable to equity shareholders of the Company	4,699,359	3,785,826
Non-controlling interests	<u>5,870</u>	—
TOTAL EQUITY	<u>4,705,229</u>	<u>3,785,826</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 2021 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 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 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.

	Camera modules <i>RMB'000</i>	Fingerprint recognition modules <i>RMB'000</i>	Subtotal of reportable segments <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
2021					
Revenue	16,874,936	1,675,400	18,550,336	112,290	18,662,626
Cost of sales	(15,235,304)	(1,588,351)	(16,823,655)	(76,989)	(16,900,644)
Gross profit	<u>1,639,632</u>	<u>87,049</u>	<u>1,726,681</u>	<u>35,301</u>	<u>1,761,982</u>
2020					
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>

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
PRC (including Hong Kong)	17,690,116	16,801,346
Overseas	972,510	599,023
	<u>18,662,626</u>	<u>17,400,369</u>

The Group had two (2020: three) customers with whom transactions had exceeded 10% of the Group's revenue for the year ended 31 December 2021. The amount of sales to these customers amounted to approximately RMB13,025,812,000 (2020: RMB15,240,829,000) for the year ended 31 December 2021.

3 Other revenue and other net loss

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other revenue		
Government grants (<i>note</i>)	133,141	112,779
Interest income	18,048	16,916
Others	2,221	144
	<u>153,410</u>	<u>129,839</u>

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other net loss		
Net foreign exchange gain	21,061	48,916
Net losses on foreign exchange option contracts	(25,147)	(100,728)
Net gain on foreign currency forward contracts	4,706	5,860
Net gain on other financial assets	5,278	–
Impairment losses on property, plant and equipment	(20,678)	(28,155)
Impairment losses on interest in an associate	(22,222)	–
Loss on disposal of property, plant and equipment	(12,775)	(11,406)
	<u>(49,777)</u>	<u>(85,513)</u>

4 Profit before taxation

Profit before taxation is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(a) Finance costs		
Interest on bank borrowings	28,603	51,598
Interest on lease liabilities	1,447	1,926
	<u>30,050</u>	<u>53,524</u>
(b) Staff costs		
Contributions to defined contribution retirement plans	54,302	24,390
Salaries, wages and other benefits	1,048,812	868,553
Equity settled share-based payment expenses	10,521	30,165
	<u>1,113,635</u>	<u>923,108</u>
(c) Other items		
Amortisation cost of intangible assets	948	615
Depreciation charge		
– owned property, plant and equipment	465,540	356,251
– right-of-use assets	33,448	27,635
	<u>498,988</u>	<u>383,886</u>
Impairment losses		
– trade receivables	252	293
– other receivables	170	150
– interest in an associate	22,222	–
– property, plant and equipment	20,678	28,155
	<u>43,322</u>	<u>28,598</u>
Auditors' remuneration		
– Audit and review services for the Group	2,123	1,981
– Audit services for subsidiaries	445	253
Research and development costs (<i>note (i)</i>)	642,267	589,737
Cost of inventories (<i>note (ii)</i>)	17,210,635	15,943,968

Notes:

- (i) Research and development costs include staff costs of employees in the design, research and development department of RMB185,985,000 for the year ended 31 December 2021 (2020: RMB142,089,000), 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 include carrying amount of inventories sold, carrying amount of inventories recognized as research and development expense, and write down of inventories. Cost of inventories includes RMB1,063,908,000 (2020: RMB966,643,000) for the year ended 31 December 2021 relating to staff costs and depreciation 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
PRC Corporate Income Tax	124,552	145,073
PRC Dividend Withholding Tax	24,971	4,500
	<u>149,523</u>	<u>149,573</u>
Deferred tax		
Origination and reversal of temporary differences	(55,072)	(19,613)
	<u>94,451</u>	<u>129,960</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation	957,297	970,068
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	263,468	250,828
Tax effect of PRC preferential tax treatments (<i>note (iv)</i>)	(106,597)	(112,336)
Tax effect of additional deduction on research and development costs	(60,237)	(38,628)
Tax effect of non-deductible expenses	2,394	4,939
Tax effect of non-taxable income	(3,755)	(316)
Tax effect of unused tax losses not recognised	903	1,375
Tax effect of utilization of tax losses previously not recognized	(1,725)	–
Withholding tax on profit retained by PRC subsidiaries (<i>note (v)</i>)	–	24,098
Actual tax expense	<u>94,451</u>	<u>129,960</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) 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% 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, 24 October 2018 and 30 November 2021 respectively and continued to enjoy a preferential income tax rate of 15% for another three years commenced from 1 January 2021. Shenzhen Q Technology Limited (深圳市丘鈦微電子科技股份有限公司) (“**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. 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 RMB862,976,000 (2020: RMB840,108,000) and the weighted average of 1,179,383,000 (2020: 1,168,251,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021 '000	2020 '000
Issued ordinary share at 1 January	1,172,251	1,157,476
Effect of share options exercised	7,132	10,775
	<u>1,179,383</u>	<u>1,168,251</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB862,976,000 (2020: RMB840,108,000) and the weighted average of ordinary shares of 1,185,193,000 shares (2020: 1,176,282,000) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021 '000	2020 '000
Weighted average number of ordinary shares at 31 December	1,179,383	1,168,251
Effect of deemed issue of shares under the Company's share option schemes	5,810	8,031
	<u>1,185,193</u>	<u>1,176,282</u>

7 Trade and other receivables

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables		
– third parties	4,245,537	3,400,788
– related parties	231	1,263
Bills receivable		
– third parties	38,559	76,190
– Bills receivable at fair value through other comprehensive income	6,507	–
	<hr/>	<hr/>
Trade and bills receivables	4,290,834	3,478,241
<i>Less: loss allowance</i>	<hr/> <i>(1,842)</i> <hr/>	<hr/> <i>(1,590)</i> <hr/>
	4,288,992	3,476,651
Other deposits, prepayments and receivables	<hr/> 157,071 <hr/>	<hr/> 112,377 <hr/>
	<hr/> 4,446,063 <hr/>	<hr/> 3,589,028 <hr/>

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.

(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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	3,183,752	2,553,862
More than 1 month but within 3 months	1,056,520	806,368
More than 3 months but within 6 months	46,278	116,353
More than 6 months but within 1 year	2,261	68
More than 1 year	181	–
	<hr/>	<hr/>
	4,288,992 <hr/>	3,476,651 <hr/>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
As at 1 January	1,590	1,297
Impairment losses recognised	252	293
As at 31 December	1,842	1,590

8 Derivative financial assets and liabilities

	At 31 December 2021		
	Notional amount <i>RMB'000</i>	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Foreign currency derivative instruments			
– Forward contracts	888,310	5,471	–
– Option contracts	710,255	–	(22,611)
Total	1,598,565	5,471	(22,611)
	At 31 December 2020		
	Notional amount <i>RMB'000</i>	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Foreign currency derivative instruments			
– Forward contracts	267,030	–	(975)
– Option contracts	535,042	–	(47,302)
Total	802,072	–	(48,277)

The Group entered into foreign currency option and foreign currency forward contracts with banks. As at 31 December 2021, the notional amount of outstanding contracts amounted to approximately USD250,952,000 (31 December 2020: USD122,925,000). All these option and forward contracts are matured within one year.

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

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

9 Trade and other payables

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables and accruals		
– third parties	4,362,199	4,472,760
– related parties	41,216	32,199
Bills payable (<i>note (a)</i>)		
– third parties	1,097,190	962,415
Trade and bills payables (<i>note (b)</i>)	5,500,605	5,467,374
Accrued payroll	186,682	157,703
Other payables and accruals	571,641	388,395
	<u>6,258,928</u>	<u>6,013,472</u>

All of the trade and other payables as at 31 December 2021 are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Bills payable analysed by type of security

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Bills payable unsecured	1,097,190	962,415

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	4,721,536	4,480,859
More than 3 months but within 6 months	189,067	389,087
More than 6 months but within 1 year	19,772	32,172
More than 1 year	3,805	22,860
	<u>4,934,180</u>	<u>4,924,978</u>

As at 31 December 2021, the accrued trade payables which represented the amounts with no invoice received by the end of the year, amounted to RMB566,425,000 (31 December 2020: RMB542,396,000).

10 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HKD Nil cents (2020: HKD5.0 cents) per share, equivalent to RMB Nil cents (2020: approximately RMB4.2 cents)	<u> -</u>	<u> 49,235</u>

The final dividend proposed after the end of the year has not been recognised as a liability as at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of approximately RMB4.2 cents (2020: approximately RMB9.0 cents) per share, equivalent to HKD5.0 cents (2020: HKD10.0 cents)	<u> 48,603</u>	<u> 107,152</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back on this year, the COVID-19 pandemic has experienced many variants, making the prevention and control work more and more difficult. However, China's domestic pandemic control measures have been effective on the whole. With the joint efforts of the people to fight the pandemic, coupled with the high vaccination rate, China's domestic pandemic situation has been largely under control. According to the statistics released by the National Bureau of Statistics of China, in 2021, China's gross domestic products (GDP) increased by 8.1% compared with the previous year, and its economic aggregate value exceeded RMB110 trillion, ranking second in the world. In the face of severe macro environment, China has demonstrated its fundamentals of strong economic resilience, sufficient potential and long-term improvement.

According to data released by independent third-party research institutes, in 2020, as the purchasing power of consumers and the normal operation of enterprises along the smartphone industry chain were affected by the outbreak of COVID-19 pandemic, the shipment volume of the global smartphone reported a year-on-year decline of 10.0%. With the COVID-19 pandemic being gradually controlled in 2021, the replacement demand caused by the popularity of 5G phones as well as the gradual release of buying demand in 2021 as suppressed in 2020, the total shipment volume of the global smartphone in 2021 was approximately 1.35 billion units, representing a growth of approximately 5.3% as compared to that of the previous year, which helped the camera modules and fingerprint recognition modules businesses applied to smartphone to achieve good progress in 2021.

Intelligent vision products, being the important foundation in high-speed development fields such as intelligent driving, Metaverse and the Internet of Things (IoT), distinguished themselves in 2021 and gradually formed a separate and wide-ranging new sector. In terms of automotive, China's new energy vehicles maintained their rapid development last year. According to data released by China Passenger Cars Association ("CPCA"), the sales volume of pure electric and hybrid electric vehicles in 2021 increased by nearly 1.7 times to approximately 3 million units, of which pure electric vehicles accounted for the absolute majority, and it further forecasts further growth in electric vehicle demand, with a sales volume of more than 5.5 million units in 2022. New energy vehicles are the main carrier of intelligent driving innovation. The flagship models launched by several new automakers last year took the lead in introducing the Advanced Driver Assistance System (ADAS) with twelve to sixteen camera modules, setting a new industry standard for automotive camera modules.

In the field of the Metaverse, currently the largest demand for intelligent visual products comes from the Virtual Reality (VR), Augment Reality (AR) and Extended Reality (XR) headsets. According to International Data Corporation (IDC), in 2021, the sales volume of VR and AR headsets exceeded 9 million units, a year-on-year increase of 3.5 times, and it is predicted that by 2025, the combined annual sales volume of the two will reach 32.8 million units, with a compound annual growth rate of 45.9%. Other IoT terminals are also entering a period of rapid growth. In 2024, the number of global IoT connections will be close to 65 billion units, which is 11.4 times that of mobile phones.

The rapid growth of smart vehicles, Metaverse and IoT terminals in China will motivate the increase in demand for camera modules in the non-handset application market, generating new opportunities for the development of camera modules business of the Group.

With the trust and support of customers together with the joint effort of all employees, the Group has overcome a series of challenges arising from the pandemic, intensified geopolitical frictions and insufficient consumer confidence to sustain the growth momentum of 2020. During the Year, the Group set a new high in sales revenue and net profit. The two main businesses of the Group, camera modules and fingerprint recognition modules businesses, continued to increase their market share during the Year. Their sales growth was not only significantly higher than that of global smartphone in the same period, but also enabled the Group to rank the forefront of the first-tier domestic camera module packaging and testing companies. During the Year, the three strategic goals of the Company were successfully implemented, including: (i) further improvement of the product mix of camera modules, with the proportion of high-end products with resolutions of 32 megapixels and above hitting a record high; (ii) comprehensive coverage of major mobile phone brand customers adopting Android system at home and abroad, with increasing market share from new customers; and (iii) increased proportion of non-handset business, with the growing number of customers and projects for automotive camera modules and IoT camera module products.

During the Year, the Group's product sales volume grew steadily year-on-year, with the sales volume of camera modules and fingerprint recognition modules increasing by approximately 22.1% and approximately 24.6% respectively, driving the Group's revenue to approximately RMB18,662,626,000, representing a year-on-year increase of approximately 7.3% from approximately RMB17,400,369,000 for last year. During the Year, the proportion of the Group's sales volume of high-end camera module products with resolutions of 32 megapixels and above in the total sales volume of camera module products increased by approximately 7.5 percentage points from approximately 24.2% of last year to approximately 31.7%, slightly higher than the development objective set at the beginning of the Year. However, as we started to work with several new customers, the proportion of the sales volume of camera module products with resolutions of 8 megapixels and below in the total sales volume of camera module products increased from approximately 28.7% of last year to approximately 34.6%, resulting in that the average unit sales price of camera modules in the Year decreased by approximately 9.1% to approximately RMB35.21 from approximately RMB38.72 of last year. The Company expects that the specifications for products cooperated with new customers will be improved in 2022 and will gradually catch up with other major customers.

During the Year, the sales volume of camera module products of the Group reached approximately 479.33 million units, representing an increase of approximately 22.1% as compared with approximately 392.59 million units of last year. Such increase was mainly due to: (i) major customers' further recognition of product quality and comprehensive capabilities of the Group, resulting in steadily rising market share and significant progress made in securing orders from overseas brand customers, which outperformed its peers; (ii) the continuous increase in the proportion of smartphones with tri-camera and quad-camera design, resulting in greater growth of overall mobile phone camera modules than the smartphone terminals; (iii) the shipment to IoT products such as drones, sweeping robots, smartwatches and AR glasses by the Group commenced; and (iv) the mass shipments completed by the Group in the field of automotive camera modules, including multiple projects of advanced driver assistance systems (ADAS) and Intelligent Cabin (In-Cabin). Nevertheless, the growth in sales volume of camera modules was still below the development objectives set by the Company, mainly due to: (i) the impact of pandemic prevention measures on local production and operating activities of our customers, as the COVID-19 has experienced many variants in the Year and the pandemic situation was fickle in many countries around the world; and (ii) the continuous negative impact on the sales of smartphone products due to the ongoing shortage of semiconductor production capacity, which also affected the sales volume of camera modules in other fields.

During the Year, the sales volume of fingerprint recognition module products of the Group reached approximately 114.58 million units, representing a year-on-year increase of approximately 24.6% as compared with approximately 91.94 million units of last year and significantly higher than the growth rate of global smartphone terminals in the same period. Such increase was mainly due to the relatively stable competition in the industry and the Group's advantages in technology, cost structure and scale, which enabled it to capture market share. Nevertheless, the growth in the sales volume of fingerprint recognition modules was also lower than the development objectives set by the Company, mainly due to the lower-than-expected sales volume of mid-to-high-end smartphones using Android system in the second half of the Year, which affected the demand for the optical under-glass fingerprint recognition modules. In addition, the average unit sales price of fingerprint recognition modules significantly decreased by approximately 36.0% from approximately RMB22.86 last year to approximately RMB14.62, mainly due to: (i) the significant decreasing purchase price of raw materials such as chips for optical under-glass fingerprint recognition modules, which reduced the overall product sales price; and (ii) the mature development stage of mobile phone fingerprint recognition module market with a slowdown product upgrade cycle.

During the Year, the Group's gross profit margin was approximately 9.4%, decreased slightly by approximately 0.8 percentage point from approximately 10.2% of last year, with a greater magnitude recorded in the second half. Such decreases are mainly due to: (i) the pandemic of COVID-19 continued in the second half of the year 2021 and the negative impact to consumption sentiment persisted, which caused a worse-than-expected sale of high-end Android system smartphone. As an indirect consequence, the adoption and sales of high-end camera modules declined accordingly, affecting the average unit sales price and the added value; (ii) the slowdown in fingerprint recognition module specification upgrades and the significant decrease in raw material prices of conventional capacitive fingerprint recognition modules and optical under-glass fingerprint recognition modules led to a significant decline in the average unit sales price, coupled with intensified competition causing a great impact to the gross profit margin of fingerprint recognition module products; (iii) the Group continued to strategically intensify its efforts in expanding IoT and automotive camera module business. However, no economies of scale has been achieved yet as these products were still in early stage of development; and (iv) the labor costs increased due to the increase in minimum wage and social security contribution base of the main production bases of the Group in the PRC in the second half of the year 2021.

2021 is a year of breakthroughs in automotive intelligence. Driven by a number of new car-making forces, the intelligent driving system equipped with the new types of new energy vehicles has been greatly improved. The camera module has become the most common and core carrier tool in automotive vision solutions and is hailed as the "eye of autonomous driving". A high-level set of intelligent driving solutions is often paired with twelve to sixteen camera modules. After four years of development and precipitation, the Group's automotive camera module business team has sufficient capabilities and technologies to respond to the opportunities in intelligent automobiles and usher in development changes with rising prices and volume. Significant progress was made in the Group's customer strategy during the Year. The Group has successively delivered automotive-grade camera modules used in ADAS or In-Cabin systems in vehicle models of SGMW, Geely Auto, XPeng, Foton Daimler and other brands. Moreover, the Group has successfully passed the qualification certification of qualified suppliers of many automobile enterprises such as Continental Automotive, Shanghai Automotive Passenger Car, Beijing Electric Vehicle and Dongfeng Commercial Vehicle. It is expected that mass production and shipment will be carried out successively in the short term. Such collaborative experience will generate sound spillover effects for the Group and build up its reputation, and further efforts would be made to extend the Group's strengths in intelligent vision products for mobile phones to the automotive field. On the other hand, our team is closely monitoring the development opportunities of other automotive optical products such as LiDAR and HUD, and seeking suitable entry points to integrate with the overall layout of automotive sensor products, so as to prepare for the industry to move forward to L3 or higher level of automated intelligent driving.

At the same time, in the post-pandemic era, remote work and stay-at-home modes have stimulated the development of applications such as online working, virtual social networking and immersive gaming, which gradually gave birth to an interactive virtual space integrating socializing, gaming, working and learning, becoming a Metaverse concept with long-term development potential. Particularly, VR and AR devices are currently the most important carriers and entered a stage of accelerated growth in 2021. The apparent accelerated increase in shipments of related devices and the gradual improvement of the application ecosystem have driven the industry chain to usher in explosive growth. Among them, due to the increase in product positioning, recognition, scene fusion and other functional requirements, micro-camera modules have once again become the core competency of product design. The Group has been paying close attention to this market segment in the past to wait for opportunities, and successfully commenced mass production of camera modules for AR glasses which were sold to an overseas start-up brand during the Year. As at the date of this announcement, the Group has successively obtained the supplier qualification for the AR glass projects of leading smartphone brands such as OPPO, passed the qualification of HTC and other AR/VR enterprises, secured sample orders from ByteDance and iQIYI. It is expected that these projects will be put into mass production in 2022 successively, which will further enrich the Group's development in the field of Metaverse products.

In addition, the Group has also made substantial progress in the development of other IoT intelligent vision products. In many application scenarios, the Group has taken the lead in entering fields with larger scale and higher optical product specification such as drones, sweeping robots and smart wearable devices, and established solid cooperative relationships with leading players such as DJI, ECOVACS, Roborock and Little Genius (小天才), to provide, including but not limited to, quality products such as micro-gimble image stabilisation camera modules, navigating modules, wearable camera modules, etc. Through the comprehensive capabilities such as high-end manufacturing, vertical integration, and quick response services accumulated in mobile phone micro-optical modules, the Group has gradually gained recognition from customers and is expected to become a first-tier core supplier of leading enterprises, striving for higher revenue contribution.

During the Year, the Group built up its research and development (the “**R&D**”) efforts and continued to promote the development of high-end camera module products and strengthen the research and development of new materials, new processes and new products. Currently, the Group has become one of the three largest high-ended camera module manufacturers in the PRC with single camera modules with resolutions of 32 megapixels and above. Not only has the Group successfully put into mass production and sale of 64 megapixels and 108 megapixels 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. Especially in the field of advanced optical image stabilization, the Group obtained the licensing of a total of 151 camera modules technologies which are applied to standard electro-magnetic optical image stabilization (OIS) and Closed Loop actuator products from TDK Taiwan Corporation during the Year, which will help the Group to intensify its efforts to seize the market of high-end camera modules with OIS function. The R&D team has also focused on pre-research on technologies such as Sensor Shift and Sensor Automatic Focus (Sensor AF), which can be mass-produced at any time in line with the customer's product cycle. In addition, the Group has fully mastered various special module processes such as multi-group lens active alignment (MLAA), direct Time-of-Flight (dToF), Variable Aperture and Telescopic Zoom, and has successively entered the stage of sample delivery or mass production, which fully reflects the Group's determination to master the industry-leading technologies ahead of time and solidify its position as a leading enterprise in intelligent vision products.

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

The Group had published the Strategic Planning for the Five-Year (2021-2025) Operation and Development of Q Technology (Group) Company Limited (《丘鈇科技(集團)有限公司五年(2021-2025年)經營發展戰略規劃》) for the first time in the 2021 Interim Results Announcement, to set a development blueprint for the next five years. In 2021, with the joint efforts of all staff of the Group and following the strategic planning, the Group forged ahead to the target with determination in the fields of smartphone, smart vehicles and IoT. During the Year, the comprehensive capabilities of the Group in smartphone camera modules and fingerprint recognition modules was further improved, the product mix and the sales scale were both significantly improved. In the smart vehicles field, the number of the customers and projects acquired in the Year increased by multiple times compared to last year, whereas the management team was streamlined, and the products design were gradually improved. In the IoT field, the Group had tapped into the supply chain of leading enterprises in regard to drones, smart wearables and smart home products, the market share for such field continued to increase, meanwhile, the Group also engaged in the relevant product projects of Metaverse, such as AR/VR headsets. On this solid foundation, the Group will unswervingly accomplish its strategic goals, embrace the challenges, and achieve another golden five year with rapid business growth.

In summary, development opportunities and challenges coexist in the camera module and fingerprint recognition module industry in the future. In the long run, with the continuous specification upgrading of optical products in the fields of handset terminals, automotive and IoT, together with the increasingly complex optical product design and structural design of camera modules, the integration requirements for product functions, performance and size will continue to increase. Camera module manufacturers who process capabilities of integrating upstream component design and large-scale automated production will be expected to stand out in fierce competitions and become the leaders in providing integrated intelligent vision solutions. At the same time, with the continuous improvement of demand on camera module pixel for ADAS, the proportion of application of COB process in automotive camera modules will continue to increase, and companies with large-scale and reliable packaging and testing history for handset camera modules will obtain more market opportunities. 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, rapidly and significantly improving the effectiveness of business development in the automotive and IoT sectors, the Group will be able to maintain its relatively long-term competitiveness, provide high-end and high-quality products and quick response services for our general customers, and ultimately strive to achieve the vision of the Group as “to illuminate machines”.

PROSPECTS

The Directors consider that the geopolitical situation is still intense, the international political situation is uncertain and the international trade barriers have yet to be removed. While the COVID-19 pandemic has not yet completely abated, certain countries have adopted strategies of coexistence with COVID-19, which are breaking down various severe social restrictions but are favorable to restore the normality of consumption activities. According to a report by Techno Systems Research Co. Ltd (“TSR”), an independent third-party research institute, the growth rate of global smartphones is expected to be 3.5% in 2022, showing continued rebounding momentum.

The Directors believe that 5G is one of the definitive directions for global technology and economic development, and intelligent mobile terminals, such as smartphones, smart vehicles, smart homes, smart wearables and etc., are important carriers for the further commercialisation of 5G and the popularisation of IoT. Therefore, there remains good development opportunities and broad development prospects for the intelligent mobile terminal industry. As a fundamental communication network, 5G will change users’ information consumption habits and completely lift the bandwidth limit of emerging applications. According to the data released by the Ministry of Industry and Information Technology of the PRC in January 2022, the shipment of smartphones in China was approximately 351 million units in 2021, representing a growth of approximately 13.9%, of which the shipment volume of 5G smartphones was approximately 266 million units, representing a growth of approximately 63.5% and accounting for approximately 83% of the total shipment of smartphones. According to the forecast of TSR, 92.1% of smartphones in the world adopted the solutions of dual-camera and above in 2021, while the proportion of tri-camera and quad-camera continued to rise, and from 2021 to 2025, the market share of camera modules of 32 megapixels and above in main camera module of the global smartphone rear camera module will further increase and will reach over 50% by 2023. In 2021, more than 60% of the main camera modules of rear camera modules of high-end brands smartphone such as Huawei, Xiaomi, OPPO and vivo have resolutions of 32 megapixels and above. Coupled with the obvious trend of structural design upgrades such as advanced optical image stabilization, continuous optical zoom, variable aperture and periscope cameras, it is expected that the visible camera modules in the field of smartphones will still have long-term and stable development prospects. Meanwhile, according to the forecast data from independent third-party research institutions, the number of global 5G mobile phone users will reach 2.5 billion by 2025, and Chinese products will continue to account for approximately half of the global market share. Driven by the popularisation of 5G, the progress of intelligent driving has also accelerated. According to forecasts by independent market research institutes and key securities traders, the proportion of passenger vehicles in China meeting the combined assisted driving (L2) and conditional autonomous driving (L3) levels as defined by the International Society of Automotive Engineers (SAE) will reach 30% and 12% respectively by 2025, while the number of camera modules used in each level will reach approximately 3 and 8 units respectively, which are much higher than the current average number of approximately 1.7 units used per passenger vehicle. In terms of Metaverse, the China Academy of Telecommunication Research of MIIT predicts that the global virtual (augmented) reality industry will grow at an average annual rate of approximately 54% in the five years from 2020 to 2024, with VR growing at a rate of 45% and AR at a rate of 66%, with both market scales reaching RMB240 billion in 2024.

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

In order to cope with the challenges of different business segments comprehensively and seize the opportunities of intelligent vision products in various sub-segments, the Group continues to benchmark against its major competitors, evaluate its own strengths and weakness, and conduct medium and long-term technology deployment, customer deployment and product deployment, with the goal of becoming one of the major leading companies in the industry. The Group's strategic positioning, future outlook and measures for camera modules for mobile phones, automotive camera modules, IoT camera modules and fingerprint recognition modules are analyzed as follows:

According to the published financial data of the Year, the Group is currently ranked among the top three in the packaging and testing industry of camera modules for mobile phone in China based on the comprehensive assessment of sales volume, product structure and product average unit sales price, and has successfully covered all major smartphone brands using Android system. In the future, the Group will continue to consolidate and deepen the partnership with its core customers, and provide R&D and production services for a full range of products. Meanwhile, it will continue to upgrade the cooperative product specifications of new customers and increase the number of projects, striving to become the core supplier for all major Android-based smartphone brands to increase the market share. In addition, the Group will try to seek for cooperation with smart phone brands applying systems other than Android.

In terms of automotive camera modules, the number of intelligent vision products required for ever-evolving smart driving systems is increasing in geometrical progression. In the face of such incremental market, the Group has taken the lead and deployed ahead of time and has already obtained certifications from more than ten automobile brands, and is gradually participating in the mass production of camera modules for ADAS, In-Cabin System and Surround-view System. On the one hand, the Group will deepen its direct partnership with automobile brands customers to provide quality and quick-response services, upgrade product specifications and assist customers in developing customized and differentiated intelligent driving systems, and on the other hand, it will strengthen hardware partnerships with domestic and overseas Tier 1 system providers to tap into the supply chains of top-tier overseas brands, traditional domestic brands and joint venture brands that tend to use platform-based products, so as to accelerate the acquisition of customers and expand our market share. At the same time, the Group will actively monitor market development and enter other segments of the automotive intelligent vision industry chain, such as automotive lenses, laser radar (LiDAR) and head-up displays (HUD) by recruiting core teams or mergers and acquisitions.

In terms of IoT camera modules, in view of its characteristics of wide business scope, wide varieties of customers and broad product line, the Group focused on sorting out market segments such as drones, Metaverse, smart home and smart wearables, and had established solid cooperative relationships with major enterprises in these fields. In the future, the Group will continue to cover the major customers in this field gradually with an attitude of focus on deep cultivation, to particularly pay attention to the opportunities in terms of AR/VR headsets and glasses products, smart remote office systems and equipments, and leveraging the accumulated experience of the Company in micro-optical modules, to provide services of development, customisation and mass production of a full range of intelligent vision products.

In terms of fingerprint recognition modules, the Group is currently one of the top two manufacturers in terms of shipments of fingerprint recognition modules for handsets in China, it has acquired the recognition and affirmation from the major customers for its product technology and production scale. In the past year, as stricken by macroeconomic and pandemic, fingerprint recognition modules were not the primary specification upgrading focus of the smart mobile phone brand customers, and the significant decrease in the purchase costs of chips and other raw materials has caused significant impact to the average unit sales price of fingerprint recognition module products. However, fingerprint recognition module remains the important configuration of intelligent mobile communication terminal such as smart phone, the technological evolution of ultra-thin under-glass optical fingerprint recognition, ultrasonic fingerprint recognition and others still continued. On one hand, the Group will maintain its market shares for major products, keep close contact with customers, and capture the opportunities of product upgrade in the future. On the other hand, the Group actively expands other biological recognition technologies and application scenes, so as to seek breakthrough for biological recognition product business as a whole.

The Directors also fully recognized that the global political and economic cooperation was still weak with the rise of trade protectionism, and the COVID-19 pandemic has not yet been extinguished, the monetary policies of major economies may be subject to substantial adjustments, which lead to relatively large uncertainties to the global economic growth. Despite facing various challenges ahead, the Directors believe that opportunities and challenges come in pairs. The Group will adhere to the vision of “to illuminate machines”, actively strengthen the capacity building in three aspects, namely optical design, computing imaging and system integration, continue to strengthen the R&D of new materials, new processes and new products, continue to improve the large-scale automated precision manufacturing capabilities, continue to promote the construction and expansion of production bases in India, actively promote lean management, actively carry out customer relationship marketing, actively strive to increase the share of customer cooperation, and continuously enhance the Group’s core competitiveness. The Group will also focus on promoting the development of high-end products such as high pixel camera modules with large sensor size, optical image stabilisation modules and camera module products in automotive and IoT fields.

In terms of vertical integration, the Group, on the one hand, has kept promoting the development of the smartphone camera module lens, IoT camera module lens and 3D module lens of Newmax Technology Co., Ltd. (“**Newmax Technology**”, an associate of the Company listed on the Taipei Exchange in Taiwan, stock code: 3630). The Group, on the other hand, will seek other merger projects regarding optical critical parts and components and promote the development of technology in motors, automotive lens and laser radar. The Group will also strive to achieve further breakthrough in the application of camera modules and other optical related modules in non-handset field.

The Group will strive to achieve the following goals in 2022: (i) the sales volume of camera modules for mobile phones will achieve more than double-digit growth year-on-year over the previous year; (ii) the sales volume of camera modules in other fields will increase by not less than 100% over the previous year; and (iii) the sales volume of fingerprint recognition modules will increase by not less than 20% over the previous year.

The Directors are confident in leading the Group to embrace the challenges, make further efforts to achieve good development, endeavor to advance the five-year strategic planning 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. The major honors the Group has recently received are as follows:

In January 2021, Kunshan QTech Microelectronics Co., Ltd. (昆山丘鈦微電子科技股份有限公司) (“**Kunshan QT China**”), a subsidiary of the Company, was awarded the “Financial Strategic Supply Chain Partner” by China Construction Bank Corporation Suzhou Branch;

In April 2021, Kunshan QT China was awarded the “Employer of the Year Award for the Camera Industry in 2021” by Sunrise Big Data and Shenzhen Camera Industry Association;

In September 2021, Kunshan QT China received the “2020 Investment Contribution Award – Outstanding Contribution Award for the Stable Growth of Foreign Investment” from the People's Government of Suzhou City;

In December 2021, Kunshan QT China was awarded the “2021 Excellent Cooperation Partner” by China Construction Bank Corporation Suzhou Branch;

In December 2021, Kunshan QT China was awarded the “Sincere Cooperation Award” by Honor Device Co., Ltd., a world-renowned smartphone brand;

In December 2021, Kunshan QT China was awarded the “Best Delivery Award” by vivo Mobile Communication Co., Ltd., a world-renowned smartphone brand;

In December 2021, Kunshan QT China was awarded the “Excellent Supplier Award” by Lenovo Mobile Communication Technology Ltd., a world-renowned smartphone brand;

In December 2021, 昆山丘鈦生物識別科技有限公司 (Kunshan QTech Biological Recognition Technology Limited) (“**QT Biological Recognition**”), a wholly-owned subsidiary of the Company, was awarded “Outstanding Quality” by vivo Mobile Communication Co., Ltd., a world-renowned smartphone brand;

In December 2021, QT Biological Recognition was awarded “Best Innovative Technology” by 深圳市中諾通訊有限公司 (Shenzhen Zhongnuo Communication Co., Limited*);

In January 2022, Kunshan QT China was awarded the “Excellent Supplier Award for 2021” by SZ DJI Technology Co., Ltd. (DJI);

In January 2022, Kunshan QT China was invited by Xiaomi, a world-renowned smartphone manufacturer, to jointly build the Beijing Engineering Research Center for Intelligent Image Processing. At present, there are only three domestic head camera modules and lens suppliers participating in such program, and Kunshan QT China is honored to be selected as one of them;

In March 2022, Kunshan QT China was awarded the “Top Ten Manufacturing Taxpayers in Kunshan Hi-tech Park in 2021” by the Kunshan Hi-tech Industrial Development Park Management Committee (“**Kunshan Hi-tech Park Management Committee**”);

In March 2022, Kunshan QT China was awarded the “Top Ten Enterprises of Scale and Profit in Kunshan Hi-tech Park in 2021” by the Kunshan Hi-tech Park Management Committee.

* for identification purposes

FINANCIAL REVIEW

Revenue

During the Year, the revenue of the Group was approximately RMB18,662,626,000, representing a year-on-year growth of approximately 7.3% as compared with approximately RMB17,400,369,000 in 2020. The steady growth in revenue was mainly attributable to a year-on-year increase of approximately 22.1% in the sales volume of camera modules.

Cost of sales

During the Year, the cost of sales of the Group amounted to approximately RMB16,900,644,000, representing a year-on-year growth of approximately 8.1% as compared with approximately RMB15,629,784,000 in 2020. The increase in cost of sales was primarily attributable to the increase in the cost of raw materials as compared with that of last year resulting from an increase of approximately 7.3% in revenue for the Year compared to that of last year.

Gross profit and gross profit margin

For the Year, gross profit of the Group was approximately RMB1,761,982,000 (2020: approximately RMB1,770,585,000), representing a slight decrease of approximately 0.5% as compared with that in 2020, while gross profit margin was approximately 9.4% (2020: approximately 10.2%). The slight decrease in gross profit margin was mainly because: (i) the pandemic of COVID-19 continued in the second half of the year 2021 and the negative impact to consumption sentiment persisted, which caused a worse-than-expected sale of high-end Android system smartphone. As an indirect consequence, the adoption and sales of high-end camera modules declined accordingly, affecting the average unit sales price and the added value; (ii) the slowdown in fingerprint recognition module specification upgrades and the significant decrease in raw material prices of conventional capacitive fingerprint recognition modules and optical under-glass fingerprint recognition modules led to a significant decline in the average unit sales price, coupled with intensified competition causing a great impact to the gross profit margin of fingerprint recognition module products; (iii) the Group continued to strategically intensify its efforts in expanding IoT and automotive camera module business. However, no economies of scale has been achieved yet as these products were still in early stage of development; and (iv) the labor costs increased due to the increase in minimum wage and social security contribution base of the main production bases of the Group in the PRC in the second half of the year 2021.

Other revenue

During the Year, other revenue of the Group amounted to approximately RMB153,410,000, representing an increase of approximately 18.2% as compared with approximately RMB129,839,000 in 2020. The increase in other revenue was mainly attributable to the increase in government grants included in other revenue, which increased by approximately RMB20,362,000 from approximately RMB112,779,000 of the previous year to approximately RMB133,141,000 of the Year.

Other net loss

During the Year, the Group recorded other net loss of approximately RMB49,777,000, representing a decrease of approximately 41.8% as compared with other net loss of approximately RMB85,513,000 in 2020. Such other net loss was mainly attributable to: (i) impairment provision for interest in an associate of approximately RMB22,222,000 made during the Year, and no such provision was made last year; (ii) provision for impairment loss of assets of approximately RMB20,678,000 made on certain property, plant and equipment during the Year; and (iii) net loss on foreign currency option contracts of approximately RMB25,147,000 (2020: net loss of approximately RMB100,728,000).

Selling and distribution expenses

For the Year, selling and distribution expenses of the Group amounted to approximately RMB22,867,000, representing a decrease of approximately 12.3% as compared with approximately RMB26,066,000 in 2020. The ratio of selling and distribution expenses to revenue was approximately 0.1%, which was at similar level with that of 2020. Such decrease was mainly attributable to the reclassification of express expenses from selling and distribution expenses to cost of sales.

Administrative and other operating expenses

For the Year, total administrative and other operating expenses of the Group amounted to approximately RMB161,452,000, representing an increase of approximately 5.8% as compared with approximately RMB152,626,000 in 2020. The increase in administrative and other operating expenses was mainly attributable to the increase of staff salaries and labour expenses as compared with that of last year 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 RMB642,267,000, representing an increase of approximately 8.9% as compared with approximately RMB589,737,000 in 2020. As the Group actively recruited R&D talents to strengthen its research and development of camera module products applicable in automotive, IoT and other fields, there was a significant increase in R&D staff costs as compared to that of the previous year.

Finance costs

During the Year, the finance costs of the Group were approximately RMB30,050,000, representing a decrease of approximately 43.9% as compared with approximately RMB53,524,000 in 2020. The decrease in finance costs was mainly attributable to a decrease in the annual interest rate of bank borrowings as compared to that of the previous year as a result of the Group's active restructuring of bank borrowings.

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 RMB51,682,000, representing an increase of approximately 125.8% as compared with the loss of RMB22,890,000 in 2020.

Income tax expenses

During the Year, income tax expenses of the Group was approximately RMB94,451,000, whereas the income tax expenses in 2020 were approximately RMB129,960,000, representing a significant year-on-year decrease of approximately 27.3%, which was mainly attributable to the positive impact of the adjustment of the policy on the accelerated deduction for R&D expenses.

Profit for the Year

Based on the foregoing, the profit of the Group for the Year amounted to approximately RMB862,846,000 (2020: approximately RMB840,108,000), representing an increase of approximately 2.7% as compared with that of 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Bank Borrowings

As at 31 December 2021, the Group's bank borrowings amounted to approximately RMB1,757,670,000, representing an increase of approximately 39.1% from approximately RMB1,263,232,000 as at 31 December 2020. Among the borrowings, short-term borrowings were approximately RMB1,707,670,000 whereas long-term borrowings were approximately RMB50,000,000.

As at 31 December 2021, the Group's bank borrowings were mainly denominated in RMB and/or USD. The cash flow overview of the Group for the Year and 2020 was set out as follows:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	1,596,214	3,603,951
Net cash used in investing activities	(880,473)	(695,865)
Net cash used in financing activities	(942,199)	(1,314,869)

As of 31 December 2021, the cash and cash equivalents of the Group amounted to approximately RMB1,743,070,000, representing a decrease of approximately RMB240,446,000 from approximately RMB1,983,516,000 as at 31 December 2020. The decrease in cash and cash equivalents was mainly attributable to the significant growth in accounts receivable and inventories resulted from the dramatic increase in product sales volume during the fourth quarter of the Year.

Operating activities

During the Year, the Group recorded a net cash inflow from operating activities amounting approximately RMB1,596,214,000, representing a decrease of approximately RMB2,007,737,000 as compared with the net cash inflow of approximately RMB3,603,951,000 in 2020, which was mainly attributable to the significant growth in accounts receivable and inventories resulted from the dramatic increase in product sales volume during the fourth quarter of the Year.

Investing activities

The net cash outflow used in investing activities of the Group during the Year amounted to approximately RMB880,473,000 (2020: net cash outflow amounted to approximately RMB695,865,000), which was mainly the investment in plant expansion and purchasing equipment amounting to approximately RMB923,990,000. The increase in net cash outflow was mainly attributable to the increase in payments for plant expansion and equipment purchases due during the Year.

Financing activities

The net cash outflow used in the financing activities of the Group during the Year amounted to approximately RMB942,199,000, while the net outflow in 2020 was approximately RMB1,314,869,000. The net cash outflow was decreased by approximately RMB372,670,000 as compared with that of 2020, which was mainly attributable to: (i) a decrease in cash outflow for repayment of bank borrowings during the Year by approximately RMB890,823,000 as compared to that of last year; and (ii) settlements of trade payables directly by the bank through import trade loan facilities of approximately RMB841,234,000 during the Year, which were not included in the cash inflow from financing activities (2020: approximately RMB979,214,000).

Gearing ratio

The gearing ratio of the Group as at 31 December 2021, as defined by the total balance of bank borrowings and lease liabilities divided by total equity at the end of the Year, was approximately 38.0%, representing an increase of approximately 3.4 percentage points from approximately 34.6% as at 31 December 2020, which was mainly attributable to an increase of approximately 39.1% in the balance of bank borrowings from approximately RMB1,263,232,000 as at 31 December 2020 to approximately RMB1,757,670,000 as at 31 December 2021.

TREASURY POLICIES

The Group's treasury policy was disclosed in the prospectus of the Company dated 20 November 2014 (the "**Prospectus**"), and was amended by the risk management committee (the "**Risk Management Committee**") of the Company on 24 March 2016, the details of which were disclosed under the "Management Discussion and Analysis" section of the 2016 to 2020 annual report. The Board, the Risk Management Committee of the Company and the staff at the relevant positions always remain alert to the performance and risk assessment of the wealth management products 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**”), and received the approval from the Stock Exchange on 23 April 2021. On 23 June 2021, Kunshan QT China submitted an application to the ChiNext of Shenzhen Stock Exchange for the proposed listing, and received the notice of acceptance from the Shenzhen Stock Exchange on 30 June 2021. As the equity interest of the Company in Kunshan QT China is expected to decrease upon completion of the proposed initial public offering of Kunshan QT China’s ordinary shares, the Proposed Spin-off will constitute a deemed disposal of the Company under Chapter 14 of the Listing Rules and constitute a notifiable transaction of the Company. For details, please refer to the inside information announcements of the Company dated 15 December 2020, 23 April 2021, 23 June 2021, 30 June 2021, 16 December 2021 and 23 February 2022.

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 2021.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment for the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no any plan authorized by the Board for other material investments or additions of capital assets as at 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2021, the assets pledged by the Group included bank deposits and shares of an associate of approximately RMB948,896,000, representing an increase of approximately RMB515,729,000 as compared with approximately RMB433,167,000 as at 31 December 2020, which was mainly attributable to the increase in bank borrowings pledged by bank deposits to earn the interest difference between bank deposits and bank borrowings. These pledged assets were used as guarantee for bank borrowings and bank guarantee letters.

EMPLOYEE POLICIES AND REMUNERATION

As at 31 December 2021, the number of staff of the Group was 12,880 (including contractual staff and non-contractual staff such as staff under internship agreements and labour service agreements) (as at 31 December 2020: 10,595). 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 RMB1,113,635,000 (2020: approximately RMB923,108,000). 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, among which, the specific details of the outstanding share options are as follows:

- (i) On 7 December 2018, the Company granted a total of 12,720,000 share options to 83 staff (none of the grantees are Directors, chief executive or substantial shareholders of the Company or any of their respective associates) in accordance with the Share Option Scheme (the “**Share Options 2018**”), and the grantees may apply to exercise the share options by phases from 1 April 2020 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 7 December 2018 for details). During the Year, the Company has accepted the applications from 66 staff and issued a total of 3,087,600 ordinary shares at the exercise price of HK\$4.65 per share and total consideration received was approximately HK\$14,357,000. A total of 271,500 and 7,200 options granted on 7 December 2018 were lapsed or cancelled respectively as a result of the resignation of 2 staff and the personal performance of 1 staff during the Year. As at 31 December 2021, a total of 2,823,300 Share Options 2018 were outstanding.
- (ii) 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). During the Year, the Company has accepted the applications from 42 staff and issued a total of 1,743,200 ordinary shares at the exercise price of HK\$6.02 per share and total consideration received was approximately HK\$10,494,000. A total of 258,000 options granted on 21 June 2019 were lapsed as a result of the resignations of 3 staff during the Year. As at 31 December 2021, a total of 2,506,800 Share Options 2019 were outstanding.

(iii) In addition, on 16 September 2020, the Company granted a total of 17,879,600 share options at the exercise price of HK\$9.22 per share to 119 staff (including two executive Directors, Mr. Hu Sanmu and Mr. Fan Fuqiang) in accordance with the Share Option Scheme (the “**Share Options 2020**”), and 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). During the Year, the Company has accepted the applications from 81 staff (including two executive Directors, Mr. Hu Sanmu and Mr. Fan Fuqiang) and issued a total of 4,904,280 ordinary shares at the exercise price of HK\$9.22 per share and total consideration received was approximately HK\$45,217,000. A total of 960,000 and 22,280 options granted on 16 September 2020 were lapsed or cancelled respectively as a result of the resignations of 10 staff and the personal performance of 6 staff during the Year. As at 31 December 2021, a total of 11,339,840 Share Options 2020 were outstanding.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily due to certain receivables, payables, cash balances and loans that are denominated in foreign currencies other than RMB arising from the operating activities such as bank borrowings, product sales and purchase of raw materials. The Group is also exposed to currency risk from the exchange or translation of USD and Hong Kong Dollars into RMB. During the Year, 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 2.3% from 6.5249 at the beginning of the Year to 6.3757 at the end of the Year, which eventually resulted that the aggregated amounts of the Group’s foreign exchange revenue and the revenue of realised and unrealised foreign currency forward contracts exceeded the loss for the unrealised or realised foreign currency option contracts previously entrusted, as such, the Group recorded an exchange gain of approximately RMB620,000 (2020: recorded an exchange loss of approximately RMB45,952,000 in aggregate). 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 2021, the fund raised was fully utilised in accordance with the intended use of the global offering.

USE OF PROCEEDS FROM PLACING OF SHARES

On 12 December 2016, 29 December 2017 and 30 December 2019, the Company successively completed a total of three placings of ordinary shares under a general mandate granted to the directors by the Shareholders (for details, please refer to the announcements of the Company dated 12 December 2016, 29 December 2017 and 30 December 2019). As at 31 December 2021, the placing proceeds and the funds raised were fully utilised. The actual uses of the proceeds was consistent with the intended uses of the net proceeds of the placings.

DIVIDEND

Taking into consideration of the capital expenditure required by the Group’s plan to expand camera module capacity planning and increase investment in camera module business for automotive and IoT fields in 2022, the Board recommended not to declare any final dividend for the year ended 31 December 2021 (final dividend for the year ended 31 December 2020: HKD5.0 cents (equivalent to approximately RMB4.2 cents) per share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility to attend the annual general meeting (the “**AGM**”) to be held on 20 May 2022, the register of members of the Company will be closed from 16 May 2022 to 20 May 2022. 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 13 May 2022.

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 Park.

Particulars of the environmental protection management of the Company are disclosed in the Environmental, Social and Governance Report set out in the 2021 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 2021 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 2021 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 2021 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.qtechsmartvision.com>). The annual report for the year 2021 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, 21 March 2022

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