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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- The unaudited sales revenue of the Group for the period of six months ended 30 June 2022 (the “**Period**”) amounted to approximately RMB7,094,787,000, representing a decrease of approximately 24.0% as compared with that of the six months ended 30 June 2021 (the “**Corresponding Period**”). The decrease in revenue was mainly attributable to the decrease of approximately 4.8% and approximately 8.6% in the sales volume of camera modules and fingerprint recognition modules for the Period respectively as compared with that of the Corresponding Period, and the decrease of approximately 18.7% and approximately 34.3% in the average unit sales price of camera modules and fingerprint recognition modules respectively as compared with that of the Corresponding Period.
- Gross profit of the Group for the six months ended 30 June 2022 was approximately RMB375,830,000, while gross profit margin was approximately 5.3% which represented a decrease of approximately 6.3 percentage points as compared with approximately 11.6% for the Corresponding Period. The decrease in gross profit margin was mainly attributable to: (i) affected by customer structure adjustment, the cooperation with some new customers was still in the development stage and 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 applied to mobile phones decreased by approximately 4.4 percentage points from approximately 32.0% of the Corresponding Period to approximately 27.6%; (ii) the decline in downstream demand and the disruption in logistics and delivery as a result of the outbreak of COVID-19 in a number of cities, during the Period, the production capacity utilization rate of the Group dropped significantly; (iii) the active response of the Group to the government’s call and implemented pandemic prevention and control measures, and effectively prevented the spread of the COVID-19 pandemic through efficient and strict pandemic control, which also increased production costs; (iv) the shortage in upstream chip production, the price transmission of key raw materials CMOS image sensor chips has not yet been in place, and the procurement cost has not decreased in the same proportion; (v) in the first quarter of 2022, the labor shortage around the Spring Festival and the increases in local minimum wage standards and minimum social security payment ratio in Suzhou have resulted in an increase in unit labor costs; and (vi) the Group has strategically increased customer development efforts for businesses such as IoT and automotive camera modules, but the gross profit margin was low because the product was in the early stage of development and has not yet formed economies of scale.

- Profit of the Group for the six months ended 30 June 2022 was approximately RMB165,530,000, representing a decrease of approximately 71.0% as compared with that of the Corresponding Period. The decrease in profit was mainly attributable to the decrease of approximately 24.0% in revenue for the Period as compared with that of the Corresponding Period and the decrease of approximately 6.3 percentage points in gross profit margin as compared with that of the Corresponding Period.
- Basic and diluted earnings per share for the six months ended 30 June 2022 were approximately RMB0.14 and RMB0.14 respectively.

FINANCIAL RESULTS

The board of directors (the “**Director(s)**”) (the “**Board**”) of Q Technology (Group) Company Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 together with the relevant comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*for the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)*

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Revenue	3	7,094,787	9,335,841
Cost of sales		<u>(6,718,957)</u>	<u>(8,253,076)</u>
Gross profit		375,830	1,082,765
Other revenue	4	115,478	44,008
Other net income/(loss)	4	31,829	(30,063)
Selling and distribution expenses		(8,610)	(6,919)
Administrative and other operating expenses		(69,318)	(82,620)
Research and development expenses		<u>(260,513)</u>	<u>(317,697)</u>
Profit from operations		184,696	689,474
Finance costs	5(a)	(24,879)	(14,765)
Share of loss of an associate		<u>(18,227)</u>	<u>(18,213)</u>
Profit before taxation	5	141,590	656,496
Income tax	6	23,940	(85,755)
Profit for the period		<u>165,530</u>	<u>570,741</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

for the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2022 RMB'000	2021 RMB'000
Attributable to:			
Equity shareholders of the Company		166,163	570,741
Non-controlling interests		<u>(633)</u>	<u>–</u>
Profit for the period		<u>165,530</u>	<u>570,741</u>
Earnings per share			
Basic (RMB Cents)	7	<u>14.0</u>	<u>48.5</u>
Diluted (RMB Cents)	7	<u>14.0</u>	<u>48.1</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period	165,530	570,741
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that are or may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of operations outside the Mainland China	<u>(72,527)</u>	<u>(8,346)</u>
Other comprehensive income for the period	<u>(72,527)</u>	<u>(8,346)</u>
Total comprehensive income for the period	<u>93,003</u>	<u>562,395</u>
Attributable to:		
Equity shareholders of the Company	93,636	562,395
Non-controlling interests	<u>(633)</u>	<u>–</u>
Total comprehensive income for the period	<u>93,003</u>	<u>562,395</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 – unaudited

(Expressed in Renminbi)

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		3,141,700	3,144,458
Interest in an associate		320,352	344,488
Intangible assets		23,305	20,127
Equity securities designated at fair value through other comprehensive income (“FVOCI”)		5,000	–
Deferred tax assets		129,705	109,989
Prepayment for acquisition of non-current assets		34,963	98,479
Other non-current assets		15,550	15,550
		<u>3,670,575</u>	<u>3,733,091</u>
Current assets			
Inventories		1,579,506	2,258,176
Trade and other receivables	8	3,364,417	4,446,063
Other financial assets		702,010	51,287
Derivative financial assets	9	28,945	5,471
Pledged bank deposits	10	1,012,063	810,950
Time deposits with original maturity over three months		295,302	–
Cash and cash equivalents		1,628,462	1,743,070
		<u>8,610,705</u>	<u>9,315,017</u>
Current liabilities			
Short-term bank borrowings	11	2,513,560	1,707,670
Trade and other payables	12	4,615,572	6,258,928
Contract liabilities		21,311	23,971
Derivative financial liabilities	9	4,434	22,611
Lease liabilities		10,963	17,061
Current tax payable		38,164	48,884
		<u>7,204,004</u>	<u>8,079,125</u>
Net current assets		<u>1,406,701</u>	<u>1,235,892</u>
Total assets less current liabilities		<u>5,077,276</u>	<u>4,968,983</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 June 2022 – unaudited

(Expressed in Renminbi)

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Long-term bank borrowings	<i>11</i>	50,000	50,000
Lease liabilities		4,516	13,673
Deferred income		207,859	200,081
		<u>262,375</u>	<u>263,754</u>
		<u>262,375</u>	<u>263,754</u>
NET ASSETS			
		<u>4,814,901</u>	<u>4,705,229</u>
CAPITAL AND RESERVES			
Share capital	<i>13(b)</i>	9,486	9,466
Reserves		4,800,178	4,689,893
		<u>4,809,664</u>	<u>4,699,359</u>
Total equity attributable to equity shareholders of the company			
		<u>4,809,664</u>	<u>4,699,359</u>
Non-controlling interests		<u>5,237</u>	<u>5,870</u>
		<u>5,237</u>	<u>5,870</u>
TOTAL EQUITY			
		<u>4,814,901</u>	<u>4,705,229</u>
		<u>4,814,901</u>	<u>4,705,229</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 (“IAS 34”), *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 8 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company, its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

2 Changes in accounting policies

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

3 Revenue and segment reporting

The principal activities of the Group are manufacturing and sales of camera modules and fingerprint recognition modules for intelligent mobile terminals such as mobile phones, automobiles, Internet of Things (IoT), and etc. Revenue represents the sales value of goods sold, excludes VAT and is after deduction of any trade discounts.

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

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

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

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

	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>
Six months ended 30 June 2022					
Revenue	6,502,418	550,701	7,053,119	41,668	7,094,787
Cost of sales	<u>(6,132,255)</u>	<u>(559,164)</u>	<u>(6,691,419)</u>	<u>(27,538)</u>	<u>(6,718,957)</u>
Gross profit	<u>370,163</u>	<u>(8,463)</u>	<u>361,700</u>	<u>14,130</u>	<u>375,830</u>
Six months ended 30 June 2021					
Revenue	8,397,994	917,761	9,315,755	20,086	9,335,841
Cost of sales	<u>(7,395,541)</u>	<u>(844,477)</u>	<u>(8,240,018)</u>	<u>(13,058)</u>	<u>(8,253,076)</u>
Gross profit	<u>1,002,453</u>	<u>73,284</u>	<u>1,075,737</u>	<u>7,028</u>	<u>1,082,765</u>

Others mainly represent revenue from sales of waste materials.

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

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
PRC (including Hong Kong)	6,501,402	8,787,379
Overseas	<u>593,385</u>	<u>548,462</u>
	<u>7,094,787</u>	<u>9,335,841</u>

The Group had three (six months ended 30 June 2021: two) customers with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2022. The amount of sales to these customers amounted to approximately RMB4,602,888,000 (six months ended 30 June 2021: RMB6,950,420,000).

4 Other revenue and other net loss

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other revenue		
Government grants	96,395	33,447
Interest income	18,143	10,356
Others	940	205
	<u>115,478</u>	<u>44,008</u>
Other net income/(loss)		
Net foreign exchange (loss)/gain	(10,302)	20,437
Net gain/(loss) on foreign exchange option contracts	18,691	(13,289)
Net gain on foreign currency forward contracts	25,072	5,278
Net gain on other financial assets	4,001	910
Loss on disposal of property, plant and equipment	(5,633)	(499)
Impairment losses on property, plant and equipment	–	(20,678)
Impairment losses on interest in an associate	–	(22,222)
	<u>31,829</u>	<u>(30,063)</u>

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank borrowings	24,406	14,299
Interest on lease liabilities	473	466
	<u>24,879</u>	<u>14,765</u>
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	26,244	20,529
Salaries, wages and other benefits	423,030	488,073
Equity settled share-based payment expenses	7,035	14,234
	<u>456,309</u>	<u>522,836</u>

5 Profit before taxation (Continued)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
(c) Other items		
Amortisation cost of intangible assets	1,702	293
Depreciation charge		
– owned assets	218,773	198,182
– right-of-use assets	10,902	7,561
Operating lease charges in respect of properties	2,363	2,888
Research and development costs (<i>Note (i)</i>)	260,513	317,697
Cost of inventories (<i>Note (ii)</i>)	6,838,041	8,425,102
Impairment (reverse)/losses on trade receivables	(570)	1,852
	<u> </u>	<u> </u>

Notes:

- (i) Research and development costs include staff costs of employees in the design, research and development department of approximately RMB82,876,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB87,029,000) which are included in the staff costs as disclosed in Note 5(b).

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

- (ii) Cost of inventories include carrying amount of inventories sold, carrying amount of inventories recognized as research and development expense, and write down of inventories. Cost of inventories includes approximately RMB548,619,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB571,656,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 5(b) and Note 5(c) for each of these types of expenses.

6 Income tax in the consolidated income statement

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax		
– PRC Corporate Income Tax and income taxes of other tax jurisdictions	10,749	98,979
– Over provision in respect of prior years	(14,853)	–
– PRC dividend withholding tax (<i>Note (v)</i>)	–	24,971
	<u> </u>	<u> </u>
	(4,104)	123,950
Deferred taxation	<u> </u>	<u> </u>
	(19,836)	(38,195)
Total	<u> </u>	<u> </u>
	(23,940)	85,755

6 Income tax in the consolidated income statement (Continued)

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) Kunshan Q Technology (Hong Kong) Limited (“**Kunshan QT Hong Kong**”) and Kunshan Q Technology International Limited (“**QT International**”) are subject to Hong Kong Profits Tax at 16.5%.
- (iii) Kunshan Q Tech Microelectronics (India) Private Limited (“**India Q Tech**”), Q Technology Korea Limited (“**Korea Q Tech**”) and Q Technology (Singapore) Private Limited (“**Singapore Q Tech**”) are subject to the local income tax at 25%, 10% and 17% respectively.
- (iv) The PRC statutory income tax rate is 25%. Kunshan Q Tech Microelectronics Co., Ltd. (昆山丘鈦微電子科技股份有限公司) (“**Kunshan QT China**”) successfully renewed the High and New Technology Enterprise (“**HNTE**”) qualification on 30 November 2021 and continued to enjoy a preferential income tax rate of 15% for three years commenced from 1 January 2021. 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. Shenzhen QT Subsidiary has sent application for renewal of the HNTE qualification on 5 July 2022.
- (v) According to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB166,163,000 (six months ended 30 June 2021: RMB570,741,000) and the weighted average of 1,183,203,000 ordinary shares (six months ended 30 June 2021: weighted average of 1,176,700,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2022 '000	2021 '000
Issued ordinary shares at 1 January	1,181,986	1,172,251
Effect of share options exercised	1,217	4,449
Weighted average number of ordinary shares at 30 June	<u>1,183,203</u>	<u>1,176,700</u>

7 Earnings per share (Continued)

(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 RMB166,163,000 (six months ended 30 June 2021: RMB570,741,000) and the weighted average number of ordinary shares of 1,183,713,000 (six months ended 30 June 2021: weighted average of 1,187,063,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2022 '000	2021 '000
Weighted average number of ordinary shares at 30 June	1,183,203	1,176,700
Effect of deemed issue of shares under the Company's share option scheme	510	10,363
Weighted average number of ordinary shares (diluted) at 30 June	<u>1,183,713</u>	<u>1,187,063</u>

8 Trade and other receivables

	At 30 June 2022 RMB '000	At 31 December 2021 RMB '000
Trade receivables		
– third parties	3,158,629	4,245,537
– related parties	1,083	231
Bills receivable		
– third parties	8,176	38,559
– Bills receivable at fair value through other comprehensive income	64,863	6,507
Trade and bills receivables	3,232,751	4,290,834
Less: Allowance for doubtful debts	(1,272)	(1,842)
	3,231,479	4,288,992
Other deposits, prepayments and receivables	132,938	157,071
	<u>3,364,417</u>	<u>4,446,063</u>

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

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

- (ii) The Group accepts bank acceptance bills from major banks in the PRC for settlement of trade receivables. The management considered that the risk of these bills relates substantially to credit risk. Accordingly, when these bills were transferred by either discounting or endorsement, they were derecognised as financial assets. As at 30 June 2022, the bank acceptance bills which the Group has transferred but not overdue were totally amounted to approximately RMB525,286,000 (31 December 2021: RMB155,700,000). All of these bills are due within 6 months.

8 Trade and other receivables (Continued)

(a) Ageing analysis

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 month	2,207,532	3,183,752
More than 1 month but within 3 months	923,428	1,056,520
More than 3 months but within 6 months	99,179	46,278
More than 6 months but within 1 year	1,147	2,261
More than 1 year	193	181
	<u>3,231,479</u>	<u>4,288,992</u>

(b) Impairment of trade and bills receivables

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

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
At 1 January	1,842	1,590
Impairment (reverse)/losses recognised	<u>(570)</u>	<u>252</u>
As at 30 June/31 December	<u>1,272</u>	<u>1,842</u>

9 Derivative financial assets and liabilities

	At 30 June 2022		
	Notional amount <i>RMB'000</i>	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Foreign currency derivative instruments			
– Forward contracts	2,753,828	18,229	(4,434)
– Option contracts	2,670,466	10,716	–
Total	<u>5,424,294</u>	<u>28,945</u>	<u>(4,434)</u>
	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	<u>1,598,565</u>	<u>5,471</u>	<u>(22,611)</u>

The Group entered into foreign currency option and foreign currency forward contracts with banks. As at 30 June 2022, the notional amount of outstanding contracts amounted to approximately USD808,221,000 (31 December 2021: USD250,952,000). All these option and forward contracts are matured within one year.

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

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

10 Pledged bank deposits

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Pledged for		
– short-term bank borrowings (<i>Note 11</i>)	997,799	805,466
– letters of guarantee	14,264	5,484
Pledged bank deposits	<u>1,012,063</u>	<u>810,950</u>

11 Bank borrowings

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Long-term bank borrowings		
– unsecured	<u>50,000</u>	<u>50,000</u>
Short-term bank borrowings		
– secured (<i>Note (a)</i>)	1,029,213	852,829
– unsecured	<u>1,484,347</u>	<u>854,841</u>
	<u>2,513,560</u>	<u>1,707,670</u>
	<u>2,563,560</u>	<u>1,757,670</u>

- (a) The short-term bank borrowings were secured by assets of the Group and the carrying amounts of these assets are as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Pledged stock rights (<i>Note (i)</i>)	128,281	137,946
Pledged bank deposits (<i>Note 10</i>)	<u>997,799</u>	<u>805,466</u>
	<u>1,126,080</u>	<u>943,412</u>

- (i) As at 30 June 2022, secured short-term bank borrowings included the balance of approximately TWD255,000,000, equivalent to approximately RMB57,503,000, which was with effective interest rate of approximately 1.95% and was repayable on 20 August 2022. It was secured by 26,160,850 shares (31 December 2021: 26,160,850 shares) of Newmax Technology Co., Ltd. (an associate) held by the Group.
- (b) As at 30 June 2022, the bank borrowings with effective interest rate of approximately 2.13% (31 December 2021: 1.48%), were repayable as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year or on demand (<i>Note (i)</i>)	2,513,560	1,707,670
After 1 year but within 2 years	<u>50,000</u>	<u>50,000</u>
	<u>2,563,560</u>	<u>1,757,670</u>

12 Trade and other payables

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade payables and accruals		
– third parties	3,168,143	4,362,199
– related parties	33,532	41,216
Bills payable (<i>Note (a)</i>)		
– third parties	<u>1,028,460</u>	<u>1,097,190</u>
Trade and bills payables (<i>note (b)</i>)	4,230,135	5,500,605
Accrued payroll	98,415	186,682
Other payables and accruals	<u>287,022</u>	<u>571,641</u>
	<u><u>4,615,572</u></u>	<u><u>6,258,928</u></u>

All of the trade and other payables as at 30 June 2022 are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Bills payable analysed by type of security

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bills payable unsecured	<u>1,028,460</u>	<u>1,097,190</u>

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 3 months	3,495,050	4,721,536
Over 3 months but within 6 months	221,528	189,067
Over 6 months but within 1 year	3,712	19,772
Over 1 year	<u>3,995</u>	<u>3,805</u>
	<u><u>3,724,285</u></u>	<u><u>4,934,180</u></u>

As at 30 June 2022, the accrued trade payables which represented the amounts with no invoice received by the end of the reporting period date, were amounted to approximately RMB505,850,000 (31 December 2021: RMB566,425,000).

13 Capital, reserves and dividends

(a) Dividends

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

	At 30 June 2022 <i>RMB'000</i>	At 30 June 2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period of HK\$Nil cents (equivalent to RMB Nil cents) (six months ended 30 June 2021: HK\$5.0 cents (equivalent to approximately RMB4.2 cents))	—	48,603

The Company did not propose any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

(b) Share capital

Authorised and issued share capital

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

	Number of shares '000	Nominal value of ordinary shares	
		<i>HK\$'000</i>	<i>RMB'000</i>
Issued and fully paid:			
At 1 January 2022	1,181,986	11,819	9,466
Shares issued under 2018 Share Option Scheme	2,544	25	20
Shares issued under 2019 Share Option Scheme	9	—	—
At 30 June 2022	1,184,539	11,844	9,486

13 Capital, reserves and dividends (Continued)

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

During the period, pursuant to the Company's share option schemes, options have been exercised to subscribe for 2,552,715 ordinary shares (six months ended 30 June 2021: 9,735,080 shares) in the Company at a consideration of approximately RMB9,634,000 (six months ended 30 June 2021: RMB59,036,000) of which approximately RMB20,000 (six months ended 30 June 2021: RMB83,000) was credited to share capital and the balance of approximately RMB9,614,000 (six months ended 30 June 2021: RMB58,953,000) was credited to the share premium account and share-based payment reserve. Approximately RMB3,404,000 (six months ended 30 June 2021: RMB15,911,000) has been transferred from the share-based payment reserve to the share premium account. 380,355 options have lapsed during the period (six months ended 30 June 2021: 566,980). A total of 5,229,320 options were ultimately cancelled during the Period due to performance conditions related to certain revenue growth targets of 2021 were not met.

As at 30 June 2022, the total number of shares which may be issued upon the exercise of all options outstanding from the Company's share option schemes is 8,507,550 (31 December 2021: 11,440,620), of which 252,000 options are exercisable at an exercise price of HK\$4.65 per share, 2,472,030 options are exercisable at an exercise price of HK\$6.02 per share and 5,783,520 options are exercisable at an exercise price of HK\$9.22 per share.

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

(i) **2018 Share Option Scheme**

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

(ii) **2019 Share Option Scheme**

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

(iii) **2020 Share Option Scheme**

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the international situation has become more complicated with complexity, severity and uncertainty of geopolitics increasing, and obvious inflation appearing in food, fuel and other daily necessities, which has collectively brought huge challenges to the stability of the macro economy. In response, the World Bank and the International Monetary Fund successively lowered the projections of the global economic growth rate. According to the Global Economic Prospects issued by the World Bank on 7 June 2022, under the continuous COVID-19 pandemic, decreasing policy support and existing supply bottlenecks, the global recovery would slow down. It is expected that the global GDP growth rate for the next three years from this year will only be 2.9%, 3.0% and 3.0% respectively, representing a sharp decline compared to 5.7% in 2021. The International Monetary Fund expected the global economic growth rate for 2022 to be 3.6%, decreasing by 0.8 percentage point as compared to the previous 4.4%. In the meantime, the COVID-19 pandemic recurred frequently in various cities in the Mainland China, especially in core economic regions such as the Pearl River Delta and the Yangtze River Delta from February to May. Many major cities implemented strict measures including quiescent management, which had a significant impact on the movement of people, material transportation, production activities and other social and economic activities and consumer confidence. According to the statistics released by the National Bureau of Statistics on 15 July 2022, the gross domestic product of China only reported an increase of 2.5% year-on-year in the first half of the year. Unstable macro conditions and pessimistic forecasts on the economic outlook had a noticeable impact on demand for consumer discretionary products, including smartphones. Pursuant to the public report released by an independent third-party research institute, the International Data Corporation (IDC), in June this year, the growth rate of global smartphones in 2022 was significantly revised down to a year-on-year decrease of 3.5% from a year-on-year increase of 1.6% expected at the beginning of the year. In accordance with the data released by the China Academy of Information and Communications Technology, China's smartphone shipment volume in the first half of the year were 134 million units, representing a decrease of 21.7% compared with that of the Corresponding Period. As a result, the demand for the camera modules and fingerprint recognition modules applied to smartphones has declined, leading to increased sales pressures.

At the same time, due to the slowdown in economic growth, private consumption declined, which has had a more obvious impact on high-end smartphones. At the MWC (Mobile World Congress) held in early March this year, the innovative products released by manufacturers were obviously inferior to those released in the past, and the promotion of high-end mobile phones adopting Android system has also slowed down. It could be seen that with cost control becoming a priority, smartphones temporarily lacked the driving force brought by technology upgrades, which has put pressure on the unit price of camera modules and fingerprint recognition modules.

Relatively speaking, the development of other intelligent vision products sector is clearer. Despite the hard time of strict pandemic control in the Yangtze River Delta in April and May this year, China's new energy vehicles reported outstanding performance in the first half of the year. During the Period, the production volume and sales volume of new energy vehicles were 2.661 million and 2.6 million respectively, both up 1.2 times year-on-year and maintaining continuous rapid growth. In particular, China's leading smart vehicle brands such as BYD, Xpeng, NIO and Li all sold more than 10,000 vehicles in a single month in June this year, achieving substantial growth on both year-on-year and month-on-month basis, and showing strong resilience against the backdrop of recurring pandemic.

According to the public report released by IDC on 30 June 2022, the most important hardware device in the Metaverse ecosystem – Virtual Reality (VR) headsets continued to sell well in 2022, with an estimated total annual sales volume of 13.9 million units, representing a year-on-year increase of 26.6%. Meanwhile, it is expected that 2023 will be a critical year for virtual intelligent vision devices, by which time all international major brands such as Meta, Sony and Apple may simultaneously launch VR and Augment Reality (AR) or mixed reality (MR) products, officially entering the golden age of rapid product development for virtual intelligent vision devices. Chinese brands such as Pico, iQiyi, HTC have been catching up to capture market share, driving overall products to actively upgrade in specification and configuration.

To sum up, the smartphone industry has been affected by external factors and has been under enormous pressure during the Period. Fortunately, the situation has stabilized and has gradually recovered after May. At the same time, the rapid growth of smart vehicles, Metaverse and IoT terminals in China motivated the increase in demand for camera modules in the non-handset application market, creating brand new opportunities for the development of camera modules business of the Group.

Based on the trust and support of customers together with the resolution of all its employees to face difficulties in spite of setbacks, the Group confronted a series of challenges arising from the pandemic, intensified geopolitical frictions and insufficient consumer confidence, and the Group has held a stable market share in camera modules and fingerprint recognition modules. Except for a few months when the pandemic prevention and control measures were relatively stringent, the overall operation remained smooth and orderly. However, under various unfavorable factors, the Group recorded a significant decline in performance, and the revenue of the Group during the Period fell by approximately 24.0% to approximately RMB7,094,787,000, mainly because: (i) in view of the above reasons, the demand for smartphones, especially high-end models, declined, and the sales volume of camera modules and fingerprint recognition modules of the Group were approximately 213.03 million and 50.65 million units, respectively, representing a year-on-year decrease of approximately 4.8% and 8.6%, respectively. The decreases were lower than the drop in China's smartphone shipment volume during the same period, reflecting that the Group's customer growth strategy has been properly implemented, and the cooperation with new customers introduced over the past two years has entered into a new stage, but the market share still needs to be further improved; (ii) the short-term slowdown in smartphone innovation has intensified competition in the smartphone camera module market, and there were large downward pressures on the unit sales price of products. During the Period, the average unit sales price of camera modules decreased by approximately 18.7% year-on-year to approximately RMB30.5 from approximately RMB37.5 of the Corresponding Period; the average unit sales price of fingerprint recognition modules also decreased by approximately 34.3% year-on-year to approximately RMB10.9 from approximately RMB16.6 of the Corresponding Period.

During the Period, the Group's gross profit margin was approximately 5.3%, decreasing by approximately 6.3 percentage points from approximately 11.6% of the Corresponding Period. Such decrease was mainly because: (i) as affected by customer structure adjustment, the cooperation with some new customers was still in the development stage and 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 applied to mobile phones decreased by approximately 4.4 percentage points from approximately 32.0% of the Corresponding Period to approximately 27.6% (due to the fact that at the beginning of this year, the Group separately counted camera modules used in mobile phones and camera modules used in other fields, and that the high-end camera module products with resolutions of 32 megapixels and above mentioned in this announcement only included single camera module, dual/multiple camera module and 3D module of 32 megapixels and above for mobile phone. As such, the comparative figures for the Corresponding Period have been adjusted accordingly); (ii) the decline in downstream demand and the disruption in logistics and delivery as a result of the outbreak of COVID-19 in a number of cities, during the Period, the production capacity utilization rate of the Group dropped significantly; (iii) the active response of the Group to the government's call and implemented pandemic prevention and control measures, and effectively prevented the spread of the COVID-19 pandemic through efficient and strict pandemic control, which also increased production costs; (iv) the shortage in upstream chip production, the price transmission of key raw materials CMOS image sensor chips has not yet been in place, and the procurement cost has not decreased in the same proportion; (v) in the first quarter of 2022, the labor shortage around the Spring Festival and the increases in local minimum wage standards and minimum social security payment ratio in Suzhou have resulted in an increase in unit labor costs; and (vi) the Group has strategically increased customer development efforts for businesses such as IoT and automotive camera modules, but the gross profit margin was low because the product was in the early stage of development and has not yet formed economies of scale.

To conclude, the decline in the Group's net profit was mainly due to the decline in revenue, and the decline in operating costs was less than that of revenue, resulting in a decrease in the Group's gross profit margin and a year-on-year decrease in comprehensive profit of approximately 71.0%.

Although the Group's comprehensive profit decreased during the Period, the Group has achieved significant development results in the business of camera module applied to other fields other than smartphones. The customer structure and the product structure of camera module products used in smart vehicles and the Internet of Things (IoT) terminals have been constantly improving. In the field of automotive camera module products, not only has the advanced driver assistance systems (ADAS) module with resolutions of 8 megapixels been mass-produced, but various specifications of automotive camera module products for SGMW, Geely Auto, XPeng, Shanghai Automotive Passenger Car, VOYAH, Foton Daimler and other brands have been delivered and put into use, and have successively passed the qualification certification of qualified suppliers of many automobile enterprises such as German Continental Automotive (the world's top three automotive camera module manufacturers), NIO, Beijing Electric Vehicle and Dongfeng Commercial Vehicle. In the field of IoT, while continuing to maintain good cooperation with leading brands such as DJI and ECOVACS, the Group has also made significant breakthroughs in the business of See Through and 6 DOF camera module used in VR headsets, and successively obtained cooperation projects with leading brands such as Pico, HTC, iQIYI, BlackShark, and mass production and shipment has been carried out successively.

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》) (the “**Five-year Strategic Planning**”) for the first time in the 2021 interim results announcement of the Company, setting out a development blueprint for the next five years. In the first half of 2022, with all the staff of the Group following the strategic planning, the Group forged ahead to the target with determination in the fields of smartphone, smart vehicles and IoT. During the Period, the market share of the Group in smartphone camera modules and fingerprint recognition modules has further improved. Under the background of recurrent pandemic, the Group maintained orderly production and operation and generally smooth logistics and delivery, which contributed to a lower decline in shipments than that in the sales of smartphone terminals. In the meanwhile, in the smart vehicles field, the number of customers and projects acquired in the Period increased as compared to the Corresponding Period, whereas the management team was streamlined, and the product designs were gradually improved. In the IoT field, the Group has tapped into the supply chain of leading enterprises in the industry for drones, smart wearables and smart home products, market share of which has continued to increase. The Group has also made significant progress in the field of AR/VR headsets, which was demonstrated by the obtaining of camera module and opto-mechanical design projects of major domestic brands successively. On this solid foundation, the Group aims to 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 design and structural design of camera modules, the integration requirements for product functions, performance and size will continue to increase. Camera module manufacturers with capabilities of integrating upstream component design and large-scale automated production are expected to stand out in fierce competition 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 and R&D of new technology and vertical integration, in firmly propelling the strategies in platform, components and system integration, in adhering to a customer-centric service strategy, and in 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, and provide high-end and high-quality products and quick response services to our general customers, and ultimately strive to achieve the vision of the Group “to illuminate machines”.

PROSPECTS

The Directors consider that the current geopolitical situation is complicated and fickle, and the lasting outbreak of wars in some regions has deeply shaken international politics and economy, affecting the prices of food, fuel and other various of sources, and resulting in soaring inflation. Meanwhile, the international trade barriers have yet to be removed, and whilst the COVID-19 pandemic has entered a new stage, it is obviously difficult to be eliminated in the short term with many countries adopting strategies of coexistence with the COVID-19 that have broken down various severe social restrictions and are favorable to restoring the normality of consumption activities. Meanwhile, the domestic pandemic control and lockdown measures have been continuously optimised and the scientific and targeted pandemic prevention measures being launched upon learning from previous experience and on the premise of effectively reducing the spread of the virus whilst minimizing the interference to daily business activities. The aforesaid situations have brought both developing opportunities and various challenges to an enterprise that is based in China and internationally supplies the components of intelligent vision technology. Since May 2022, with the ongoing favorable development in pandemic prevention and control in China, the orderly proceeding of enterprises' resumption of work and production as well as the smooth logistics, as coupled with the significant effect of the steady growth policy, the economy has gradually stabilised, and the overall recovery has accelerated. According to the statistics released by the National Bureau of Statistics of China on 30 June 2022, the purchasing manager index (PMI) for China's manufacturing industry returned to 50.2 in June 2022, which indicated an obvious and positive change. Despite the fact that the COVID-19 pandemic brought considerable impact on the production activities and life of certain regions, the fundamentals of stable, positive and long-term improvement of the domestic economy remained unchanged, and it is also capable of coping with various unexpected changes that may occur to ensure its steady, healthy and sustainable development.

According to the latest research report issued by Yole in October 2021, from 2021 to 2026, it is expected that the global shipment volume of camera modules will increase from around 7 billion units to nearly 10 billion units, representing a compound annual growth rate (“CAGR”) of 7.1%; the sales of which will increase from US\$36 billion to US\$59 billion, representing a CAGR of 9.8%, while according to the data published by Techno Systems Research Co. Ltd (“TSR”), an independent third-party research institute, it is expected that the global shipment volume of smartphones will increase to 1,453 million units in 2024 with smartphones remaining as the main application field of camera modules, the market scale of which is large and growth will sustain. Based on the anticipation of TSR, the global shipment volume of camera modules for smartphones from 2019 to 2024 will increase from 4.765 billion units to 6.518 billion units, representing a CAGR of 6.47%.

Although the progress of smartphone innovation slowed down during the Period due to the sluggish macro economy, the daily communication with clients and the feedback therefrom indicate that the current camera functions of smartphones are still far from the expectations of end users. For instance, in regard to high-definition shooting, night-scene shooting, telephoto shooting and other aspects, the shooting effect of smartphones is far from that of traditional SLR cameras. As for the perceptual aspect, the application of rear 3D modules and multispectral modules of smartphones is still in the initial stage. The Group firmly believes that there is still a broad space for the long-term development of smartphone optics, and the specifications upgrades of smartphone camera modules will definitely further accelerate as long as consumer confidence recovers. Therefore, the Group will continue to build up its research and development (the “R&D”) efforts, and continue to promote the development of high-end camera module products and strengthen the R&D of new materials, new processes and new products, so as to take advantage of the fully mastered various special module processes such as multi-group lens active alignment (MLAA), direct Time-of-Flight (dToF), Variable Aperture and Telescopic Zoom, coupled with the 8-Plastic (8P) lens, glass-plastic hybrid lens, freeform lens and other brand-new lens technology, together with the Sensor Shift, micro-gimble and other new anti-shake designs, to create mobile phone camera modules that can match or even surpass SLR cameras for the new generation in the immediate foreseeable future.

If 2021 is regarded as the beginning of breakthroughs in automotive intelligence, 2022 will be the year of industry transformation. Given that car users pursue higher-level autonomous driving, more diversified smart cockpits, and safer electronic safety systems, the differentiated experience of smart cars focuses more on the centrally-controlled electronic system. Both emerging automakers and traditional car manufacturers have turned their research direction to the comprehensive reforming of electrical and electronic architecture, strengthening self-developed chips and algorithms and promoting electronic mode that integrates software and hardware, to make smart vehicles to be more like an advanced and complex smartphone. The vertical integration will procure automobile enterprises to actively build up an independent supply ecological chain of electronic components, completely changing the competitive landscape of the automobile industry chain. The capability of developing, designing, producing and delivering large-scale intelligent vision module products that the Group owns provides a favorable condition to capture this new opportunity. In the second half of 2022, upon the New Energy Vehicles Going to the Countryside Activities of Year 2022 (2022新能源汽車下鄉活動) jointly conducted by the Ministry of Industry and Information Technology, the Ministry of Agriculture and Rural Affairs, the Ministry of Commerce and the National Energy Administration in China, it is expected that the smart vehicle industry will still be in a vigorous position, bringing a good and broad development prospect to the business of camera modules for smart vehicles. According to the latest report published in December 2021 by ICV Tank, a research institute authoritative in the industry, the average number of camera modules per car in 2021 amounted to 2.3 globally, representing a significant growth compared to that in 2020, and such number is expected to reach 3.8 units per car by 2026. The global market of automotive cameras covers pre-factory (completed assembly by original equipment manufacturers (OEMs)) and after-factory (assembling after shipment), in 2021, the global pre-factory market for automotive cameras amounted to US\$12.2 billion, while the after-factory market amounted to US\$5.1 billion. In particular, the pre-factory market is the most important market where the specifications for automotive camera modules are relatively higher, and the shipments of which are estimated to increase from 100 million units in 2020 to 370 million units in 2026, representing a CAGR of 24.32% and a rapidly growth.

In recent years, the Group has made good progress in the field of IoT intelligent vision products which it has taken the lead in entering into, and the market share of the Group in the leading enterprise clients who engage in drones, sweeping robots and smart wearable devices, such as DJI, ECOVACS and Little Genius (小天才), has continually increased. In this regard, the immersive experience devices are of utmost importance to the medium-development of IoT, according to the prediction of the China Academy of Information and Communications Technology, the global virtual (augmented) reality industry scale 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 approximately 45% and AR at a rate of approximately 66%, with both market scales reaching RMB240 billion in 2024. In recent years, the Group has made remarkable progress in VR headsets, apart from successfully obtaining the camera module projects of See Through and 6 DOF for various brands of equipment. The Group has also taken the lead to strengthen its opto-mechanical design capabilities and cooperated with manufacturers on pre-researching the new design of imaging optical path for the switchback VR headsets, providing the Pancake Lens imaging solution which applies the folding of optical path, and conducting the non-camera optical products business. The R&D team of the Group has fully mastered the relevant technologies and entered the stage of sample delivery and trial production in a domestic brand project, and will gradually strive for more relevant projects.

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.

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 Period, the Group is currently ranked among the top three in the packaging and testing industry of camera modules for mobile phones 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 strive to seek for cooperation opportunities with smart phone brands applying systems other than Android.

In terms of automotive camera modules, the number of intelligent vision modules required for the 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, Intelligent Cabin (In-Cabin) System and Surround-view System. On the one hand, the Group will deepen its direct partnership with automobile brand customers to provide quality and quick-response services, upgrade product specifications and assist customers in developing customized and differentiated intelligent driving systems. 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 developments 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 focusing on deep cultivation, and 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 major customers of its product technology and production scale. During the Period, as stricken by the macro economy and the pandemic, fingerprint recognition modules have not been the primary focus for specification upgrades of 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 terminals 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 share for major products whilst keeping close contact with customers, and capturing the opportunities of product upgrades in the future. On the other hand, it will actively expand other biological recognition technologies and application scenes, so as to seek breakthrough for biological recognition product business as a whole.

The Directors also fully recognize that the global political and economic cooperation is still weak with the rise of trade protectionism, and with the COVID-19 pandemic not having been suppressed, the monetary policies of major economies may be subject to substantial adjustments, which will 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 continue to adhere to the vision of “to illuminate machines”, and actively strengthen its capacity building in three aspects, namely optical design, computing imaging and system integration, whilst continuing to strengthen the R&D of new materials, new processes and new products, improve the large-scale automated precision manufacturing capabilities, promote the construction and expansion of production bases overseas, actively promote lean management. In addition, the Group will continue to actively carry out customer relationship marketing, 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 actively 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.

Based on the comprehensive consideration of market conditions and the actual development of the Group, the Group keeps the development goal of camera modules in other fields unchanged, namely that the sales volume of camera modules in other fields in 2022 will increase by not less than 100% over the previous year. Meanwhile, the Group has adjusted the two business development goals set at the beginning of this year as follows: (i) the sales volume of camera modules for mobile phones in 2022 will decrease by not more than 5% over the previous year; and (ii) the sales volume of fingerprint recognition modules in 2022 will decrease by not more than 5% over the previous year.

The Directors are confident in leading the Group to embrace the challenges, in making further efforts to achieve good development, in endeavoring to advance the Five-year Strategic Planning and in striving to create greater value for the shareholders of the Company (the “**Shareholders**”).

FINANCIAL REVIEW

Revenue

During the Period, the revenue of the Group was approximately RMB7,094,787,000, representing a year-on-year decrease of approximately 24.0% as compared with approximately RMB9,335,841,000 of the Corresponding Period. The decrease in revenue was mainly attributable to the decrease of approximately 4.8% and approximately 8.6% in the sales volume of camera modules and fingerprint recognition modules for the Period respectively as compared with that of the Corresponding Period, and the decrease of approximately 18.7% and approximately 34.3% in the average unit sales price of camera modules and fingerprint recognition modules respectively as compared with that of the Corresponding Period.

Cost of sales

During the Period, cost of sales of the Group decreased by approximately 18.6% to approximately RMB6,718,957,000 as compared with approximately RMB8,253,076,000 of the Corresponding Period. The decrease in cost of sales was primarily attributable to a decrease in material and other costs resulting from the decrease of approximately 24.0% in revenue as compared with that of the Corresponding Period.

Gross profit and gross profit margin

During the Period, gross profit of the Group was approximately RMB375,830,000 (the Corresponding Period: approximately RMB1,082,765,000), representing a year-on-year decrease of approximately 65.3%, while gross profit margin was approximately 5.3% (the Corresponding Period: approximately 11.6%). The decrease in gross profit margin was mainly attributable to: (i) affected by customer structure adjustment, the cooperation with some new customers was still in the development stage and 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 applied to mobile phones decreased by approximately 4.4 percentage points from approximately 32.0% of the Corresponding Period to approximately 27.6%; (ii) the decline in downstream demand and the disruption in logistics and delivery as a result of the outbreak of COVID-19 in a number of cities, during the Period, the production capacity utilization rate of the Group dropped significantly; (iii) the active response of the Group to the government's call and implemented pandemic prevention and control measures, and effectively prevented the spread of the COVID-19 pandemic through efficient and strict pandemic control, which also increased production costs; (iv) the shortage in upstream chip production, the price transmission of key raw materials CMOS image sensor chips has not yet been in place, and the procurement cost has not decreased in the same proportion; (v) in the first quarter of 2022, the labor shortage around the Spring Festival and the increases in local minimum wage standards and minimum social security payment ratio in Suzhou have resulted in an increase in unit labor costs; and (vi) the Group has strategically increased customer development efforts for businesses such as IoT and automotive camera modules, but the gross profit margin was low because the product was in the early stage of development and has not yet formed economies of scale.

Other revenue

During the Period, other revenue of the Group was approximately RMB115,478,000, representing an increase of approximately 162.4% as compared with approximately RMB44,008,000 of the Corresponding Period. The increase in other revenue was primarily due to the increase in government grants included in other revenue, which increased by approximately RMB62,948,000 from approximately RMB33,447,000 of the Corresponding Period to approximately RMB96,395,000 of the Period.

Other net income/(loss)

During the Period, the Group recorded other net income of approximately RMB31,829,000, while a net loss of approximately RMB30,063,000 was recorded in the Corresponding Period. Such other net income was mainly: (i) a net gain on foreign exchange option contracts of approximately RMB18,691,000 recorded during the Period, while a net loss of approximately RMB13,289,000 was recorded in the Corresponding Period; and (ii) a net gain on foreign currency forward contracts of approximately RMB25,072,000 recorded during the Period, while a net gain of approximately RMB5,278,000 was only recorded in the Corresponding Period.

Selling and distribution expenses

During the Period, selling and distribution expenses of the Group amounted to approximately RMB8,610,000, representing an increase of approximately 24.4% as compared with approximately RMB6,919,000 of the Corresponding Period. The ratio of selling and distribution expenses to revenue was approximately 0.1%, which was at similar level of that of the Corresponding Period. Such increase was mainly attributable to the increase in remuneration of sales staff during the Period to strengthen the expansion of the overseas market as well as IoT and automotive camera module business.

Administrative and other operating expenses

During the Period, total administrative and other operating expenses of the Group amounted to approximately RMB69,318,000, representing a decrease of approximately 16.1% as compared with approximately RMB82,620,000 of the Corresponding Period. The change in administrative and other operating expenses was mainly attributable to the enhancement of resource integration and the optimization of the management team by the Group during the Period, which results in a reduction in recruitment expenses and labour costs.

R&D expenses

During the Period, the total R&D expenses of the Group amounted to approximately RMB260,513,000, representing a decrease of approximately 18.0% as compared with approximately RMB317,697,000 of the Corresponding Period. The decrease in R&D expenses was mainly attributable to the Group's improvement of R&D efficiency, optimization of the R&D team and reduction of investment in R&D, such as material requisition.

Finance costs

During the Period, the finance costs of the Group were approximately RMB24,879,000, representing an increase of approximately 68.5% as compared with approximately RMB14,765,000 of the Corresponding Period. The increase in finance costs was mainly attributable to the increase in bank borrowings drawn by the Group during the Period as compared with that of the Corresponding Period. The borrowings drawn were mainly denominated in Renminbi, and consequently, the borrowing rate increased as compared with that of the Corresponding Period.

Share of loss of an associate

During the Period, Newmax Technology, an associate of the Company, recorded a loss. The share of loss of an associate attributable to the Company was approximately RMB18,227,000, which was similar to the loss of approximately RMB18,213,000 for the Corresponding Period.

Income tax expenses

During the Period, income tax expenses of the Group was approximately RMB-23,940,000, while the income tax expenses of the Corresponding Period was approximately RMB85,755,000. The decrease in income tax expenses was mainly attributable to: (i) profit before taxation of approximately RMB141,590,000 recorded by the Group during the Period, which decreased by approximately 78.4% as compared with approximately RMB656,496,000 of the Corresponding Period; and (ii) filing differences arising from prudent estimates of accelerated deductions of R&D expenses in previous years were reversed during the Period.

Profit for the Period

Based on the foregoing, the Group recorded a profit of approximately RMB165,530,000 for the Period, representing a decrease of approximately 71.0% as compared to approximately RMB570,741,000 of the Corresponding Period. The decrease in profit was mainly attributable to the decrease of approximately 24.0% in revenue for the Period as compared with that of the Corresponding Period and the decrease of approximately 6.3 percentage points in gross profit margin as compared with that of the Corresponding Period.

LIQUIDITY AND FINANCIAL RESOURCES

Bank Borrowings

As at 30 June 2022, the Group's bank borrowings amounted to approximately RMB2,563,560,000, representing an increase of approximately 56.5% from approximately RMB1,637,985,000 as at 30 June 2021 and an increase of approximately 45.8% from approximately RMB1,757,670,000 as at 31 December 2021. Among the borrowings, short-term borrowings repayable within one year or on demand were approximately RMB2,513,560,000 whereas long-term borrowings were RMB50,000,000.

As at 30 June 2022, the Group's bank borrowings were mainly denominated in Renminbi and/or USD. The cash flow overview of the Group for the six months ended 30 June 2022 and 2021, is set out as follows:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/ (used in) operating activities	400,413	(209,300)
Net cash used in investing activities	(1,101,008)	(150,376)
Net cash generated from/ (used in) financing activities	540,045	(316,397)

As at 30 June 2022, the cash and cash equivalents of the Group amounted to approximately RMB1,628,462,000, representing an increase of approximately RMB328,636,000 from approximately RMB1,299,826,000 as at 30 June 2021, and a decrease of approximately RMB114,608,000 from approximately RMB1,743,070,000 as at 31 December 2021. The decrease in cash and cash equivalents as compared with that of the end of last year was mainly attributable to the fact that the Group increased the entrustment of time deposits and low-risk bank wealth management products in order to increase the income of idle funds during the Period.

Operating activities

During the Period, the Group recorded a net cash inflow generated from operating activities of approximately RMB400,413,000, while a net cash outflow of approximately RMB209,300,000 was recorded in the Corresponding Period, mainly because of the Group's sound operating conditions during the Period, customers settling on time and therefore a net cash inflow from operating activities.

Investing activities

The net cash outflow used in investing activities of the Group during the Period amounted to approximately RMB1,101,008,000, while the net cash outflow used in investing activities amounted to approximately RMB150,376,000 in the Corresponding Period. The net cash outflow used in investing activities of the Group during the Period was mainly: (i) approximately RMB702,010,000 in cash being used to purchase other financial assets; (ii) approximately RMB295,302,000 in cash being used to process time deposits with original maturity over three months; and (iii) approximately RMB183,240,000 being used to pay the due amount for the acquisition and construction of non-current assets.

Financing activities

The net cash inflow generated from the financing activities of the Group during the Period amounted to approximately RMB540,045,000 (the Corresponding Period: net cash outflow of approximately RMB316,397,000), which was mainly attributable to: (i) a cash inflow of bank borrowings of approximately RMB2,157,643,000 during the Period and a cash expenditure of bank borrowing repayment of approximately RMB1,407,024,000; and (ii) the change in pledged bank deposits used as guarantee for bank borrowings of approximately RMB192,334,000.

Gearing ratio

The gearing ratio of the Group as at 30 June 2022, as defined by the balance of bank borrowings and lease liabilities divided by total equity at the end of the Period, was approximately 53.6%, representing an increase of approximately 15.3 percentage points from approximately 38.3% as at 30 June 2021, and an increase of approximately 15.6 percentage points from approximately 38.0% as at 31 December 2021, which was mainly attributable to: the bank borrowings of the Group was approximately RMB2,563,560,000 at the end of the Period, representing an increase of approximately 56.5% from approximately RMB1,637,985,000 as at 30 June 2021, and an increase of approximately 45.8% from 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 2021 annual report. The Board, the Risk Management Committee of the Company and the staff at the relevant positions always remain alert to the performance and risk assessment of the wealth management products. At the same time, the Company also pays close attention to the liquidity and debt asset position of the Group in order to ensure the sufficiency of its working capital and maintain the debt asset ratio at a reasonable level.

MATERIAL ACQUISITION AND DISPOSAL

On 15 December 2020, the Company submitted an application in relation to a possible spin-off and separate listing of Kunshan QT China on the Shenzhen Stock Exchange or Shanghai Stock Exchange in the PRC (the "**Proposed Spin-off**") to the Stock Exchange for approval pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), and received the approval from the Stock Exchange on 23 April 2021. On 23 June 2021, Kunshan QT China submitted an application to the ChiNext of Shenzhen Stock Exchange for the proposed listing, and received the notice of acceptance from the Shenzhen Stock Exchange on 30 June 2021. As the equity interest of the Company in Kunshan QT China is expected to decrease upon completion of the proposed initial public offering of Kunshan QT China's ordinary shares, the Proposed Spin-off will constitute a deemed disposal of the Company under Chapter 14 of the Listing Rules and constitute a 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, 23 February 2022, 27 June 2022 and 4 August 2022.

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

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment for the six months ended 30 June 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2022, the assets pledged by the Group included bank deposits and shares of an associate of approximately RMB1,140,344,000, representing an increase of approximately RMB191,448,000 as compared with approximately RMB948,896,000 as at 31 December 2021. These pledged assets were used as guarantee for bank borrowings and bank guarantee letters.

EMPLOYEE POLICIES AND REMUNERATION

As at 30 June 2022, the number of staff of the Group was 9,119 (including contractual staff and non-contractual staff such as staff under internship agreements and labour service agreements) (as at 30 June 2021: 10,950). The Group is committed to providing all staff with fair working environment, providing newly recruited staff with induction training and job technical counseling to help them to adopt to job requirements quickly, providing all staff with clear job responsibilities guidelines and for employees at different positions with on-the-job training together with other training programmes to help to improve their skills and knowledge, and strived to provide all staff with competitive remuneration packages. During the Period, the remuneration of the employees (including staff under labour service agreements and internship agreements) of the Group was approximately RMB456,309,000 (the Corresponding Period: approximately RMB522,836,000). 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 Period, the Company has accepted the applications from 61 staff and issued a total of 2,543,715 ordinary shares at the exercise price of HK\$4.65 per share and total consideration received was approximately HK\$11,828,000. A total of 27,585 options granted on 7 December 2018 were cancelled as a result of the personal performance of 9 staff during the Period. As at 30 June 2022, a total of 252,000 Share Options 2018 were outstanding.

- (ii) On 21 June 2019, the Company granted a total of 11,454,000 share options to 68 staff (none of the grantees are Directors, chief executive or substantial shareholders of the Company or any of their respective associates) in accordance with the Share Option Scheme (the “**Share Options 2019**”), and the grantees may apply to exercise the share options by phases from 1 April 2021 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 21 June 2019 for details). During the Period, the Company has accepted the applications from 2 staff and issued a total of 9,000 ordinary shares at the exercise price of HK\$6.02 per share and total consideration received was approximately HK\$54,000. A total of 25,770 options granted on 21 June 2019 were cancelled as a result of the personal performance of 5 staff during the Period. As at 30 June 2022, a total of 2,472,030 Share Options 2019 were outstanding.
- (iii) In addition, on 16 September 2020, the Company granted a total of 17,879,600 share options to 119 staff (including two executive Directors, Mr. Hu Sanmu and Mr. Fan Fuqiang) in accordance with the Share Option Scheme (the “**Share Options 2020**”), and grantees may apply to exercise the share options by phases from 1 April 2021 onwards upon fulfilling certain conditions (please refer to the announcement of the Company dated 16 September 2020 for details). During the Period, none of the Share Options 2020 were exercised. A total of 327,000 options granted on 16 September 2020 were lapsed as a result of the resignations of 5 staff during the Period. A total of 5,229,320 Share Options 2020 were cancelled during the Period due to performance conditions related to certain revenue growth target were not met during the year 2021. As at 30 June 2022, a total of 5,783,520 Share Options 2020 were outstanding.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily due to certain receivables, payables, cash balances and loans that are denominated in foreign currencies other than RMB arising from the operating activities such as bank borrowings, product sales and purchase of raw materials. The Group is also exposed to currency risk from the exchange or translation of USD and Hong Kong Dollars into RMB. During the Period, as the sales income of the Group was still mainly settled in RMB but various raw materials for production and some equipment for production were purchased from overseas and settled in USD, while the central parity rate of RMB against USD recorded an downward adjustment of approximately 5.3% from 6.3757 at the beginning of the Period to 6.7114 at the end of the Period, the Group eventually recorded a foreign exchange loss of approximately RMB10,302,000 (the Corresponding Period: foreign exchange gain of approximately RMB20,437,000). As affected by multiple factors such as politics, economic, and supply and demand, the trend of RMB against USD in the future is subject to great uncertainties. It is difficult to adjust the business model of the Group in the short run. Therefore, the profit or loss of the Group may still be affected by exchange rate fluctuation in the future. The Group will, on one hand, continuously strive to strengthen the expansion of overseas business and strive to reduce the proportion of USD expense; on the other hand, the Group will continuously enhance daily monitoring of the exchange rate, and fix the future foreign exchange costs by properly using financial instruments, so as to strengthen the management of foreign exchange risks and strive to reduce foreign exchange loss. However, the Group is also clearly aware that there are many factors affecting exchange rates, and the mechanism to determine exchange rate is complicated and fickle, thus it is difficult to estimate its trend. Therefore, the profit or loss of the Group may still be affected by exchange rate fluctuation.

DIVIDEND

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

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

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

COMPLIANCE WITH MODEL CODE

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

CORPORATE GOVERNANCE PRACTICES

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

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

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee comprises of three independent non-executive Directors, namely Mr. Ng Sui Yin (the chairman), Mr. Ko Ping Keung and Mr. Chu Chia-Hsiang. The Audit Committee has reviewed the interim results and the interim report of the Company for the Period with the Company’s management. The Company’s independent auditor, KPMG, has also reviewed the interim financial report for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by HKICPA.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in the section headed “Business Review” and above, there was no other important event affecting the Group that occurred after 30 June 2022 and up to the date of this announcement.

INTERIM REPORT

This results announcement is available on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.qtechsmartvision.com>). The 2022 interim report will be despatched to the Shareholders and will be published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 8 August 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.