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 2024

HIGHLIGHTS

- The unaudited revenue of the Group for the six months ended 30 June 2024 (the "**Period**") amounted to approximately RMB7,675,142,000, representing an increase of approximately 40.1% as compared with that of the six months ended 30 June 2023 (the "**Corresponding Period**"). The increase in revenue was mainly attributable to the year-on-year increase of approximately 30.8% in the sales volume of the Group's camera modules for the Period.

- Gross profit of the Group for the Period was approximately RMB400,099,000, while gross profit margin was approximately 5.2%, which represented an increase of approximately 1.8 percentage points as compared with approximately 3.4% for the Corresponding Period. The increase in gross profit margin was mainly attributable to the following: (i) the global smartphone market rebounded during the Period, with the Group securing a higher share of cooperation with major smartphone brands worldwide. Additionally, the Group made significant strides in its camera module business for automotive and IoT applications, resulting in a year-on-year increase of approximately 30.8% in the Group's sales volume of camera modules. The utilization rate of production capacity was significantly improved compared to the Corresponding Period, facilitating the allocation of costs such as depreciation and labour costs; and (ii) the Group remained committed to its operations strategy of focusing on mid-to-high-end mobile phone camera modules, and accelerating the development of camera module business in other fields during the Period. The combined sales volume of camera modules with resolutions of 32 megapixels and above for mobile phones and the camera modules for other applications accounted for approximately 49.2% of the total sales volume of camera modules. Such increase in the proportion of high-end products has contributed to enhancing the added value of the Group's products, which further benefited the improvement of gross profit margin.

- Profit of the Group for the Period was approximately RMB115,232,000, representing an increase of approximately 431.2% as compared with that in the Corresponding Period. The increase in profit was mainly attributable to the increase in revenue as compared with that in the Corresponding Period and the year-on-year increase in gross profit margin.

- Basic and diluted earnings per share for the Period were approximately RMB0.097 and RMB0.097 respectively.

FINANCIAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") 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 2024 together with the relevant comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 - unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**7,675,142**	5,476,543
Cost of sales		**(7,275,043)**	(5,288,240)
Gross profit		**400,099**	188,303
Other income	*4*	**200,818**	187,833
Selling and distribution expenses		**(10,984)**	(9,832)
Administrative and other operating expenses		**(82,493)**	(70,174)
Research and development expenses		**(286,142)**	(193,898)
(Impairment loss)/reversal of impairment loss on trade and other receivables		**(605)**	522
Profit from operations		**220,693**	102,754
Finance costs	*5(a)*	**(80,872)**	(65,421)
Share of loss of an associate		**(14,137)**	(29,118)
Profit before taxation	*5*	**125,684**	8,215
Income tax	*6*	**(10,452)**	13,477
Profit for the period		**115,232**	21,692
Attributable to:			
Equity shareholders of the Company		**115,232**	20,802
Non-controlling interests		**–**	890
Profit for the period		**115,232**	21,692
Earnings per share *(RMB Cents)*			
Basic	*7(a)*	**9.7**	1.8
Diluted	*7(b)*	**9.7**	1.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 - unaudited (continued)
(Expressed in Renminbi)

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Profit for the period	**115,232**	21,692
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
– Share of other comprehensive income of an associate	**1,759**	7,186
– Equity investment at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	**1,617**	–
Items that are or may be reclassified subsequently to profit or loss:		
– Share of other comprehensive income of an associate	**3,959**	4,294
– Exchange differences on translation of financial statements of operations outside Chinese Mainland	**(18,164)**	(38,035)
Other comprehensive loss for the period	**(10,892)**	(26,555)
Total comprehensive income/(loss) for the period	**104,403**	(4,863)
Attributable to:		
Equity shareholders of the Company	**104,403**	(5,753)
Non-controlling interests	**–**	890
Total comprehensive income/(loss) for the period	**104,403**	(4,863)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 - unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2024** *RMB'000*	At 31 December 2023 *RMB'000*
Non-current assets			
Property, plant and equipment		**2,700,461**	2,845,043
Interest in an associate		**259,317**	279,035
Intangible assets		**19,511**	22,689
Equity securities designated at fair value through other comprehensive income		**47,246**	5,600
Financial assets measured at amortised cost		**642,917**	473,976
Prepayment for acquisition of non-current assets		**28,278**	19,876
Other non-current assets		**9,550**	9,550
Deferred tax assets		**171,887**	180,292
		3,879,167	3,836,061
Current assets			
Inventories		**1,408,332**	1,777,515
Contract assets		**5,390**	3,637
Trade and other receivables	*8*	**3,616,849**	4,201,289
Financial assets measured at fair value through profit or loss		**473,084**	511,242
Financial assets measured at amortised cost		**272,741**	121,589
Derivative financial instruments	*9*	**24,977**	–
Pledged bank deposits	*10*	**969,383**	1,301,776
Fixed deposits with banks with original maturity over three months		**1,480,297**	296,557
Cash and cash equivalents		**1,710,030**	2,893,084
		9,961,083	11,106,689
Current liabilities			
Short-term bank borrowings	*11*	**4,018,833**	4,151,506
Trade and other payables	*12*	**4,493,733**	5,437,031
Contract liabilities		**8,096**	5,548
Derivative financial instruments	*9*	**44,096**	52,300
Lease liabilities		**7,256**	8,389
Current tax payable		**6,190**	11,708
		8,578,204	9,666,482
Net current assets		**1,382,879**	1,440,207
Total assets less current liabilities		**5,262,046**	5,276,268

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 - unaudited (continued)
(Expressed in Renminbi)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current liabilities			
Long-term bank borrowings	*11*	**120,471**	219,493
Lease liabilities		**4,372**	7,484
Deferred income		**195,681**	212,687
Deferred tax liabilities		**4,839**	4,853
		325,363	444,517
NET ASSETS		**4,936,683**	4,831,751
CAPITAL AND RESERVES			
Share capital	*13(b)*	**9,486**	9,486
Reserves		**4,927,197**	4,822,265
Total equity attributable to equity shareholders of the Company		**4,936,683**	4,831,751
Non-controlling Interests		**–**	–
TOTAL EQUITY		**4,936,683**	4,831,751

NOTES

(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 ("**IAS**") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 12 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2024 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.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (the "**Group**") since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

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**").

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to the interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

2 Changes in accounting policies (Continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRS Accounting Standards are discussed below:

Amendments to IAS 1, *Presentation of financial statements* ("**2020 and 2022 amendments**", or collectively the "**IAS 1 amendments**")

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures– Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are manufacturing and sales of camera modules and fingerprint recognition modules for mobile phones, automobiles, Internet of Things (IoT) and other intelligent mobile terminals. Further details regarding the Group's principal activities are disclosed in note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:		
Disaggregated by major products		
– Revenue from sales of camera modules	**7,214,806**	4,992,280
– Revenue from sales of fingerprint recognition modules	**394,671**	394,653
– Others*	**65,665**	89,610
	7,675,142	5,476,543

* Others mainly represent revenue from sales of other products and waste materials.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iii), respectively.

The Group's customer base is diversified and includes three (six months ended 30 June 2023: two) customers with whom transactions have exceeded 10% of the Group's revenues. For the six months ended 30 June 2024 and 2023, revenue from each of these customers, including sales to entities which are known to the Group to be under common control with these customers is set out below, and arose in all geographical regions as set out in note 3(b)(iii).

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Customer A	**2,213,145**	1,517,569
Customer B	**1,854,663**	1,987,608
Customer C	**1,012,022**	N/A*

* Less than 10% of the Group's revenue in the respective period.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for camera modules and fingerprint recognition modules that had an original expected duration of one year or less and does not disclose the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations.

3 Revenue and segment reporting (Continued)

(b) Segment reporting

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 presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Camera modules: this segment engaged in design, manufacture and sales of camera modules.

– Fingerprint recognition modules: this segment engaged in design, manufacture and sales of fingerprint recognition modules.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and direct expenses incurred by those segments respectively. The measure used for reporting segment result is gross profit which is calculated based on revenue less cost of sales for the relevant segment.

The Group's other operating income and expenses, such as other income, selling and distribution expenses, administrative and other operating expenses, research and development expenses, (impairment loss)/reversal of impairment loss on trade and other receivables, finance costs, share of loss of an associate, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, other operating income and expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2024 and 2023 is set out below.

	Camera modules		**Fingerprint recognition modules**		**Total**	
	Six months ended 30 June 2024 ***RMB'000***	Six months ended 30 June 2023 *RMB'000*	**Six months ended 30 June 2024** ***RMB'000***	Six months ended 30 June 2023 *RMB'000*	**Six months ended 30 June 2024** ***RMB'000***	Six months ended 30 June 2023 *RMB'000*
Disaggregated by timing of revenue recognition – Point in time						
Revenue from external customers	**7,214,806**	4,992,280	**394,671**	394,653	**7,609,477**	5,386,933
Inter-segment revenue	**4,389**	3,094	**–**	–	**4,389**	3,094
Reportable segment revenue	**7,219,195**	4,995,374	**394,671**	394,653	**7,613,866**	5,390,027
Reportable segment profit/(loss)	**405,477**	179,447	**(14,429)**	(17,683)	**391,048**	161,764

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliation of reportable segment revenue and profit or loss

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**7,613,866**	5,390,027
Elimination of inter-segment revenue	**(4,389)**	(3,094)
Other revenue	**65,665**	89,610
Consolidated revenue *(note 3(a))*	**7,675,142**	5,476,543
Profit		
Reportable segment profit	**391,048**	161,764
Elimination of inter-segment loss	**816**	611
Reportable segment profit derived from Group's external customers	**391,864**	162,375
Gross profit of other revenue	**8,235**	25,928
Other income	**200,818**	187,833
Selling and distribution expenses	**(10,984)**	(9,832)
Administrative and other operating expenses	**(82,493)**	(70,174)
Research and development expenses	**(286,142)**	(193,898)
(Impairment loss)/reversal of impairment loss on trade and other receivables	**(605)**	522
Finance costs	**(80,872)**	(65,421)
Share of loss of an associate	**(14,137)**	(29,118)
Consolidated profit before taxation	**125,684**	8,215

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and interest in an associate ("**specified non-current assets**"). The geographical location of customers is based on the location of operations of the contracting parties. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in an associate.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		**At 30 June**	At 31 December
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Chinese Mainland	**6,315,540**	4,307,348	**2,378,175**	2,338,011
Hong Kong	**6,565**	3,336	**3,764**	4,745
India	**1,008,822**	805,963	**337,759**	372,322
Others	**344,215**	359,896	**259,591**	431,689
	7,675,142	5,476,543	**2,979,289**	3,146,767

4 Other income

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Government grants*	**38,611**	64,360
Additional deduction of input value-added tax ("**VAT**")#	**37,692**	–
Interest income	**75,936**	58,462
Net foreign exchange (loss)/gain	**(26,700)**	33,196
Net fair value changes on financial instruments at fair value through profit or loss		
– foreign exchange option contracts	**27,858**	36,006
– forward foreign exchange contracts	**38,247**	(27,262)
– wealth management products and structured deposits	**7,767**	24,492
Net loss on disposal of property, plant and equipment	**(1,364)**	(2,300)
Dividend income from investment in securities	**1,605**	–
Others	**1,166**	879
	200,818	187,833

* Government grants were received from several local government authorities as a recognition of the Group's contribution towards the local economic development.

According to Announcement [2023] No. 43 of the Ministry of Finance and the State Taxation Administration of PRC, with effect from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to deduct additional 5% of the current deductible input VAT from the VAT payable. Two subsidiaries of the Company, included Kunshan QTech Microelectronics Co., Ltd. ("**Kunshan QT China**") and Kunshan QTech Biological Recognition Technology Limited ("**Kunshan BR Subsidiary**") are qualified for such additional input VAT deduction.

5 Profit before taxation

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank borrowings	**80,536**	64,911
Interest on lease liabilities	**336**	510
	80,872	65,421

5 Profit before taxation (Continued)

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
(b) Staff costs		
Contributions to defined contribution retirement plans	**22,898**	21,150
Salaries, wages and other benefits	**485,454**	349,347
Equity settled share-based payment expenses	**529**	–
	508,881	370,497

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
(c) Other items		
Amortisation of intangible assets	**3,216**	2,051
Depreciation charge*	**233,583**	200,828
Impairment loss/(reversal of impairment loss) on trade receivables	**315**	(509)
Impairment loss/(reversal of impairment loss) on other receivables	**290**	(13)
Cost of inventories*	**7,409,240**	5,361,874

* Cost of inventories includes RMB561,325,000 (six months ended 30 June 2023: RMB435,449,000) relating to staff costs and depreciation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 Income tax

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
– PRC Corporate Income Tax and income taxes of other tax jurisdictions	**1,706**	930
– Under-provision in respect of prior years	**203**	–
	1,909	930
Deferred taxation	**8,543**	(14,407)
Total	**10,452**	(13,477)

(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**") is 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 25.17%, 9% and 17% respectively.

(iv) The PRC statutory income tax rate is 25%.

Kunshan QT China was qualified as a High and New Technology Enterprise ("**HNTE**") in 2009, which entitled it 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 in May 2012, July 2015, October 2018 and November 2021 respectively and continued to enjoy a preferential income tax rate of 15% for another three years commenced from 1 January 2021. Kunshan QT China has submitted an application to the statutory department to renew its qualification of HNTE in July 2024.

Shenzhen Q Technology Limited ("**Shenzhen QT Subsidiary**") was qualified as a HNTE in 2019 and renewed the HNTE qualification in December 2022 to enjoy a preferential income tax rate of 15% for three years commenced from 1 January 2022.

Kunshan BR Subsidiary was qualified as a HNTE in 2022 to enjoy a preferential income tax rate of 15% for three years commenced from 1 January 2022.

Kunshan QTech Optoelectronic Technology Limited ("**QT Optoelectronic Subsidiary**") was qualified as a HNTE in 2022 to enjoy a preferential income tax rate of 15% for three years commenced from 1 January 2022.

6 Income tax (Continued)

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents: (Continued)

(v) According to the two-tiered profits tax rate regime introduced under the Inland Revenue (Amendment) (No.3) Ordinance 2018 (the "**Ordinance**"), the first HK$2 million of assessable profits earned by a company will be taxed at 8.25% whilst the remaining assessable profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. The Ordinance was first effective from the year of assessment 2018/2019.

(vi) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from Chinese Mainland enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the Chinese Mainland if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the Chinese Mainland company.

The provision of the related deferred tax liabilities, if any, are based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of the retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(b) Pillar Two income tax

The Group is subject to the global minimum top-up tax under the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two income taxes are levied on Korea Q Tech under the new tax laws in the Republic of Korea which introduced a domestic minimum top-up tax effective from 1 January 2024.

The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred.

This new tax policy did not have a material impact on the consolidated financial statements of the Group for the six months ended 30 June 2024.

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 RMB115,232,000 (six months ended 30 June 2023: RMB20,802,000) and the weighted average of 1,184,538,000 ordinary shares (six months ended 30 June 2023: weighted average of 1,184,538,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

For the six months ended 30 June 2024 and 30 June 2023, share options under the Company's employee share option scheme (note 13(c)) were excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive. There were no other dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

8 Trade and other receivables

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables		
– third parties	**3,362,022**	3,880,699
– related parties	**10,825**	2,229
Bills receivable		
– third parties	**48,129**	33,157
Trade and bills receivables	**3,420,976**	3,916,085
Less: loss allowance	**(1,119)**	(858)
	3,419,857	3,915,227
Other deposits, prepayments and receivables	**196,992**	286,062
	3,616,849	4,201,289

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

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 loss allowance, is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 month	**2,454,418**	2,815,371
Over 1 month but within 3 months	**954,753**	1,092,546
Over 3 months but within 6 months	**9,273**	5,150
Over 6 months but within 1 year	**1,312**	140
More than 1 year	**101**	2,020
	3,419,857	3,915,227

Trade and bills receivable are generally due within 30 days to 90 days from the date of billing.

9 Derivative financial instruments

	At 30 June 2024	
	Assets	**Liabilities**
	RMB'000	***RMB'000***
Foreign currency derivative instruments		
– Forward foreign exchange contracts	**19,970**	**(6,416)**
– Foreign exchange option contracts	**5,007**	**(37,680)**
	24,977	**(44,096)**

	At 31 December 2023	
	Assets	Liabilities
	RMB'000	*RMB'000*
Foreign currency derivative instruments		
– Forward foreign exchange contracts	–	(43,771)
– Foreign exchange option contracts	–	(8,529)
	–	(52,300)

10 Pledged bank deposits

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Pledged for		
– short-term bank borrowings *(note 11)*	**399,591**	967,979
– letters of guarantee	**569,792**	333,797
	969,383	1,301,776

11 Bank borrowings

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Long-term bank borrowings		
– unsecured	**120,471**	219,493
Short-term bank borrowings		
– secured *(note (a))*	**408,395**	977,190
– unsecured	**3,610,438**	3,174,316
	4,018,833	4,151,506
	4,139,304	4,370,999

Bank borrowings bear interest ranging from 2.23% to 5.60% per annum as at 30 June 2024 (31 December 2023: 2.40% to 5.77%).

(a) Assets pledged as security for bank borrowings

At 30 June 2024, the secured bank borrowings of RMB408,395,000(31 December 2023: RMB977,190,000) were secured by the following assets of the Group:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Pledged by shares of an associate*	**103,840**	111,660
Pledged by bank deposits *(note 10)*	**399,591**	967,979
	503,431	1,079,639

* As at 30 June 2024, 26,160,850 (31 December 2023: 26,160,850) shares of an associate held by the Group were pledged as security for short-term bank borrowings.

(b) The analysis of the repayment schedule of bank borrowings is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year or on demand	**4,018,833**	4,151,506
Over 1 year but within 2 years	**120,471**	138,821
After 2 years but within 5 years	**–**	80,672
	4,139,304	4,370,999

(c) Several banking facilities and borrowings of the Group are subject to the fulfilment of covenants relating to certain of the Group's subsidiaries' statement of financial position ratio. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants.

12 Trade and other payables

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables		
– third parties	**3,092,219**	4,209,719
– related parties	**38,679**	24,529
Bills payable		
– third parties	**1,048,193**	993,424
Trade and bills payables	**4,179,091**	5,227,672
Accrued payroll	**85,459**	78,321
Other payables and accruals	**229,183**	131,038
	4,493,733	5,437,031

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

As of the end of the reporting period, the ageing analysis of the trade and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 3 months	**3,469,916**	4,032,954
Over 3 months but within 6 months	**351,624**	482,518
Over 6 months but within 1 year	**3,826**	3,160
Over 1 year	**4,855**	2,386
	3,830,221	4,521,018

As at 30 June 2024, the accrued trade payables which represented the amounts with no invoice received by the end of the reporting period, amounted to RMB348,870,000 (31 December 2023: RMB706,654,000).

13 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 2023.

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

No dividend in respect of the previous financial year was approved or paid during the six months ended 30 June 2024 and 2023.

13 Capital, reserves and dividends (Continued)

(b) Share capital

	Number of Shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each	50,000,000	500,000

	Number of shares *'000*	Nominal value of ordinary shares *HK$'000*	 *RMB'000*
Issued and fully paid:			
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	1,184,538	11,844	9,486

(c) Equity settled share-based transactions

On 5 June 2024, the Company granted share options to 506 eligible participants to subscribe for a total of 10,280,000 ordinary shares in accordance with the terms and conditions of the post-IPO share option scheme adopted by the Company on 13 November 2014 (no share options were granted during the six months ended 30 June 2023). Each option gives the holder the right to subscribe for one ordinary share of the Company, subject to certain performance conditions as disclosed in relevant announcement of the Company. The exercise price is HK$3.518 per share, being the average closing price for the five trading days (both dates inclusive) immediately preceding the date of grant.

No options were exercised during the six months ended 30 June 2024 (2023: Nil).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank borrowings and lease liabilities) less cash and cash equivalents and fixed deposits with banks with original maturity over three months.

13 Capital, reserves and dividends (Continued)

(d) Capital management (Continued)

The Group's adjusted net debt-to-capital ratio at 30 June 2024 and 31 December 2023 was as follows:

	Note	**At 30 June 2024** *RMB'000*	At 31 December 2023 *RMB'000*
Current liabilities:			
Short-term bank borrowings	*11*	**4,018,833**	4,151,506
Lease liabilities		**7,256**	8,389
		4,026,089	4,159,895
Non-current liabilities:			
Long-term bank borrowings	*11*	**120,471**	219,493
Lease liabilities		**4,372**	7,484
Total debt		**4,150,932**	4,386,872
Less: Cash and cash equivalents		**1,710,030**	2,893,084
Fixed deposits with banks with original maturity over three months		**1,480,297**	296,557
Adjusted net debt		**960,605**	1,197,231
Total equity		**4,936,683**	4,831,751
Adjusted net debt-to-capital ratio		**19.5%**	24.8%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back to the Period, the global macroeconomic landscape has shown promising development, with many international institutions gradually shifting their economic outlooks from pessimistic to cautiously optimistic. According to the World Bank's latest Global Economic Prospects report in June 2024, the global economy is expected to experience its first stable growth in three years during 2024, with the growth rate projected to stabilize at 2.6% for 2024. The United Nations, in its World Economic Situation and Prospects as of mid-2024 released in May 2024, expressed cautious optimism regarding the prospects for global economic growth. Both developed and developing economies are anticipated to exceed the forecasts for the beginning of 2024. China's economic growth rate for 2024 is projected to reach 4.8%, surpassing the forecast of 4.7% for the beginning of 2024. The US's anticipated economic growth rate for 2024 has been revised upward from 1.4% to 2.3%, while India's anticipated growth rate has been adjusted upward from 6.2% to 6.9%. Furthermore, the World Economic Outlook Update released in July 2024 by the International Monetary Fund predicts that global economic growth rates for the years 2024 and 2025 will be 3.2% and 3.3% respectively, with the growth rate of 2025 revised up by 0.1 percentage point from the forecast in April. Concurrently, the declining inflation rate has provided a favorable foundation for the recovery of global consumer confidence and purchasing capacity for discretionary consumer goods. This has positively influenced the demand for products such as new energy vehicles, smartphones, smart home devices and AR/VR technologies.

In terms of smartphones, the global smartphone shipment report for the second quarter of 2024 released in July 2024 by International Data Corporation ("**IDC**"), an independent third-party market research institution, revealed a 6.5% year-on-year increase in overall global smartphone shipments in the second quarter of the year. This marked the fourth consecutive quarter of growth, where the overall Chinese smartphone market's shipments rose 8.9% year-on-year, outperforming market expectations. The data released by the domestic market in China corroborated the anticipated recovery above. According to a report published by the China Academy of Information and Communications Technology in July 2024, China's mobile phone shipments for the first half of year 2024 reached 147 million units, representing a 13.2% year-on-year increase. In contrast, for the first half of 2023, China's mobile phone shipments had declined by 4.8% year-on-year, underscoring the gradual recovery in shipment volumes. The resurgence in smartphone sales has significantly boosted demand for camera modules and fingerprint recognition modules. Along with the increase in volume, to better address diverse requirements such as low-light photography, long-distance shooting, video recording, wide-angle and macro photography, shake-resistant photography, and AI computation, smartphone brands have reinitiated upgrades to optical component specifications. There has been a continuous increase in models featuring high-end camera modules, including periscope cameras, high-magnification optical image stabilization, variable apertures, and large-size ultra-high-pixel sensors. In addition, the number of models equipped with ultrasonic fingerprint recognition modules and optical fingerprint recognition modules has been steadily rising, further benefiting the market scale expansion of camera modules and fingerprint recognition modules for smartphone applications.

In terms of smart vehicles, the State Council issued the Action Plan for Energy Conservation and Carbon Reduction for 2024-2025 in May 2024, highlighting the promotion of low-carbon transformation in transportation equipment. It proposed gradually lifting restrictions on new energy vehicle purchases across regions and implementing supportive policies to facilitate new energy vehicle access, further bolstering the development of the new energy vehicle industry. According to data released by the China Passenger Car Association ("**CPCA**") in July 2024, China's cumulative retail sales of passenger cars in the first half of 2024 reached 9.841 million units, representing a 3.3% year-on-year increase. Notably, cumulative retail sales of new energy vehicles for the first half of the year reached 4.111 million units, surging 33.1% year-on-year, with penetration rates continuing to rise. The rapid development of new energy vehicles has accelerated the application and development of smart driving systems. Also, as camera modules serve as the core sensor for smart driving system applications, their demand has witnessed a significant increase, along with a substantial increase in smart driving solutions featuring more than 8, or even 10, automotive camera modules.

The gradually improving macroeconomic landscape and the gradual easing of inflationary pressures have provided clear support for the recovery of consumer spending power and confidence. Moreover, the resurgence in smartphone shipments and the significant growth in penetration rates of new energy vehicles and smart driving systems have fueled robust growth momentum for camera module demand. Meanwhile, the Group has intensified its marketing efforts targeting leading smartphone brands, tier-1 suppliers in smart driving, prominent new energy vehicle brands, leading consumer drone brands, and smart home industry leaders. The Group's market share of cooperation among key customers has steadily increased, with continuous breakthroughs achieved in fostering customer relationships across these domains, laying a solid foundation for all the Group's business development during the Period. During the Period, the Group's sales volume of camera modules recorded a year-on-year increase of approximately 30.8%, with the sales volume of camera modules for smart vehicles and Internet of Things (IoT) smart terminals surging significantly by approximately 100.4% year-on-year. Additionally, the sales volume of fingerprint recognition modules also grew by approximately 16.7% year-on-year, enabling the Group's revenue to achieve rapid growth compared to the Corresponding Period. Revenue for the Period was approximately RMB7,675,142,000, representing an increase of approximately 40.1% as compared with that in the Corresponding Period.

During the Period, the gross profit margin of the Group was approximately 5.2%, representing an increase of approximately 1.8 percentage points as compared with approximately 3.4% in the Corresponding Period, which was mainly attributable to the following: (i) the global smartphone market rebounded during the Period, with the Group securing a higher share of cooperation with major smartphone brands worldwide. Additionally, the Group made significant strides in its camera module business for automotive and IoT applications, and the utilization rate of production capacity was significantly improved compared to the Corresponding Period, facilitating the allocation of costs such as depreciation and labour costs; and (ii) the Group remained committed to its operations strategy of focusing on mid-to-high-end mobile phone camera modules, and accelerating the development of camera module business in other fields during the Period. The combined sales volume of camera modules with resolutions of 32 megapixels and above for mobile phones and the camera modules for other applications accounted for approximately 49.2% of the total sales volume of camera modules. Such increase in the proportion of high-end products has contributed to enhancing the added value of the Group's products, which further benefited the improvement of gross profit margin. In addition, although RMB continued to depreciate against USD, the extent of depreciation moderated compared to the Corresponding Period. As of the end of the Period, the central parity rate of RMB against USD stood at 7.1268, depreciating by approximately 0.6% from 7.0827 at the end of 2023 (a depreciation of approximately 3.8% for the Corresponding Period), which helped stabilize the overall cost of imported materials settled in USD. During the Period, the Group's profit amounted to approximately RMB115,232,000, representing a year-on-year increase of approximately 431.2%, which was mainly attributable to the increase in revenue and the year-on-year improvement in gross profit margin.

The Group published the Strategic Plan for the Five-Year (2021-2025) Operation and Development of Q Technology (Group) Company Limited（《丘鈦科技（集團）有限公司五年（2021-2025年）經營發展戰略規劃》）(the "**Five-year Strategic Plan**") for the first time in the 2021 interim results announcement of the Company, setting out a development blueprint for the next five years. Now in the fourth year, despite the fluctuating external environment, all the employees of the Group remained steadfast in their original aspirations and have been advancing with this strategic deployment, proactively embracing change, and seeking progress and striving for strength amidst evolving circumstances. During the Period, the management team proactively expanded its customer base externally and increased collaboration with existing clients, successively securing cooperation qualifications from multiple global leading automotive tier 1 suppliers, AR/VR industry leaders, and smart home industry leaders. Additionally, the Group progressively augmented its supply of high-end product to major customers, including periscope camera modules, optical image stabilization (OIS) camera modules, large image plane ultra-thin high-pixel modules, and ultrasonic fingerprint recognition modules. Internally, the Group continued its efforts to deepen the optimization of its organizational structure, process and system construction, project cycle management, and information system upgrades, while concurrently strengthening product research and development ("**R&D**") of camera modules across various domains, such as smartphones, smart driving, and smart homes, and exerting efforts in enhancing the digitalization and intelligent construction of the entire production process, so that product capabilities, operational capabilities, and delivery capabilities continued to be optimized. We surpassed the three business targets for the year 2024 ("**Business Target(s)**") disclosed in the Company's 2023 annual results announcement, which are as follows: (i) the combined sales volume of camera modules with resolutions of 32 megapixels and above applied to mobile phones and camera modules applied to other fields accounted for approximately 49.2% of the total sales volume of camera modules (the Business Target was to achieve above 45%, while the proportion achieved in the Corresponding Period was approximately 37.1%); (ii) the sales volume of camera modules applied to the non-handset fields such as automotive and IoT increased by approximately 100.4% year-on-year (the Business Target was not less than 50%); and (iii) the sales volume of camera modules for the mobile phones increased by approximately 29.6% year-on-year (the Business Target was not less than 5%). Furthermore, the proportion of optical under-glass fingerprint recognition modules in the sales volume of fingerprint recognition modules also rose from approximately 58.5% in the Corresponding Period to approximately 71.6%. The Group remains resolute in confronting challenges and unwavering in its commitment to realize its strategic objectives through sustained and dedicated efforts.

PROSPECTS

Looking ahead, while the global macroeconomic landscape has shown promising development during the Period, the political climate remains concerning. The Russia-Ukraine military conflict persists unresolved, with shifting dynamics in the Middle East. Ideological tensions and trade protectionism continue to escalate, and the elevated US interest rates have precipitated substantial currency devaluations in developing countries, particularly across multiple Asian countries. The outlook for global economic growth remains shrouded in uncertainty. Nevertheless, the Directors believe in the coexistence of opportunities amidst these challenges.

Firstly, smartphones are poised to maintain a promising development outlook. Many independent third-party market research institutions, such as IDC and Counterpoint, anticipate a year-on-year increase in smartphone shipments in 2024, reflecting a relatively healthy trajectory. On one hand, according to data released by the United Nations, the global population has surpassed 8 billion, with nearly three-quarters being adults as potential smartphone users. Consequently, whether it is the replacement demand from existing users or the increasing smartphone penetration rate, these factors contribute to sustaining substantial smartphone sales volumes. On the other hand, driven by advancements in AI technology, consumer demand for enhanced features like AI assistants and on-device processing has surged significantly. Currently, numerous global smartphone brands have either launched or planned to introduce smartphones equipped with generative AI capabilities ("**AI Phones**"). According to data from Canalys, an independent third-party research institution, it is projected that 16% of global smartphone shipments in 2024 will be AI Phones, and this proportion is expected to soar to 54% by 2028. The rapid penetration of AI Phones will be conducive to driving smartphone replacement demand. Camera modules serve as both core functional components of smartphones and crucial sources of computational data for generative AI. The sustained growth in smartphone sales bodes well for the positive development of the camera module market. Meanwhile, the increasing penetration of AI Phones and their stringent requirements for data input will foster the continued upgrading and configuration enhancements of camera modules, thereby benefiting the steady development of the market scale for camera modules.

Secondly, new energy vehicles are poised to sustain their rapid development, while autonomous driving and smart driving technologies are set to accelerate their progress. According to the forecast released by the CPCA in July 2024, the cumulative retail sales of passenger vehicles nationwide throughout 2024 are anticipated to surpass 22 million units, continuing their growth momentum. Concurrently, the penetration rate of new energy vehicles is expected to reach 40%. At the 2024 World Artificial Intelligence Conference, which commenced on 4 July 2024, the smart driving domain was comprehensively highlighted, showcasing the vast potential for future smart transformations and upgrades across land, sea, and air. Numerous industry enterprises deeply involved in the commercialization of autonomous driving unveiled their autonomous driving data solutions at the conference. Recently, an increasing number of companies engaged in the commercial operation of autonomous driving have expedited the rollout of unmanned driving services. Camera modules, serving as the core information interaction interface for automotive autonomous driving and unmanned driving, and encompassing application scenarios such as side view, surround view, advanced driver assistance systems (ADAS), electronic rearview mirrors, and driver monitoring, have garnered significant attention from various automotive brands and smart driving solution providers. Smart driving solutions with more than 8 camera modules have witnessed a notable increase, with some high-end types even featuring over 10 automotive camera modules as standard equipment. Also, considering factors such as imaging accuracy, encapsulation density, heat dissipation performance, and mass production, automotive camera modules are undergoing a technical transition from traditional ball grid array (BGA) to chip-on-board (COB) assembly. This aims to enhance the stability and reliability of automotive cameras in high-temperature environments, among which the pixel count of ADAS modules is evolving from the original 2 megapixels to configurations of 8 megapixels or even higher resolutions. The Group has consistently maintained a globally leading position in terms of COB technology capabilities and is well-positioned to embrace new development opportunities throughout this process.

In summary, the Directors believe that the intelligent vision industry presents both opportunities and challenges in the future. In the long run, the sales volume of smartphones is expected to remain stable, thus providing solid support for the demand and specification upgrades of mobile phone camera modules. The increasing penetration rate of new energy vehicles and the rapid development of AI technology will help accelerate the development of smart vehicles and/or autonomous driving systems, fueling growth momentum in demand and specification requirements for automotive camera modules. The smart home and IoT sectors also hold the potential for steady growth in demand. Consequently, the long-term development prospects for camera modules remain vast. On the other hand, the optical and structural designs of camera modules may become more intricate, requiring higher integration levels for three aspects encompassing product functionality, performance, and size. This will demand increasingly higher integrated capabilities in integrating modules, motors, lenses and ensemble algorithm, etc. across design, development, manufacturing, and quality control processes. In this fiercely competitive landscape, only intelligent vision product manufacturers possessing both upstream component design expertise and large-scale automated production capabilities will likely emerge as leaders, offering comprehensive intelligent vision solutions. The Directors believe that only by deepening our relentless pursuit of large-scale intelligent manufacturing, new technology R&D, and vertical supply chain integration, together with strategies for steadfastly implementing our platform, components, and system integration, as well as our firm adherence to a customer-centric service approach, continuous expansion of our international presence and the multi-domain development of camera modules, can the Group maintain long-term relative competitiveness and provide high-end quality products and rapid response services to a wide range of customers.

Considering the market conditions and the Group's actual development and comprehensive capabilities, the Directors remain confident in guiding the Group to navigate challenges and achieve commendable progress in the new year despite the complex and ever-changing macroeconomic conditions. We are committed to realizing the Five-year Strategic Plan, upholding the Group's vision of "to illuminate machines" and striving to create greater value for the Company's shareholders ("**Shareholders**").

FINANCIAL REVIEW

Revenue

During the Period, the revenue of the Group was approximately RMB7,675,142,000, representing a year-on-year increase of approximately 40.1% as compared with approximately RMB5,476,543,000 in the Corresponding Period. The increase in revenue was mainly attributable to the year-on-year increase of approximately 30.8% in the sales volume of the Group's camera modules for the Period.

Cost of Sales

During the Period, the cost of sales of the Group increased by approximately 37.6% to approximately RMB7,275,043,000 as compared with approximately RMB5,288,240,000 in the Corresponding Period. The increase in cost of sales was mainly attributable to an increase in revenue of approximately 40.1% as compared with that in the Corresponding Period, resulting in a corresponding increase in costs such as material costs.

Gross Profit and Gross Profit Margin

During the Period, the gross profit of the Group was approximately RMB400,099,000 (Corresponding Period: approximately RMB188,303,000), representing a year-on-year increase of approximately 112.5%, while the gross profit margin was approximately 5.2% (Corresponding Period: approximately 3.4%). The increase in gross profit margin was mainly attributable to the following: (i) the global smartphone market rebounded during the Period, with the Group securing a higher share of cooperation with major smartphone brands worldwide. Additionally, the Group made significant strides in its camera module business for automotive and IoT applications, resulting in a year-on-year increase of approximately 30.8% in the Group's sales volume of camera modules. The utilization rate of production capacity was significantly improved compared to the Corresponding Period, facilitating the allocation of costs such as depreciation and labour costs; and (ii) the Group remained committed to its operations strategy of focusing on mid-to-high-end mobile phone camera modules, and accelerating the development of camera module business in other fields during the Period. The combined sales volume of camera modules with resolutions of 32 megapixels and above for mobile phones and the camera modules for other applications accounted for approximately 49.2% of the total sales volume of camera modules. Such increase in the proportion of high-end products has contributed to enhancing the added value of the Group's products, which further benefited the improvement of gross profit margin.

Other Income

During the Period, the Group's other income was approximately RMB200,818,000, representing an increase of approximately 6.9% as compared with approximately RMB187,833,000 in the Corresponding Period. The increase in other income was mainly attributable to: (i) the increase in the arrangements of fixed deposits with banks with original maturity over three months and flexibility in arranging deposit term as well as deposit currencies to secure better interest rates resulted in an increase in interest income of approximately RMB17,474,000 as compared to that of the Corresponding Period; (ii) in accordance with a new policy issued by the PRC government, the Group was entitled to an additional deduction of 5% for value-added tax input tax, resulting in an income of approximately RMB37,692,000, and there was no such policy during the Corresponding Period; (iii) the fair value changes of the forward foreign exchange contracts at fair value through profit or loss incurred gain of approximately RMB38,247,000 as compared with a loss of approximately RMB27,262,000 in the Corresponding Period; although (iv) government subsidies for the Period were approximately RMB38,611,000, representing a decrease of approximately RMB25,749,000 as compared with approximately RMB64,360,000 in the Corresponding Period; and (v) in order to balance income and liquidity needs, the Group reduced the purchase of financial products and structured deposits during the Period, resulting in a decrease in income of approximately RMB16,725,000 as compared to the Corresponding Period.

Selling and Distribution Expenses

During the Period, selling and distribution expenses of the Group amounted to approximately RMB10,984,000, representing an increase of approximately 11.7% as compared with approximately RMB9,832,000 in the Corresponding Period. The ratio of selling and distribution expenses to revenue was approximately 0.1%, representing a slight decrease as compared with approximately 0.2% in the Corresponding Period. Such increase was mainly attributable to the Group's heightened business travel and customer engagement activities for the Period to strengthen its presence in the overseas market and expand its automotive business, as well as the increase in remuneration of sales staff.

Administrative and Other Operating Expenses

During the Period, the total administrative and other operating expenses of the Group amounted to approximately RMB82,493,000, representing an increase of approximately 17.6% as compared with approximately RMB70,174,000 in the Corresponding Period. The change in administrative and other operating expenses was mainly attributable to increase in the salary and performance bonus of the management officers as compared with the Corresponding Period.

R&D Expenses

During the Period, the total R&D expenses of the Group amounted to approximately RMB286,142,000, representing an increase of approximately 47.6% as compared with approximately RMB193,898,000 in the Corresponding Period. The substantial increase in R&D expenses was mainly attributable to the Group's effort in promoting the R&D of high-end camera modules for mobile phones, IoT and smart vehicles such as OIS, periscope and high-end ADAS, as well as LiDAR and integrated hardware and software optical products, which has led to an increase in material and manpower costs invested in R&D.

Finance Costs

During the Period, the finance costs of the Group were approximately RMB80,872,000, representing an increase of approximately 23.6% as compared with approximately RMB65,421,000 in the Corresponding Period. The increase in finance costs was mainly attributable to an increase in the amount of borrowings in USD of the Group during the Period as compared with the Corresponding Period after taking into account the interest cost of borrowings in USD and the difference between the spot and forward exchange rates of RMB against USD.

Share of Loss of an Associate

During the Period, Newmax Technology Co., Ltd. ("**Newmax Technology**"), an associate of the Company, continued to incur losses. The share of loss of an associate attributable to the Company was approximately RMB14,137,000, representing a decrease of approximately 51.4% as compared with the share of loss of approximately RMB29,118,000 in the Corresponding Period. The decrease in share of loss of an associate was mainly attributable to the improved operational performance by Newmax Technology during the Period.

Income Tax Expenses

During the Period, the Group recorded income tax expenses of approximately RMB10,452,000, while income tax income of approximately RMB13,477,000 was recorded in the Corresponding Period. The change in income tax expenses was mainly attributable to the significant increase in profit before tax of the Group during the Period as compared with the Corresponding Period.

Profit for the Period

During the Period, the Group recorded a profit of approximately RMB115,232,000, representing an increase of approximately 431.2% as compared with approximately RMB21,692,000 in the Corresponding Period. The increase in profit was mainly attributable to the increase in revenue of approximately 40.1% during the Period as compared with that in the Corresponding Period and the increase in gross profit margin by approximately 1.8 percentage points as compared with that in the Corresponding Period.

LIQUIDITY AND FINANCIAL RESOURCES

Bank Borrowings

As at 30 June 2024, the bank borrowings of the Group amounted to approximately RMB4,139,304,000, representing a decrease of approximately 9.1% from approximately RMB4,552,718,000 as at 30 June 2023 and a decrease of approximately 5.3% from approximately RMB4,370,999,000 as at 31 December 2023. Among the bank borrowings, short-term borrowings repayable within one year or on demand amounted to approximately RMB4,018,833,000, while long-term borrowings amounted to approximately RMB120,471,000.

As at 30 June 2024, the Group's bank borrowings were mainly denominated in RMB or USD.

The following is an overview of the Group's cash flow for the six months ended 30 June 2024 and 2023:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**691,268**	(89,714)
Net cash used in investing activities	**(1,589,624)**	(163,471)
Net cash (used in)/generated from financing activities	**(286,416)**	1,505,620

As at 30 June 2024, the cash and cash equivalents of the Group amounted to approximately RMB1,710,030,000, representing a decrease of approximately RMB906,231,000 from approximately RMB2,616,261,000 as at 30 June 2023, and a decrease of approximately RMB1,183,054,000 from approximately RMB2,893,084,000 as at 31 December 2023. The decrease in cash and cash equivalents as compared with that of the end of last year was mainly attributable to a significant increase in the fixed deposits with banks with original maturity over three months during the Period as compared with the end of last year so as to increase the income from idle funds. Meanwhile, part of the long-term and short-term bank borrowings were repaid to reduce interest expenses.

Operating Activities

During the Period, the Group recorded a net cash inflow of approximately RMB691,268,000 in operating activities, while there was a net cash outflow of approximately RMB89,714,000 in the Corresponding Period, which was mainly attributable to the significant increase in revenue of the Group as compared with the Corresponding Period as well as the significant increase in the gross profit margin as compared with the Corresponding Period.

Investing Activities

The net cash used in investing activities of the Group during the Period amounted to approximately RMB1,589,624,000, while the net cash used in investing activities amounted to approximately RMB163,471,000 for the Corresponding Period. The net cash used in investing activities of the Group during the Period was mainly used for placement of fixed deposits with banks with original maturity over three months.

Financing Activities

The net cash used in the financing activities of the Group during the Period amounted to approximately RMB286,416,000 (Corresponding Period: a net cash inflow of approximately RMB1,505,620,000), which was mainly attributable to: (i) a cash inflow from bank borrowings of approximately RMB3,503,808,000 and a cash outflow from repayment of bank borrowings of approximately RMB4,015,638,000 during the Period; and (ii) the cash receipt of approximately RMB334,737,000, being the net amount of pledged bank deposits used as security for bank borrowings and the redemption of pledged bank deposits used as security for bank borrowings.

Gearing ratio

The gearing ratio of the Group as at 30 June 2024, as defined by the total balance of bank borrowings and lease liabilities divided by total equity at the end of the Period, was approximately 84.1%, representing a decrease of approximately 6.7 percentage points from approximately 90.8% as at 31 December 2023, which was mainly attributable to a decrease of approximately 5.3% in the balance of bank borrowings as of the end of the Period compared to that as of 31 December 2023.

Adjusted Net Debt-To-Capital Ratio

The adjusted net debt-to-capital ratio of the Group as at 30 June 2024, as defined by the total balance of bank borrowings and lease liabilities less the total balance of cash and cash equivalents and fixed deposits with banks with original maturity over three months divided by total equity at the end of the Period, was approximately 19.5%, representing a decrease of approximately 5.3 percentage points from approximately 24.8% as at 31 December 2023, which was mainly attributable to a decrease in the balance of short-term bank borrowings and long-term bank borrowings as at 30 June 2024 as compared to that as at 31 December 2023, while profits were also recorded during the Period. Therefore, the total equity as at 30 June 2024 was also increased as compared to that as at 31 December 2023.

TREASURY POLICIES

The Group's treasury policy, as disclosed in the prospectus of the Company dated 20 November 2014 (the "**Prospectus**"), has been amended by the risk management committee of the Company (the "**Risk Management Committee**") on 24 March 2016, 6 December 2022 and 12 April 2024, the details of which are disclosed under the section headed "Management Discussion and Analysis" of the annual reports from 2016 to 2023. The Board, the Risk Management Committee and the staff at the relevant positions of the Company maintain ongoing monitoring and conduct risk assessments of the wealth management products. At the same time, the Company also pays close attention to the Group's liquidity and the position of its assets and liabilities to ensure sufficient working capital and maintain a reasonable level of its gearing ratio.

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**"). Approval has been received from the Stock Exchange on 23 April 2021. On 23 June 2021, Kunshan QT China submitted an application to the ChiNext Market of Shenzhen Stock Exchange for the proposed listing (the "**Proposed Listing**") and has received approval from the listing committee of the ChiNext Market of the Shenzhen Stock Exchange on 17 August 2022. Kunshan QT China has also submitted the registration application to the China Securities Regulatory Commission (the "**CSRC**") for the Proposed Listing and has received the official notice of acceptance from the CSRC on 30 December 2022, and is still undergoing the relevant approval process. For details, please refer to the 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, 4 August 2022, 17 August 2022, 29 September 2022, 2 December 2022, 30 December 2022 and 11 September 2023.

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 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2024, the Board has not approved any plans for other significant investments or acquisitions of capital assets.

CONTINGENT LIABILITIES

Kunshan Q Tech Microelectronics (India) Private Limited ("**India Q Tech**"), a subsidiary of the Company, has been involved in inspections initiated by relevant Indian authorities including the Income Tax Department and the Directorate of Revenue Intelligence in relation to compliance with relevant income tax regulations and custom duties regulations.

In connection with one of the inspections mentioned above, on 30 December 2023, India Q Tech received a draft assessment order ("**DAO**") from Government of India Ministry of Finance Income Tax Department Office of The Assistant Commissioner of Income Tax, Central Circle 30, Delhi ("**the relevant Indian authorities**"). The DAO is looking into the treatment of costs and expenses, including purchase costs of raw material and machineries paid to companies within the Group, when computing its taxable income during the year ended 31 March 2021.

Management assessed the aforesaid matter related to India Q Tech, taking into considerations of all relevant facts and circumstances including opinions from tax advisors, and concluded that India Q Tech has valid grounds to object to the relevant Indian authorities. Hence, the Group has not made any provision as of 31 December 2023 and 30 June 2024 pertaining to the matter.

Tax disputes of this nature is expected to take a long period of time and involve various levels of government and court authorities before a judgment or settlement can be reached. The Group could receive judgments or enter into settlements that may adversely affect its operating results or cash flows. Considering the current early stage of proceedings, quantifying the related financial effects is not practicable at this stage.

PLEDGE OF ASSETS

As at 30 June 2024, the assets pledged by the Group included bank deposits and shares of an associate, which amounted to approximately RMB1,073,223,000 in total, representing a decrease of approximately RMB340,213,000 as compared with approximately RMB1,413,436,000 as at 31 December 2023. These pledged assets were used as security for bank borrowings and letters of guarantees.

EMPLOYEE POLICIES AND REMUNERATION

As at 30 June 2024, the total number of staff of the Group (the "**Staff**", including contractual staff and non-contractual staff such as interns and staff under labour service agreements) was 9,396 (as at 30 June 2023: 7,212). The increase in the number of Staff compared to the Corresponding Period was mainly attributable to the significantly improved demand for camera modules and fingerprint recognition modules for the Period compared to the Corresponding Period, prompting the Group to allocate additional human resources to meet the requirements for product R&D project management, as well as production delivery. The Group is committed to providing all Staff with a fair working environment. New hires are offered induction training and job-specific technical counseling to facilitate a rapid adaptation to their role requirements. Clear job responsibility guidelines are provided to all Staff, and the Group continues to offer on-the-job training and other training programs for Staff across various positions, enabling them to enhance their skills and knowledge. The Group also endeavors to provide competitive compensation and benefits packages to all Staff. During the Period, the remuneration of the Staff (including staff under labour service agreements and interns) of the Group was approximately RMB508,881,000 (Corresponding Period: approximately RMB370,497,000). Apart from the basic salary, the package also includes performance bonus, medical insurance, share options and provident fund (for staff under labour service agreements and interns, their remunerations are treated according to the laws and regulations of the PRC).

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk arising from certain receivables, payables, cash balances and bank borrowings that are denominated in foreign currencies other than RMB generated from its operating activities, such as bank borrowings, product sales and purchase of raw materials. The Group also primarily faces foreign exchange risk in the conversion or translation between USD and HKD against RMB, as well as between USD and INR. During the Period, the sales income of the Group was still predominantly settled in RMB, but the sales income settled in INR experienced a significant increase. Additionally, various raw materials for production and some equipment for production were sourced from overseas and settled in USD. Consequently, a depreciation of RMB and/or INR against the USD would be unfavorable for the Group. During the Period, the exchange rate of INR against USD depreciated from 0.01201 at the end of 2023 to 0.01200 at the end of the Period, but generally remained stable. The central parity rate of RMB against USD adjusted from 7.0827 at the end of 2023 to 7.1268 at the end of the Period, representing a depreciation rate of approximately 0.6% with a sign of significant improvement compared to the depreciation of approximately 3.8% for the Corresponding Period. The Group continued to utilize derivative financial instruments, such as foreign exchange option contracts and foreign exchange forward contracts, to lock in part of the exchange rate costs of RMB against USD. During the Period, the Group recorded a net foreign exchange gain of approximately RMB39,405,000 (Corresponding Period: a net foreign exchange gain of approximately RMB41,940,000 in aggregate) at foreign exchange option contracts net fair value changes, foreign exchange forward contracts net fair value changes, and foreign exchange losses. Influenced by various factors such as political, economic, and supply and demand dynamics, the future trends of RMB against USD and INR against USD remain highly uncertain. Moreover, the Group's business model is difficult to change in the short term. Consequently, the Group's future profit or loss may continue to be affected by exchange rate fluctuations. On one hand, the Group will persist in strengthening its overseas business development efforts to increase USD revenue. On the other hand, the Group will continue to enhance its daily monitoring of exchange rates and appropriately utilize financial instruments to lock in future exchange costs, striving to strengthen the management of foreign exchange risks and mitigate foreign exchange losses. However, the Group also clearly recognises that numerous factors influence exchange rates and the mechanism for determining exchange rates is complex and ever-changing, making it challenging to accurately predict exchange rate trends. Therefore, the Group's profit or loss may still be susceptible to the effects of exchange rate fluctuations.

DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (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, save as disclosed under "Material Acquisition and Disposal" above.

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 C3 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. The Company has made specific inquiries with the Directors, and all of them confirmed that they had complied with the required standard set out in the Model Code during the Period.

CORPORATE GOVERNANCE

The Company is committed to the principle of fulfilling its responsibilities to the Shareholders and will enhance Shareholders' returns 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 Part 2 of Appendix C1 to the Listing Rules 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 D.3 of Part 2 of Appendix C1 to the Listing Rules. The Audit Committee comprises three members, namely Ms. Hui Hiu Ching (chairlady), Mr. Ko Ping Keung and Mr. Chu Chia-Hsiang, all of whom are independent non-executive Directors of the Company. The Audit Committee has reviewed the unaudited interim results and the interim report of the Company for the Period. 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**").

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in the section headed "Business Review" and above, there was no other significant event affecting the Group that occurred after 30 June 2024 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 2024 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, 12 August 2024

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 Ms. Hui Hiu Ching.