



# 丘鈦科技（集團）有限公司

## Q Technology (Group) Company Limited

Stock Code 股份代號: 1478

2017 Interim Results  
And NDR Presentation

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Appendix : Company Background, Milestones, Management Profiles

# Business Highlights of 1H2017



Sales Volume of FPM  
YoY increased by

**23.6x**



Blended product ASP  
YoY increased by

**34.1%**



% of CCM are 13M and  
above reached

**43.5%**

(2016: 23.4%)



Gross Profit Margin  
YoY increased by

**2.8pts**



Revenue increased by

**108.7%**



Net Profit  
YoY increased by

**145.5%**

# Financial Highlights

Camera Module  
Sales Volume (Units K)

1H 2016

74,083

1H 2017

83,188

+12.3%

Fingerprint  
Recognition Module  
Sales Volume (Units K)

1H 2016

1,395

1H 2017

34,321

+2,360%

RMB '000	1H		YoY Change	2H	HoH Change
	2017	2016		2016	
Sales Volume (units)	<b>117.5KK</b>	75.5KK	55.7%	122.9KK	-4.4%
Revenue	<b>3,604,998</b>	1,727,031	108.7%	3,264,127	10.4%
Gross profit	<b>434,428</b>	161,365	169.2%	261,072	66.4%
Gross profit margin	<b>12.1%</b>	9.3%	2.8 pts	8.0%	4.1pts
OPEX ratio	<b>5.0%</b>	3.9%	1.1 pts	3.3%	1.7 pts
Net profit	<b>201,784</b>	82,194	145.5%	108,561	85.9%
Net profit margin	<b>5.6%</b>	4.8%	0.8 pts	3.3%	2.3 pts
Basic EPS	<b>18.4 cents</b>	8.0 cents	130.0%	10.4 cents	76.9%
Operating cash flow	<b>1,226,683</b>	(61,770)	N/A	23,156	5,197%
ROE	<b>11.6%</b>	6.3%	5.3pts	6.9%	4.7pts

# Business Review

## Three Core Strategies

### Optimize product portfolio Focus on value-added products

- Focus on both sales volume growth and quality of growth; increase the proportion of 13 megapixels and above CCM
- Improve precision manufacturing know-how and create higher added value
- Close communication with customers regarding technology; dual cameras gradually match with customers' needs and lay solid foundation for further optimization of product mix

### 2-wheel drive from CCM and FPM Huawei becomes a core customer

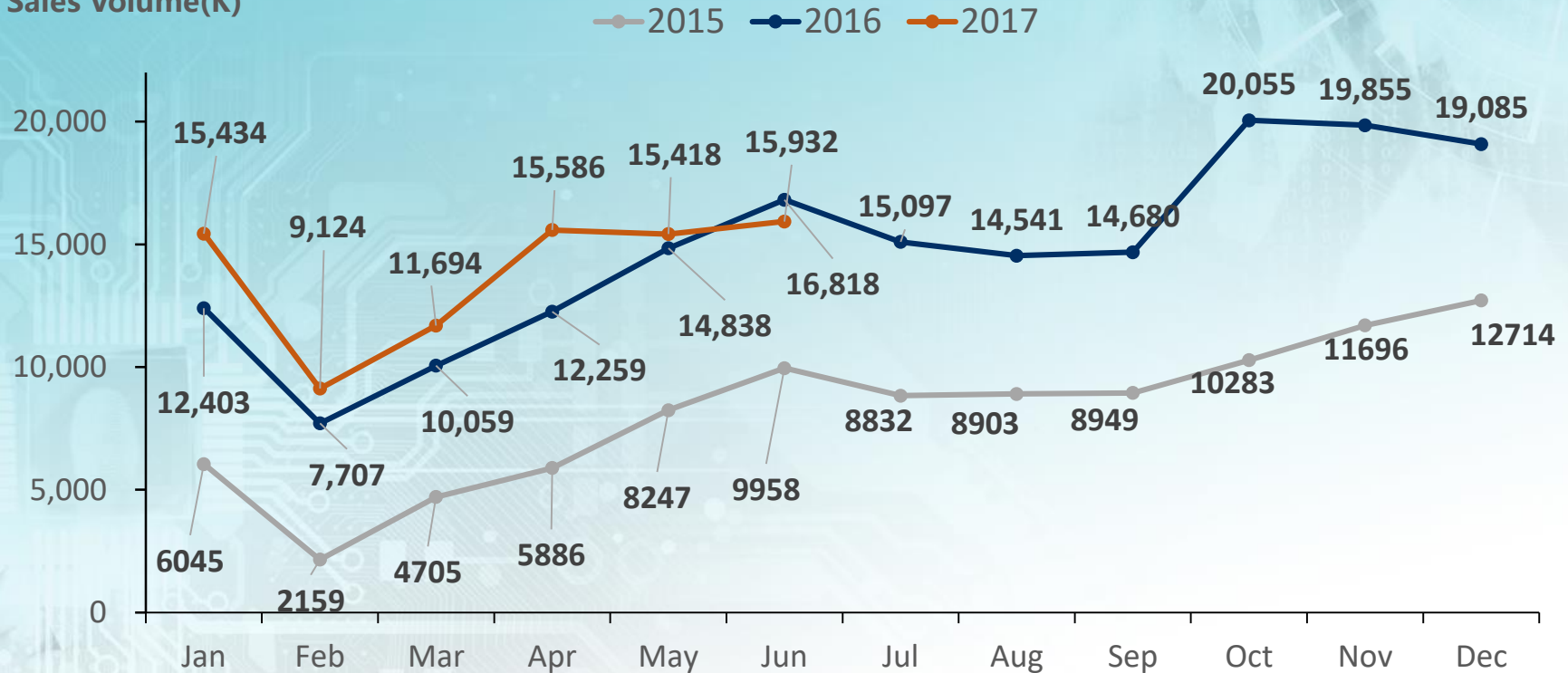
- Camera module and fingerprint recognition module businesses grew together to build a stronger customers service platform
- Became direct camera module supplier of Huawei; further improved clientele lay the foundation for future sales growth and product mix enhancement

### Develop core components capability and become intelligent vision enterprise

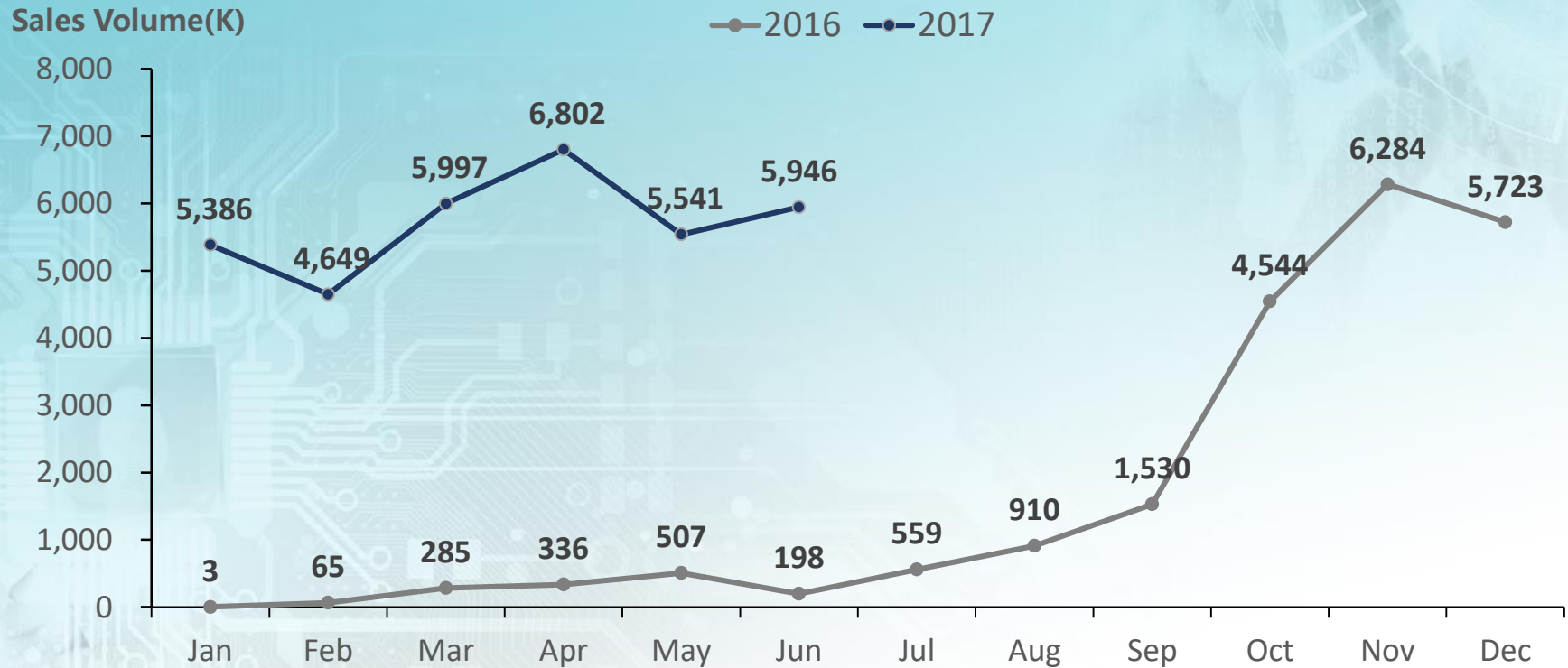
- Intend to become the controlling shareholder of Newmax Technology (a Taiwan lens company) to strengthen optical capability. The deal is still subject to approval
- Strive to become an intelligent vision enterprise and devote to provide integrated solution with machine vision and human vision for smart devices

# Sales volume of CCM recorded steady growth

Sales Volume(K)



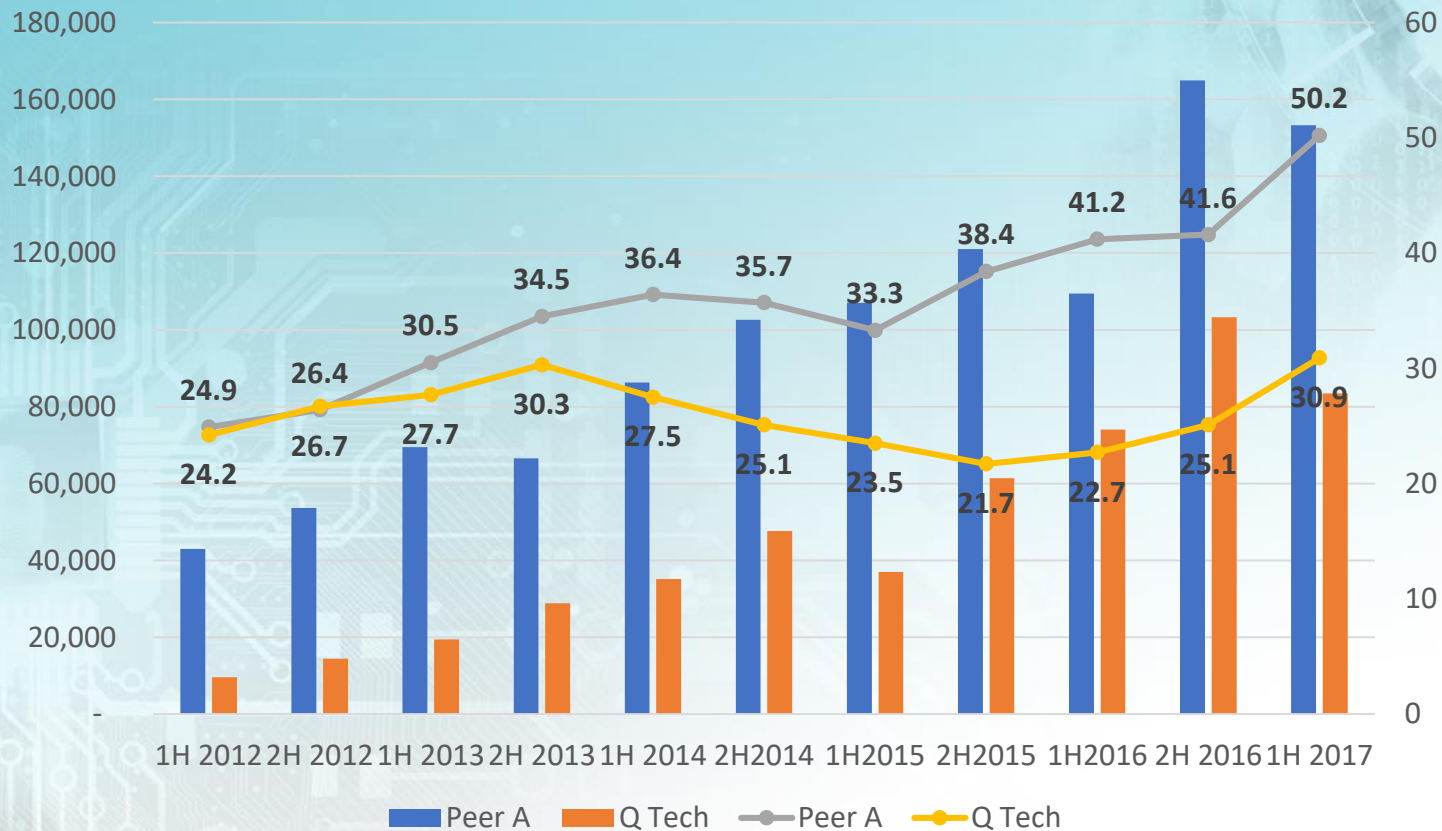
# Sales Volume of FPM recorded strong growth



# Significant increase in ASP of CCM

Sales Volume (K)

ASP(RMB)



# Fully covers China handset market

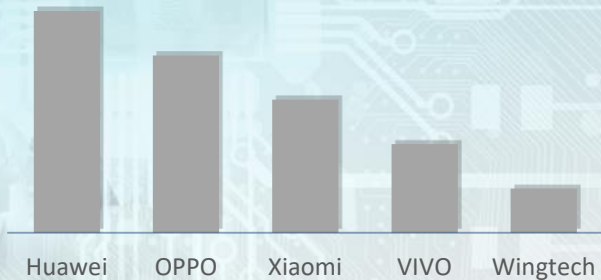
## 1H 2017 CCM Top 5 Customers

(68.47million, 82.3% of total units)



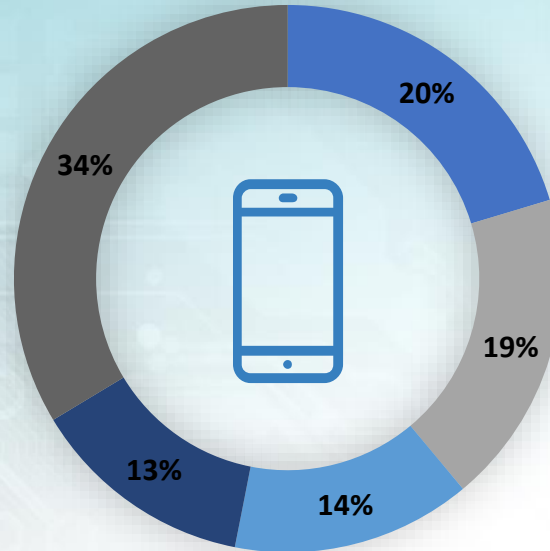
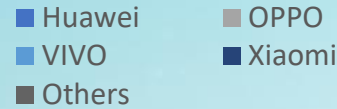
## 1H 2017 FPM Top 5 Customers

(33.95million, 98.9% of total units)



## Market Shares of Chinese Brands in Q2 2017

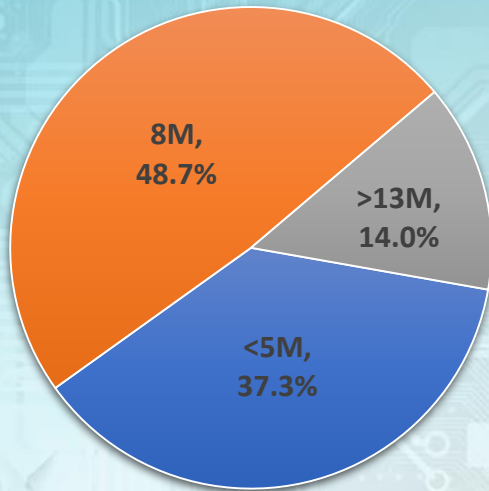
(Source: Company G)



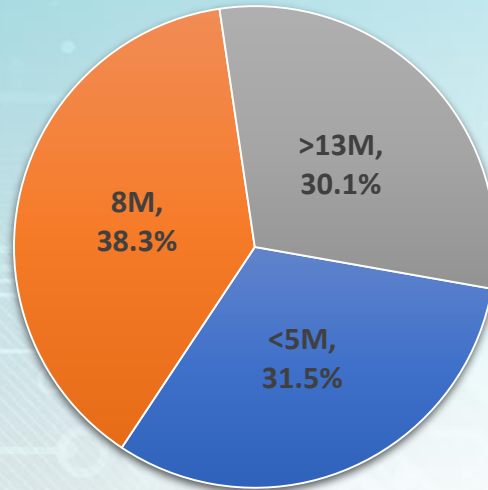
- ◆ Weakening influence of overseas brands in 1H17; while the four local brands took up 66% of the market
- ◆ Q Tech becomes the direct CCM and FPM supplier for the top four handset companies, and is the first source supplier for some high-end projects
- ◆ Fully covers nationwide handset companies and strives to obtain more high-end projects. The wider customer base helps to minimize customers concentration risk

# Product mix Enhancement of CCM (By Sales Volume)

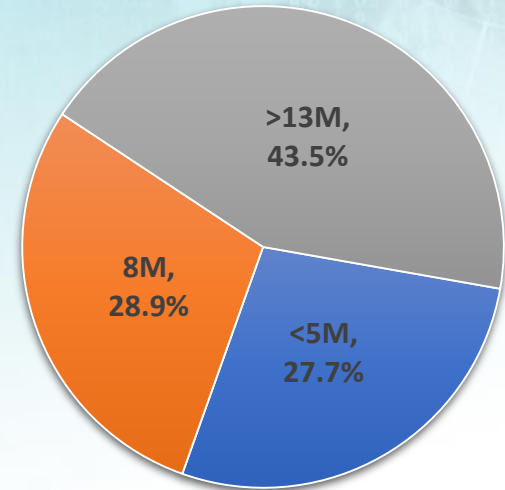
1H2016



2H2016

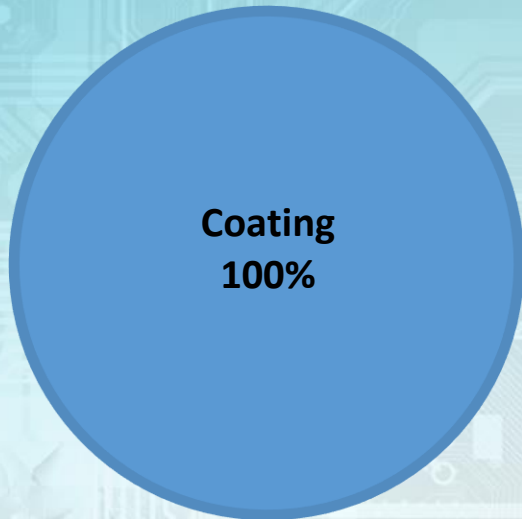


1H2017

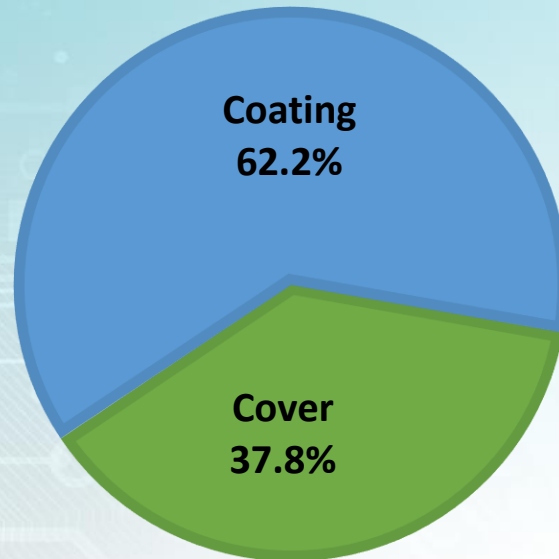


# Product Mix of FPM (By Sales Volume)

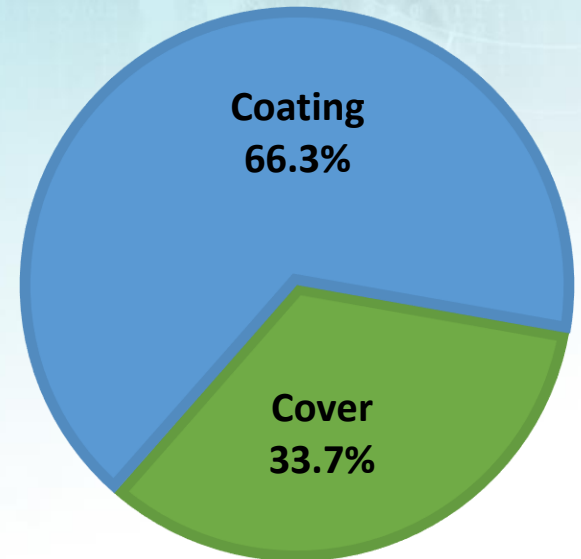
1H2016



2H2016



1H2017



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1. Business Review of 1H2017

**2. Financial Review of 1H 2017**

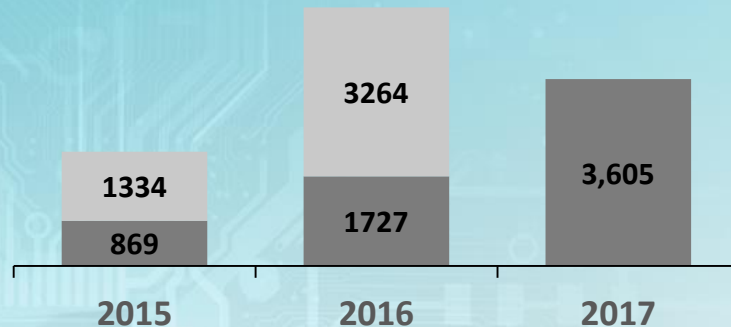
3. Outlook and Planning of 2H2017

Appendix : Company Background, Milestones, Management Profiles

# Key Financial Ratios

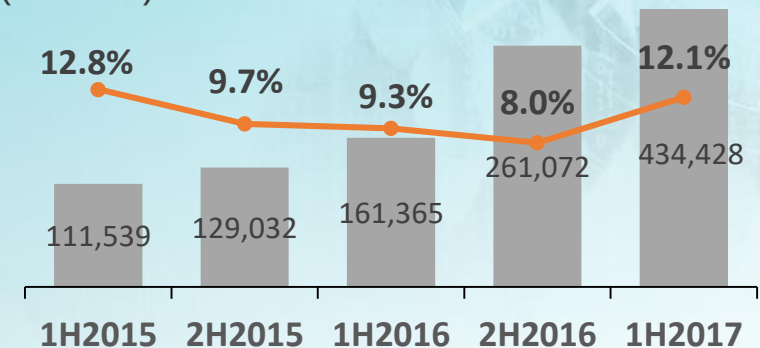
## Revenue

(RMB M)



## Gross Profit and GP Margin

(RMB M)

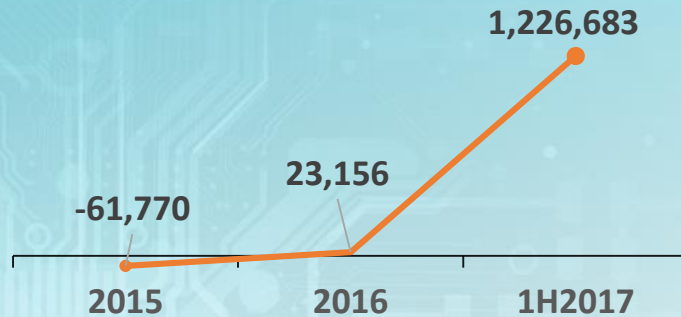


- ◆ Revenue increased by 108.7%, attributable to the increase of Sales Volume and ASP by 55.7% and 34.1% respectively.
- ◆ GP Margin increased by 2.8 pts YoY due to:
  - Enhancement of product mix. The value-added of 13M and above single CCMs, dual camera modules and the new products produced by new miniaturize production know-how is higher than the low-end
  - Marginal cost reduced due to a better economies of scale
  - RMB appreciated against USD during the period lower the cost of raw material settled by USD

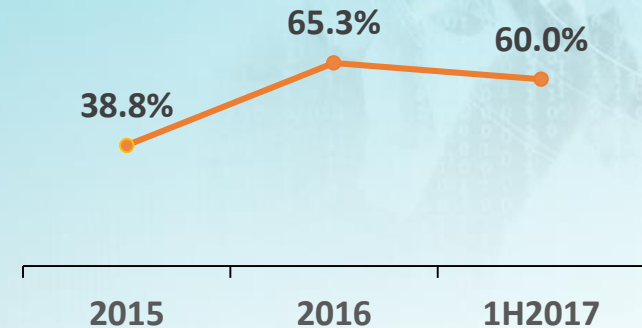
# Key Financial Ratios

## Operating Cash Flow

(RMB K)



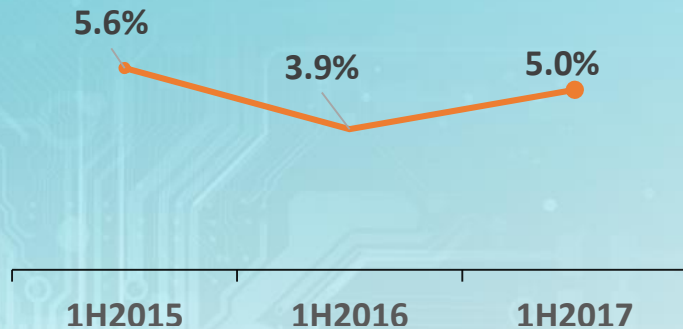
## Debt-to-Asset Ratio



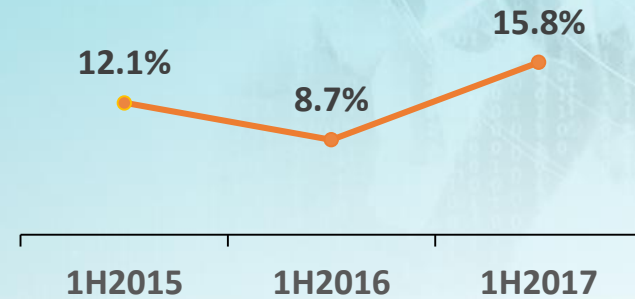
- ◆ Recorded operating cash inflow of 1.23 billion , mainly due to:
  - The collecting period of receivable of two major customers have shorten 15 days each. Some of the customers switched to advance payment. Above changes shorten the receivable days by 13 days, from 124 days in 2016 to 111 days. Also shorten 2 days from same period of last year
  - Payable days during the period lengthened to 128 days, lengthen 41 days from same period last year and 12 days from end of 2016. It is attributable to better terms negotiated with larger production scale and the use of bank acceptance bills to pay for procurement in China.
- ◆ Debt-to-Asset Ratio decreased from 65.3% of 2016 to 60.0% of 1H 2017
  - Improved operating cash flow, reduced the demand of bank borrowings and repaid part of the bank loans during the period

# Key Financial Ratios

## OPEX Ratio



## Income Tax Rate

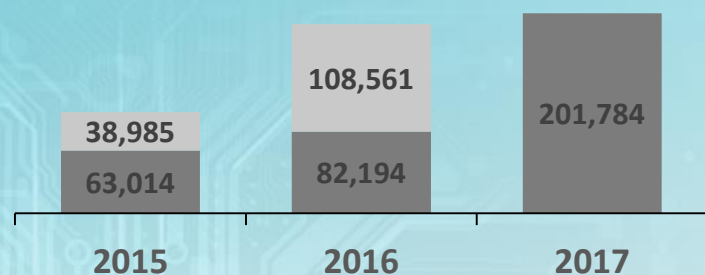


- ◆ OPEX ratio increased to 5.0% , did not benefit from operating leverage mainly due to :
  - Selling & Distribution expenses increased proportional to revenue increase, makes the ratio relatively stable. R&D expenses increased due to the expansion of R&D team for new production know-how and new project research, raised the R&D expense ratio by 0.4 pts
  - Administrative and other operating expenses ratio increase significantly from 0.7% to 1.4%. This is mainly due to the prudent approach adopted in making provision of 36 million of a single customer' s account receivable and related factoring. The OPEX ratio will be around 4.0% if we taken out the relevant provision. According to the existing arrangement and communication, we are of the view that the risk of relevant amount become bad debt is very low.
- ◆ Income tax rate increased from 8.7% to 15.8% mainly due to:
  - Recorded 4.26 million PRC withholding tax of the dividend distributed from PRC subsidiaries
  - There was a reversal of 2 million HK profit tax during the same period of last year
  - Increase of additional tax deductible of R&D expenditure is less than the increase of taxable income

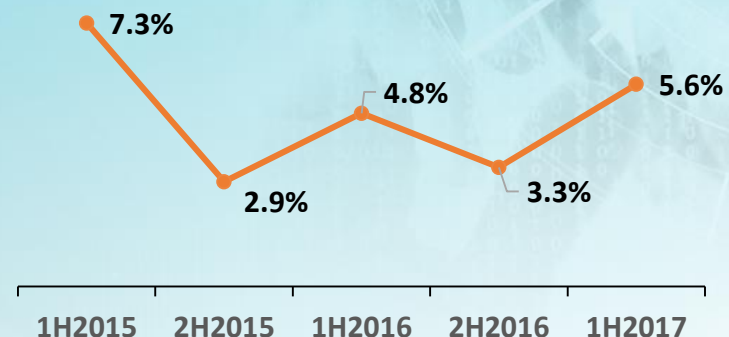
# Key Financial Ratios

## Net Profit

(RMB M)

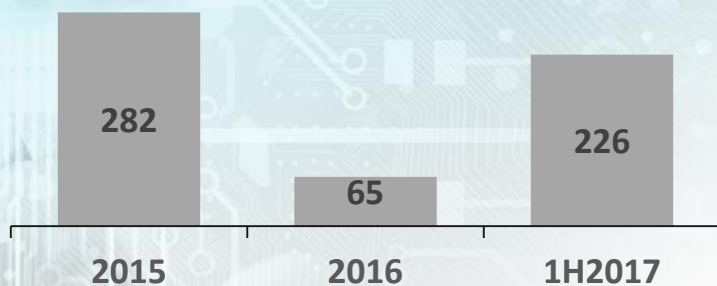


## Net Profit Margin

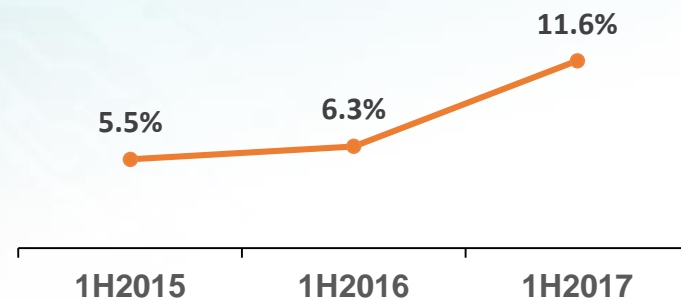


## Cash and Cash Equivalent

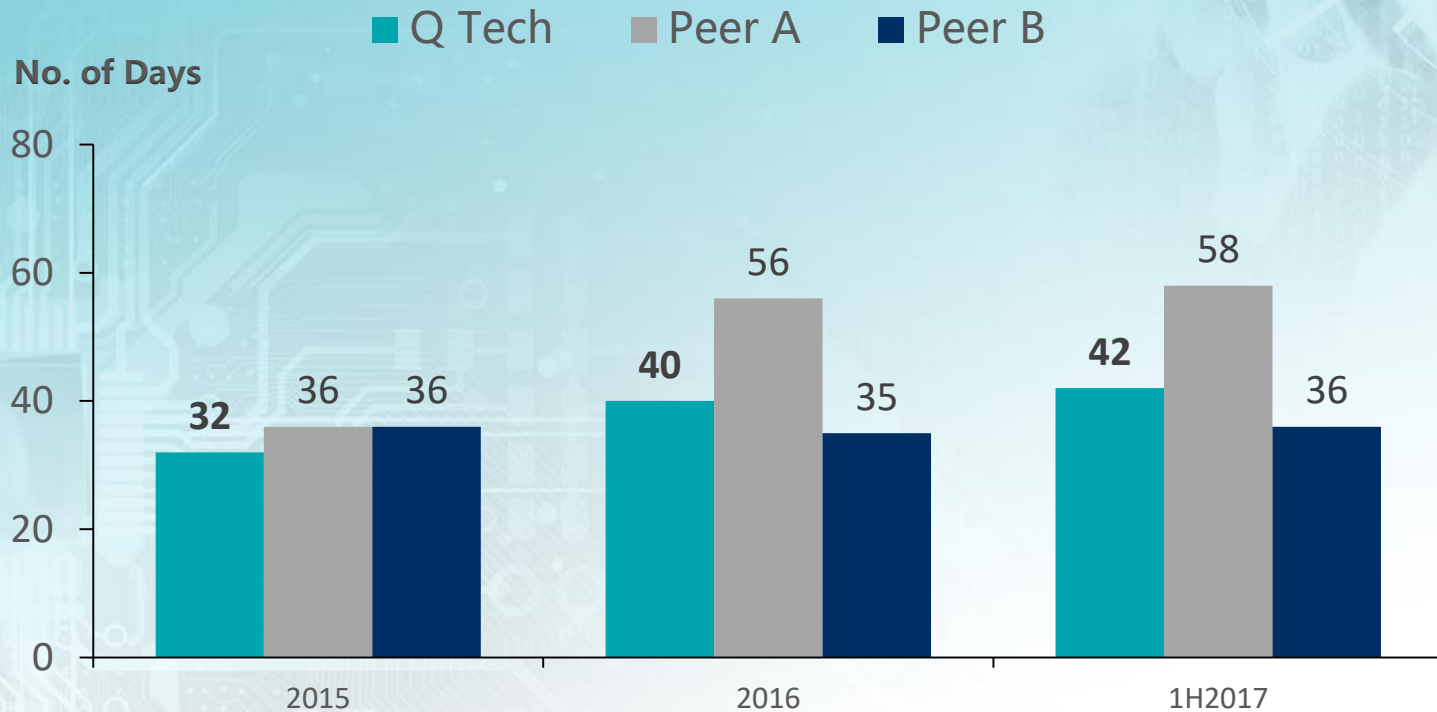
(RMB M)



## Return on Equity



# Inventory Turnover Days ( 2015, 2016, 1H2017 )



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# Q Tech Corporate Culture



## Vision

Enable computer to understand and see the real world clearer, become a world-class intelligent vision enterprise



## Core Values

Be responsible to the team, Be rigorous, truthful and innovative at work

Q Tech



## Mission

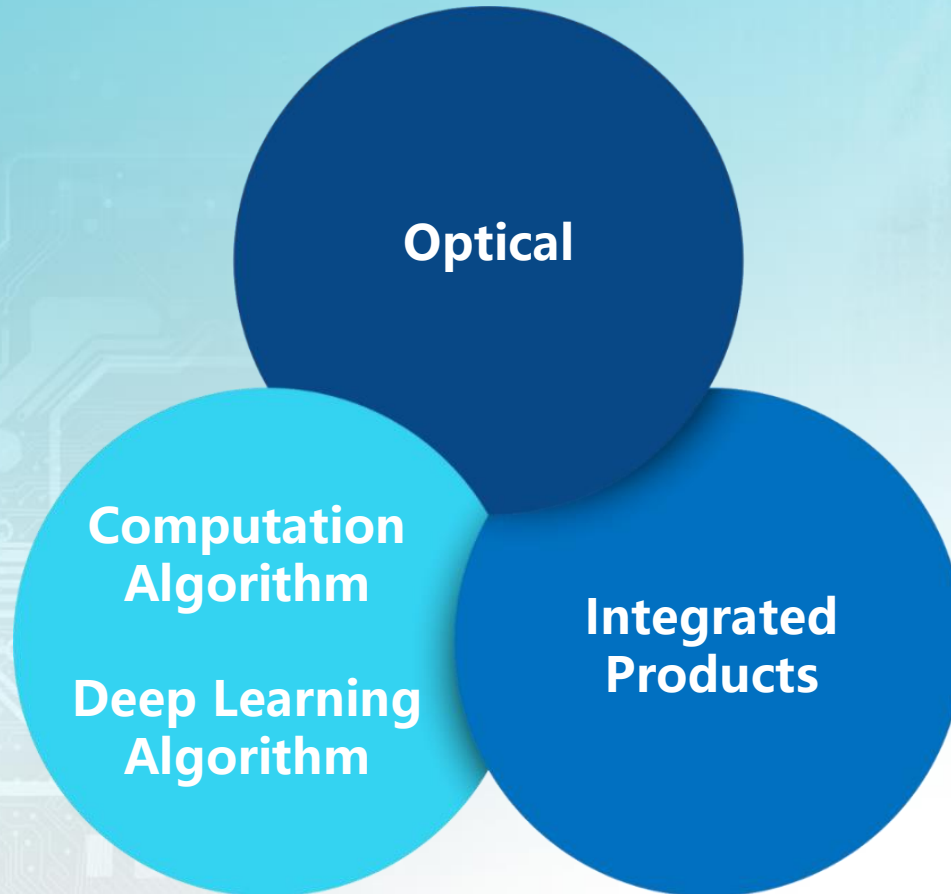
**To Customers:** Be supportive by providing best-of-its-kind product at affordable price

**To Employee:** Build a platform to facilitate sustainable self-improvement, encourage the diligent staffs and reward them with leading level of returns in both spiritual and monetary perspectives among peers

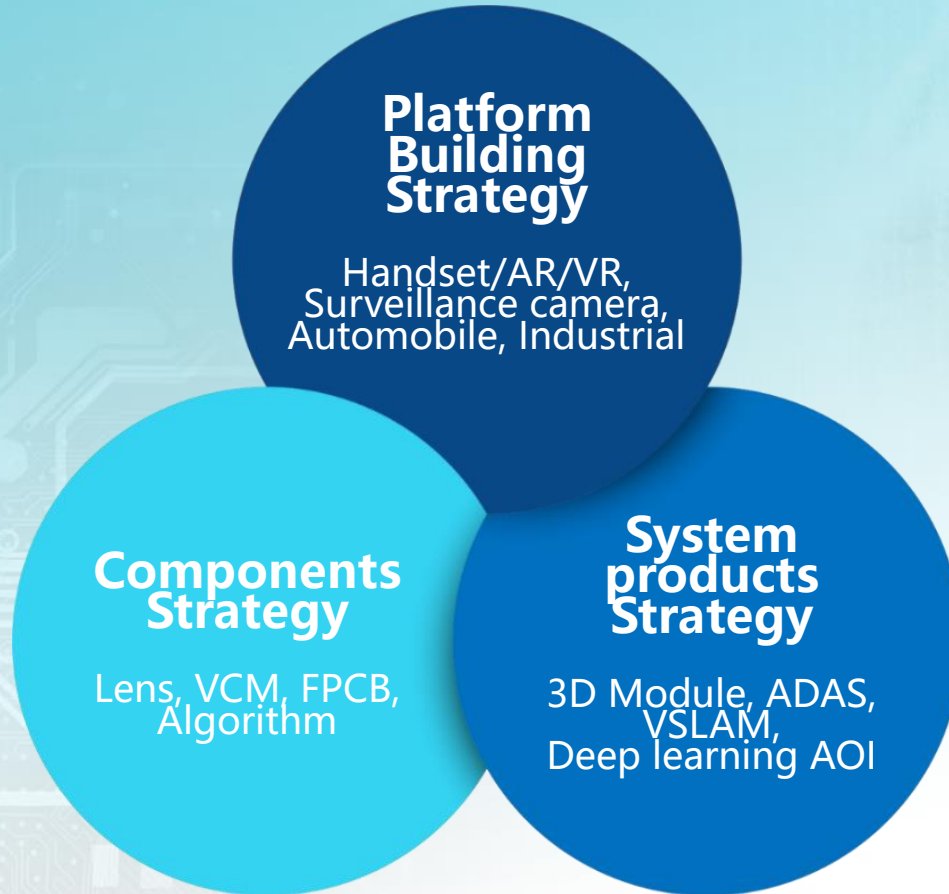
**To Suppliers:** Achieve win-win situation, build a competitive supplier chain together

**To Shareholders:** Create values for shareholders and let them yield higher than average returns

# Develop Three Major Capabilities



# Three Core Strategies



# Roadmap: Become a leading intelligent vision company

## Target Markets

Smart Devices:  
Handset/AR/VR

Automobile ·  
Surveillance · Intelligent  
manufacturing

.....

## Capabilities

(Components/Software/  
Service)

CCM :  
Single CCM(MOC etc.)  
Dual Camera  
(Periscope etc.)  
Biometric Recognition:  
3D Module  
Fingerprint Module  
Lens · VCM  
FPC

Algorithm:  
Computation  
Deep Learning

System Products:  
SLAM  
VR/AR  
ADAS  
Surveillance Camera  
Deep Learning IOT  
Products

# 3 Core Growth Drivers in 2017

- 1** Increase in China's brand mobile phone market share  
Chinese brand mobile phone accounted for 57% in the global market in 2016 (Research I), and is expected to continue to seize a higher share in 2017
- 2** Increase in fingerprint recognition module penetration  
As Asahi Research estimates, the penetration rate of fingerprint identification module in China's new mobile phone in 2017 may exceed 60%, far more than 40% penetration rate in 2016
- 3** Robust growth in dual camera  
As Research C estimates, global shipment of double-camera mobile phone shipments may reach 300 million units, representing a 4-fold increase

Q Tech Core Competencies

Domestic sales driven

Completed fingerprint business layout

Top 3 supplier of Dual Camera Module in China

# Prospects of the 3 Business Segments

## High-end camera modules



- The shipment of camera modules to grow no less than 25% in 2017
- Upgraded product mix, shipment of modules of 13 mega pixels and above to reach no less than 40% of total shipment
- Successfully get into the direct supplier list of Huawei. Working hard to get more high end projects
- Continue to develop the optical capability and technological strength in terms of 16 mega pixels and above, PDAF and large aperture etc.
- Dedicated to develop 3D module business, target to become one of the major supplier

## Dual camera modules



- Proportion of dual camera module shipment increased significantly during 1H 2017. Strive for being the supplier of dual camera projects of almost all core customers
- Improve the production know-how to meet with customers' innovation demands, such as "periscope" dual camera modules and optical zoom dual camera modules
- Steady expansion of the production capacity of dual camera modules and strive for a "AA" free dual camera manufacturing know-how
- Strengthen the cooperation with the connected algorithm company to promote integrated solutions to more customers

## Fingerprint recognition modules

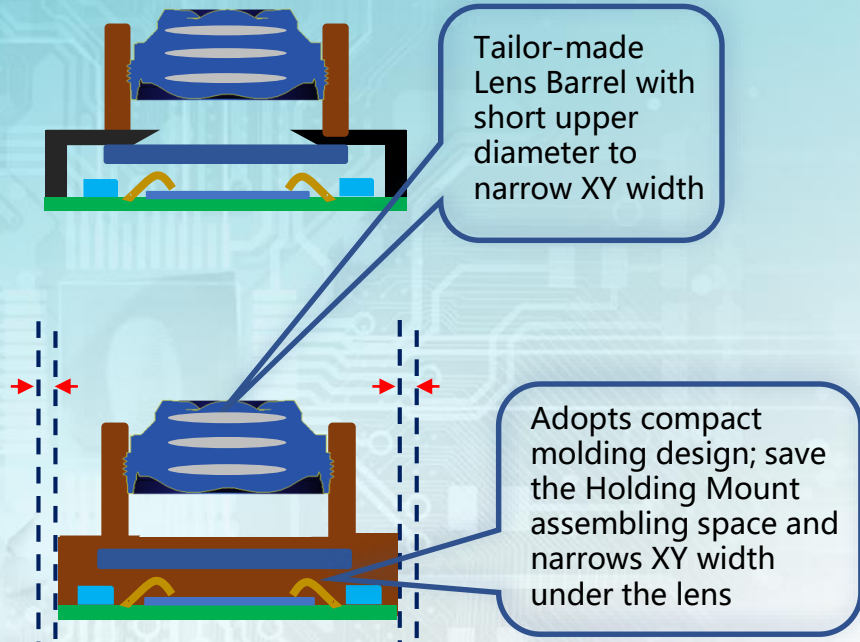


- Shipment growth was strong in 1H 2017 even it is a traditional low season. Already finished 57% of the 60M shipment target in 2017
- Capacitive type of products will remain mainstream due to its maturity and cost concern. Currently, Company can fully mastered the two mainstream technologies, namely cover and coating
- The four major customers are Huawei, OPPO, Xiaomi and VIVO. Target to win more contracts from core customers this year

# Miniaturization of CCM

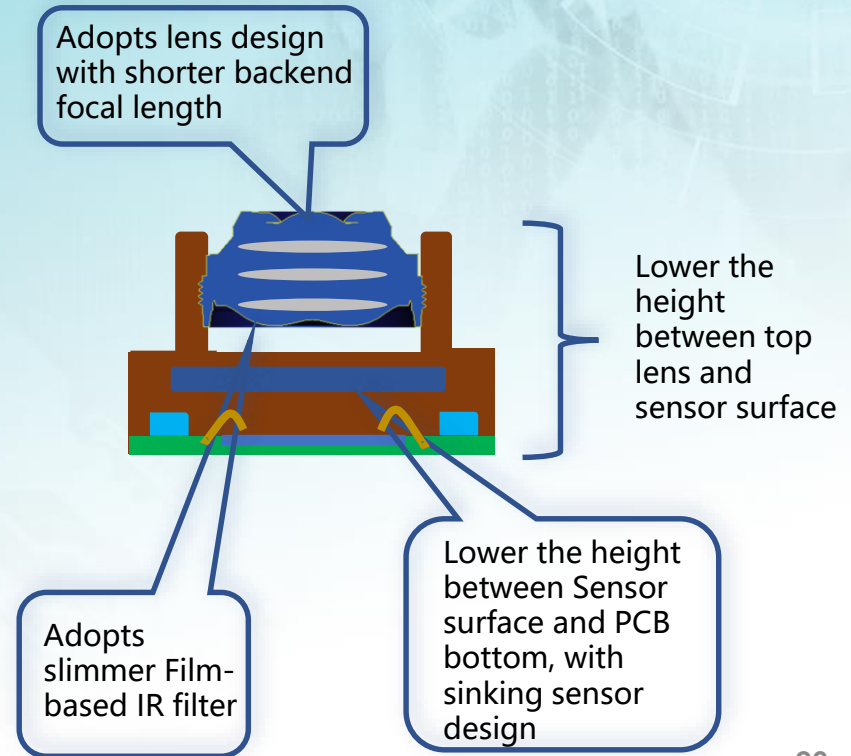
## Front Facing

XY width reduced  
by 0.3mm-0.6mm

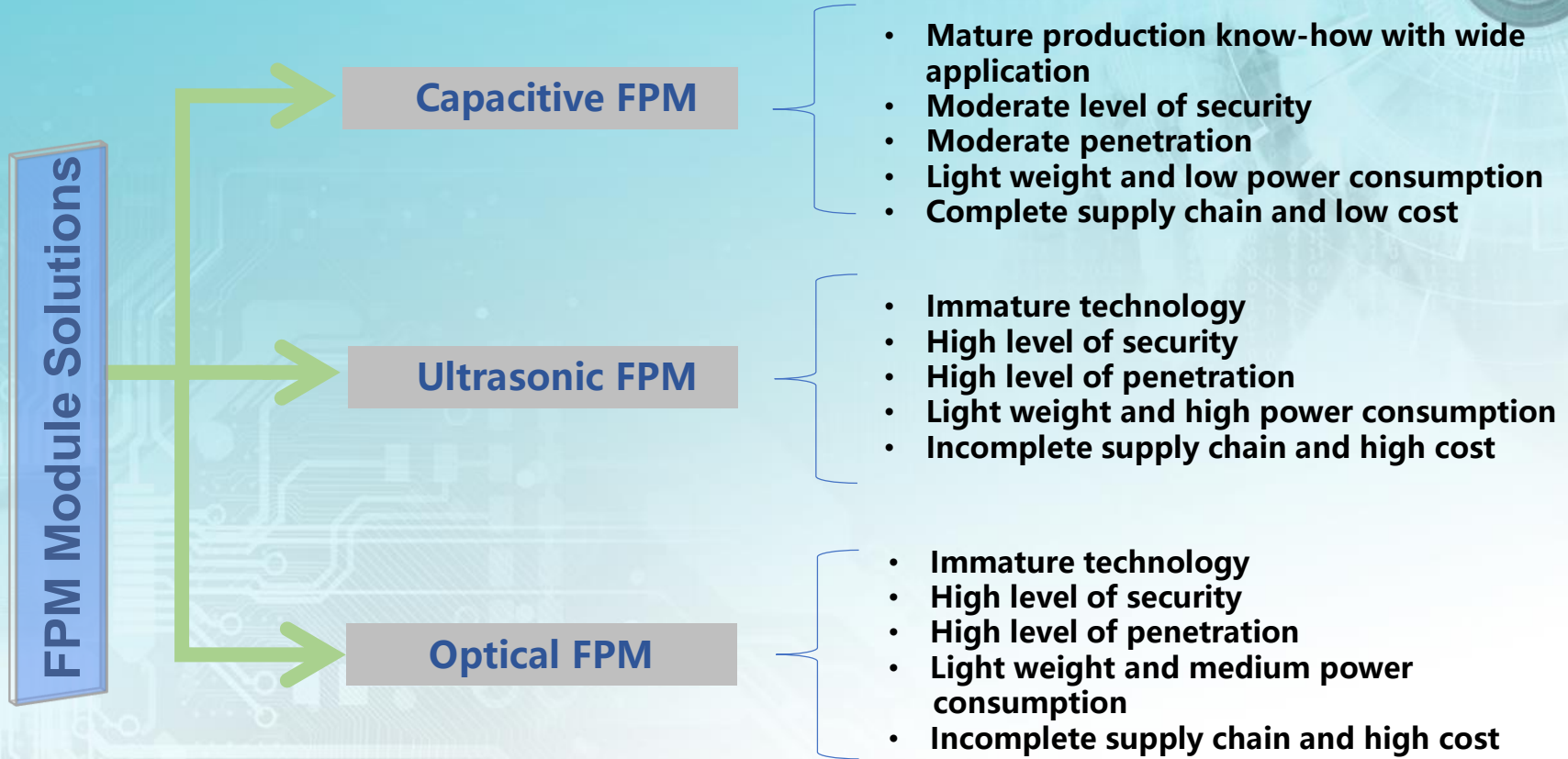


## Rear

Z Height reduced  
by 0.2mm



# FPM Module Solutions Comparison



**Conclusion:** Considering the costs, capacitive FPM technology will remain the mainstream solution in the short to medium term. Meanwhile, we also preparing for the technologies of optical FPM and Ultrasonic FPM, accommodating the needs of innovative design in customers' flagship models

# Steady Capacity Expansion



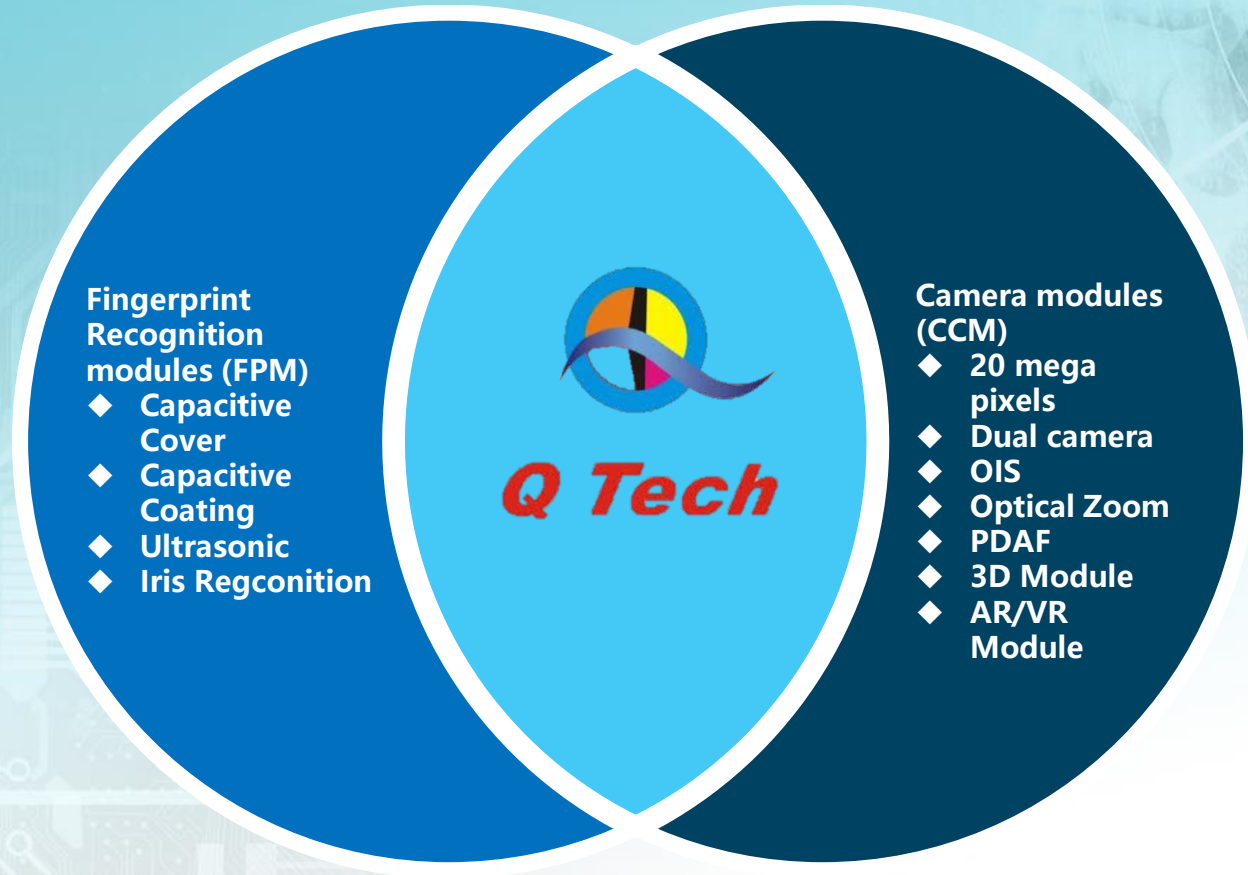
1. Part of the factory is running for production already. Capacity of CCM gradually expands to 30KK/month, and FPM to 17KK/month
2. CCM and FPM capacity can be expanded to 43KK/month and 20KK/month respectively if phase II is fully utilized
3. Capital expenditure in 2016 was approximately RMB 400 million. Estimated capital expenditure in 2017 is RMB 300 million according to the current capacity expansion plan (excluding the capital need for the participation of potential Newmax Technology's new private shares placement)

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# Company Introduction

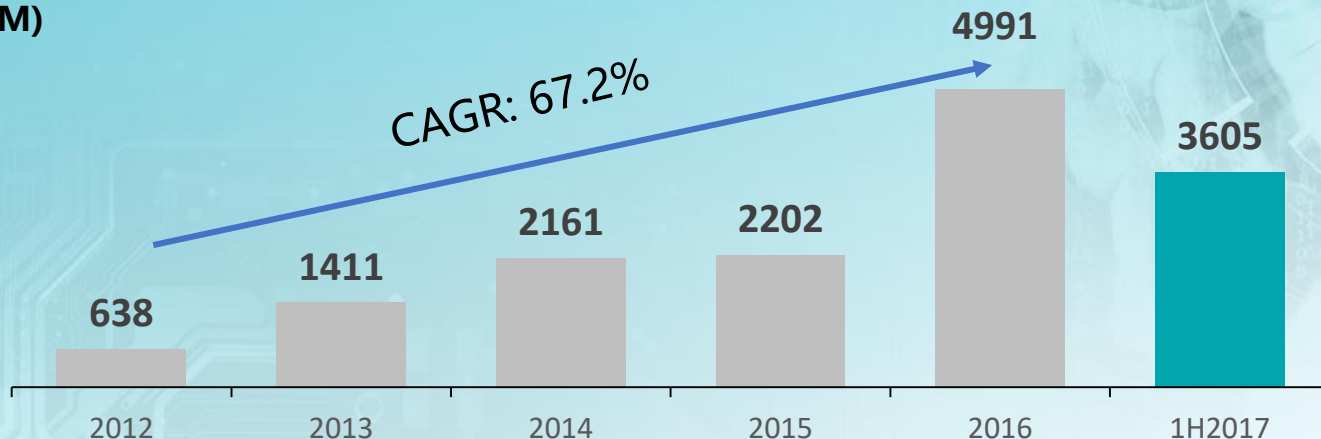


# Revenue and Net Profit Growth in past 6 years

(RMB M)

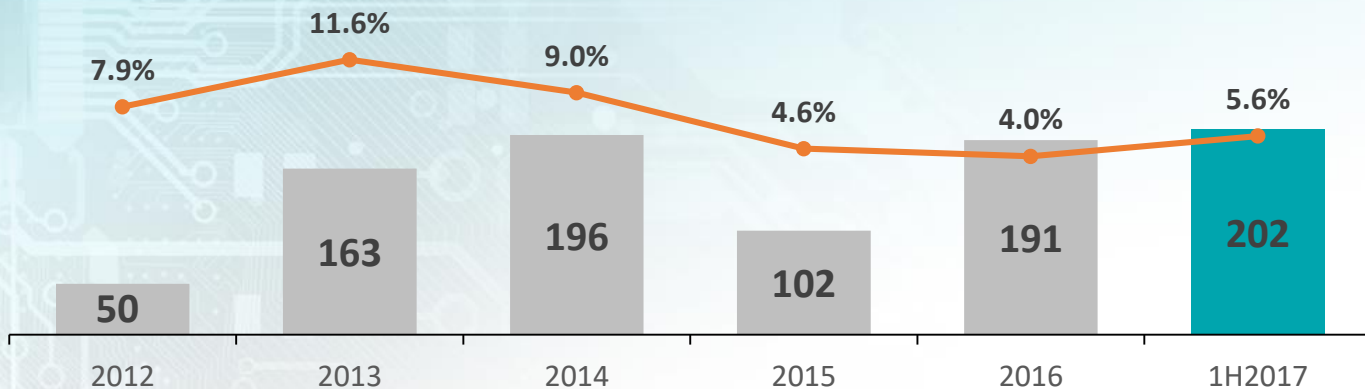
CAGR: 67.2%

Revenue



(RMB M)

Net Profit



# Milestones

## 2007

Mr. He Ningning established Kunshan QT

One of the few precise components manufacturer with software system background

## 2010-2013

Achieved a mass production of camera modules ranging from 3 mega pixels to 13 mega pixels

Won core customers including ZTE, Lenovo, Coolpad and TCL

## 2015

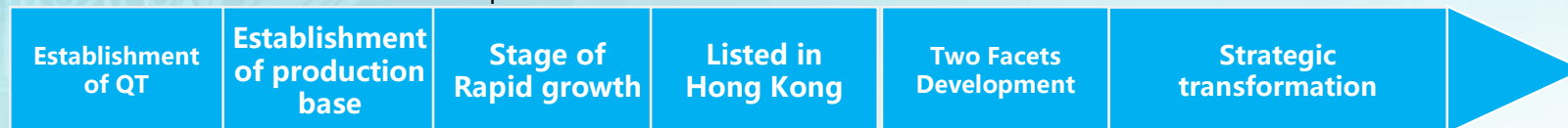
Received FPC certification to develop fingerprint recognition modules business

Gradually introduced OPPO, Xiaomi and Huawei as customers and gained the qualification to supply camera modules of all pixels to all customers

## 2017

Continue to gain market share in high-end camera module and fingerprint recognition module

Being a major player in dual camera solutions. Achieved rapid growth in fingerprint recognition module shipment



Started mass production of mobile camera modules

Established COB & COF Packaging production line

## 2008

The first Chinese company to launch camera modules of 16 mega pixels and 20 mega pixels

Listed on main board of Hong Kong Stock Exchange in December, 2014

## 2014

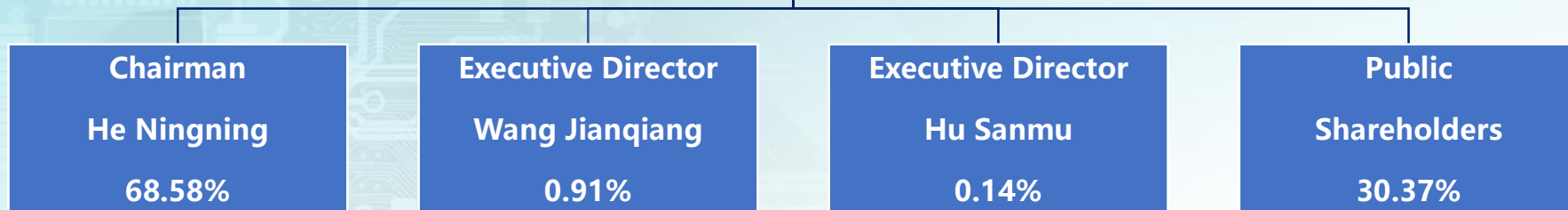
Successfully became a key supplier of multiple dual camera projects and achieved mass production of fingerprint recognition modules

Developed integrated supply chain for 3D imaging and multiple cameras design

## 2016

# Shareholder Structure

**Q Technology (Group)  
Company Limited  
(1478.HK)**



# Experienced Management Team with a Proven Track Record



**Mr. HE Ningning**  
*Chairman, Executive Director*

- Over 20 years of experience in the electrical and electronic industry
- Previously worked in Samsung Electro-Mechanics Dongguan Co., Ltd.
- Founded Surewheel Asia Pacific Limited, Shenzhen CK and Heyuan CK



**Mr. WANG Jianqiang**  
*Executive Director, Chief Executive Officer*

- Nearly 20 years of experience in the electrical and electronic industry
- Previously worked in Samsung Electro-Mechanics (H.K.) Limited
- Served as chief financial officer of Shenzhen CK and Heyuan CK



**Mr. HU Sanmu**  
*Executive Director, Vice President for Sales*

- Several years of experience in the electrical and electronic industry
- Held various positions in Vtech (Shenzhen) Electronic Limited, Tianjin Amphenol Kae Co., Ltd., and Van Telecom PRC

Name	Title	Biography
Mr. FAN Fuqiang	Chief Financial Officer and Joint Company Secretary	Served as branch general manager and vice general manager of the corporate department of Heyuan Gao Xin Qu branch of Bank of China
Mr. LIU Tongquan	Deputy General Manager for Production	Served as production manager of Kunshan Giantplus Optoelectronics Technology Co., Ltd.