



**丘鈇科技(集團)有限公司**  
**Q Technology (Group) Company Limited**

Stock Code 股份代號: 1478

**2017 Annual Results  
Investor Presentation**

# Disclaimer

The presentation is prepared by “Q Technology (Group) Company Limited” (the “Company” ) and is solely for the purpose of corporate communication and general reference only. The presentation is not intended as an offer to sell, or to solicit an offer to buy or to form any basis of investment decision for any class of securities of the Company in any jurisdiction. All such information should not be used or relied on without professional advice. The presentation is a brief summary in nature and do not purport to be a complete description of the Company, its business, its current or historical operating results or its future business prospects.

This presentation is provided without any warranty or representation of any kind, either expressed or implied. The Company specifically disclaim all responsibilities in respect of any use or reliance of any information, whether financial or otherwise, contained in this presentation.

# Contents

**1. Business Review of 2017**

2. Market Trend Analysis

3. Planning and Outlook of 2018

4. Appendix

# Business Highlights of 2017



Sales Volume of FPM  
increased YoY by

**2.9** x



ASP of CCM  
increased YoY by

**42.0** %



% of CCM are 13M and  
above reached

**48.2** %  
(2016: 23.4%)



Gross Profit Margin  
Increased YoY by

**2.6** pts



Revenue increased  
YoY by

**59.1** %



Net Profit  
Increased YoY by

**128.7** %

# Financial Highlights

**Camera Module**  
Sales Volume (Units M)

**Fingerprint Recognition Module**  
Sales Volume (Units M)

2016

177.4

2017

172.5

-2.8%

2016

20.9

2017

80.7

+285.5%

RMB' 000	Full Year		YoY Change	2H	HoH
	2017	2016		2017	Change
Sales Volume (units)	253.2KK	198.3KK	+27.6%	135.7KK	+15.5%
Revenue	7,938,958	4,991,158	+59.1%	4,333,960	+20.2%
Gross profit	882,733	422,437	+109.0%	448,305	+3.2%
Gross profit margin	11.1%	8.5%	+2.6pts	10.3%	-1.8pts
OPEX ratio	4.4%	3.5%	+0.9pts	3.9%	-1.1pts
Net profit	436,277	190,755	+128.7%	234,493	+16.2%
Net profit margin	5.5%	3.8%	+1.7pts	5.4%	-0.2pts
Basic EPS	RMB 39.8 cents	RMB 18.4 cents	+116.3%	N/A	N/A
Operating cash flow	2,221,513	(38,614)	N/A	994,830	-18.9%
ROE	20.3%	12.2%	8.1pts	10.9%	-0.7pts

# Business Review

## 2017 Business Review

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

- Focus on product portfolio enhancement; increase the proportion of 13M and above CCM, especially the proportion of the dual camera modules. Proportion of dual camera modules reached 12% of overall CCM sales volume in 2017
- Promote the development of manufacturing know-hows of 16M CCM, miniaturized module and AA-free process dual camera, of which MOC and AA-free process dual camera products have started mass production
- Strive to take part in core customers' flagship models

### Growth of fingerprint recognition module beat guidance Explore optical under-glass fingerprint recognition modules

- The fingerprint recognition module business grew rapidly with market share gain, and the sales volume has increased by 35% over the guidance given at the beginning of the year (i.e. 60 million units)
- The sales of fingerprint recognition products cover all core customers and product types, which helps to solidify the customer service platform
- Develop optical under-glass fingerprint recognition solutions, laying a solid foundation for future product upgrades

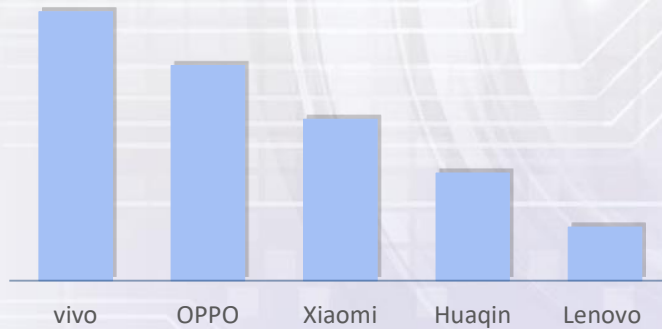
### Customers made inventory correction during Q4 Gross margin and CCM sales volume under pressure

- Due to issue of internal capacity planning, there was a temporary shortage in manpower during the high-end product launching peak season in Q3, forced the company to turn down low-end product orders
- Some core customers made seasonal inventory correction in Q4, resulting in a 2.8% YoY decrease in overall camera module sales volume
- Lower utilization rate of production capacity during Q4, the introduction of new manufacturing know-how as well as changes in customers' product cycle, impacted adversely on the GP margin of 2H 2017

# 2017 Core Customer Base

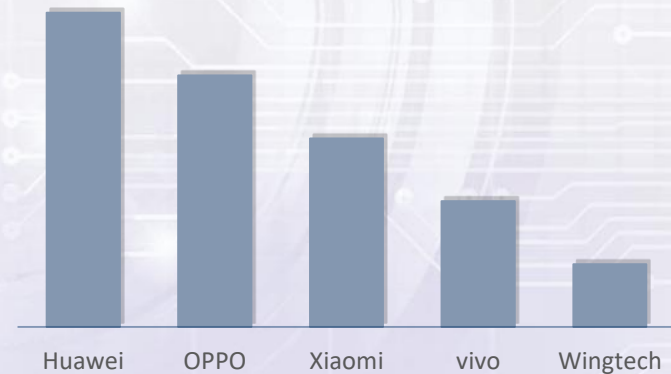
## 2017 Top 5 Customers of Camera Module Business

(Accounting for 79% of the total sales volume of camera modules)



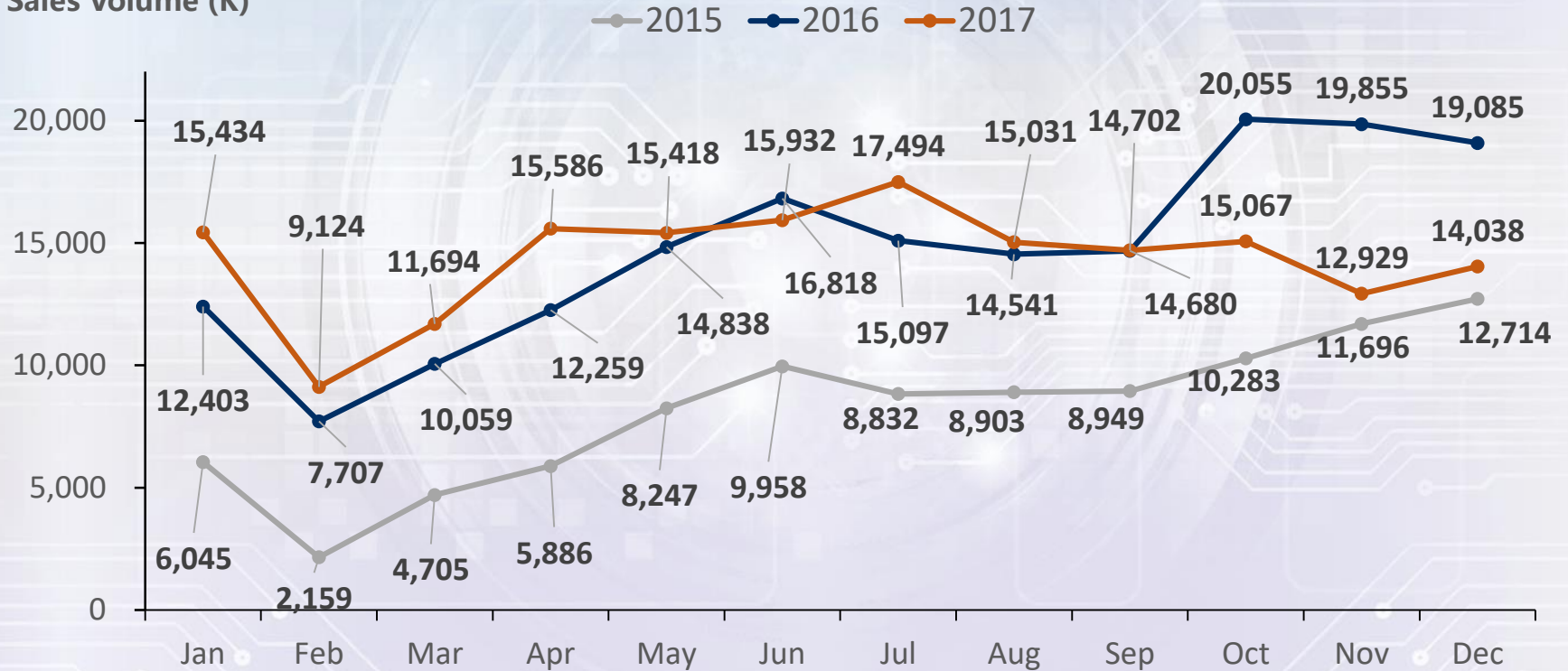
## 2017 Top 5 Customers of Fingerprint Recognition Module Business

(Accounting for 99% of the total sales volume of fingerprint recognition modules)



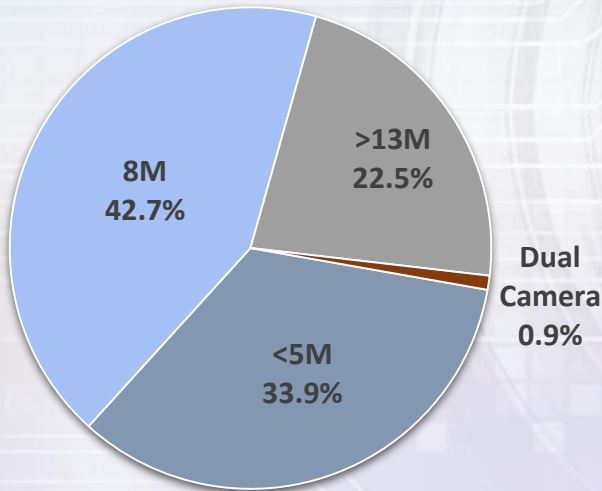
# Sales volume of CCM Remained Stable

Sales Volume (K)

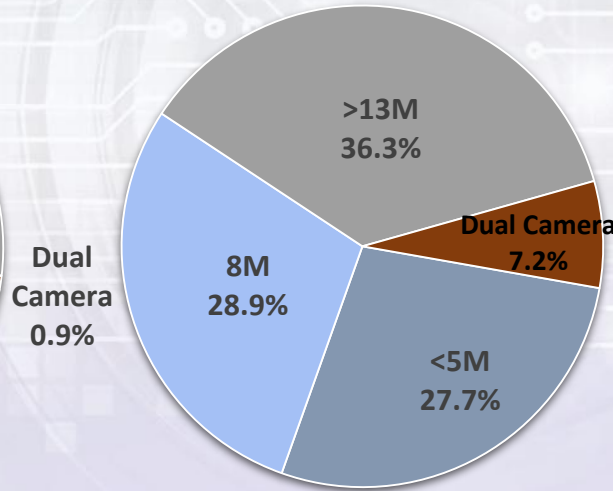


# Product Mix Enhancement of CCM (By Sales Volume)

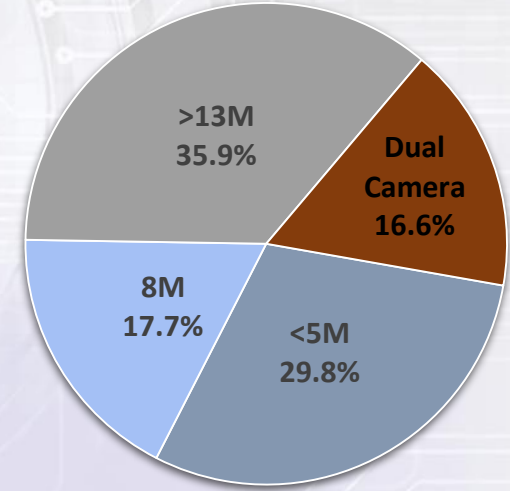
2016



1H 2017



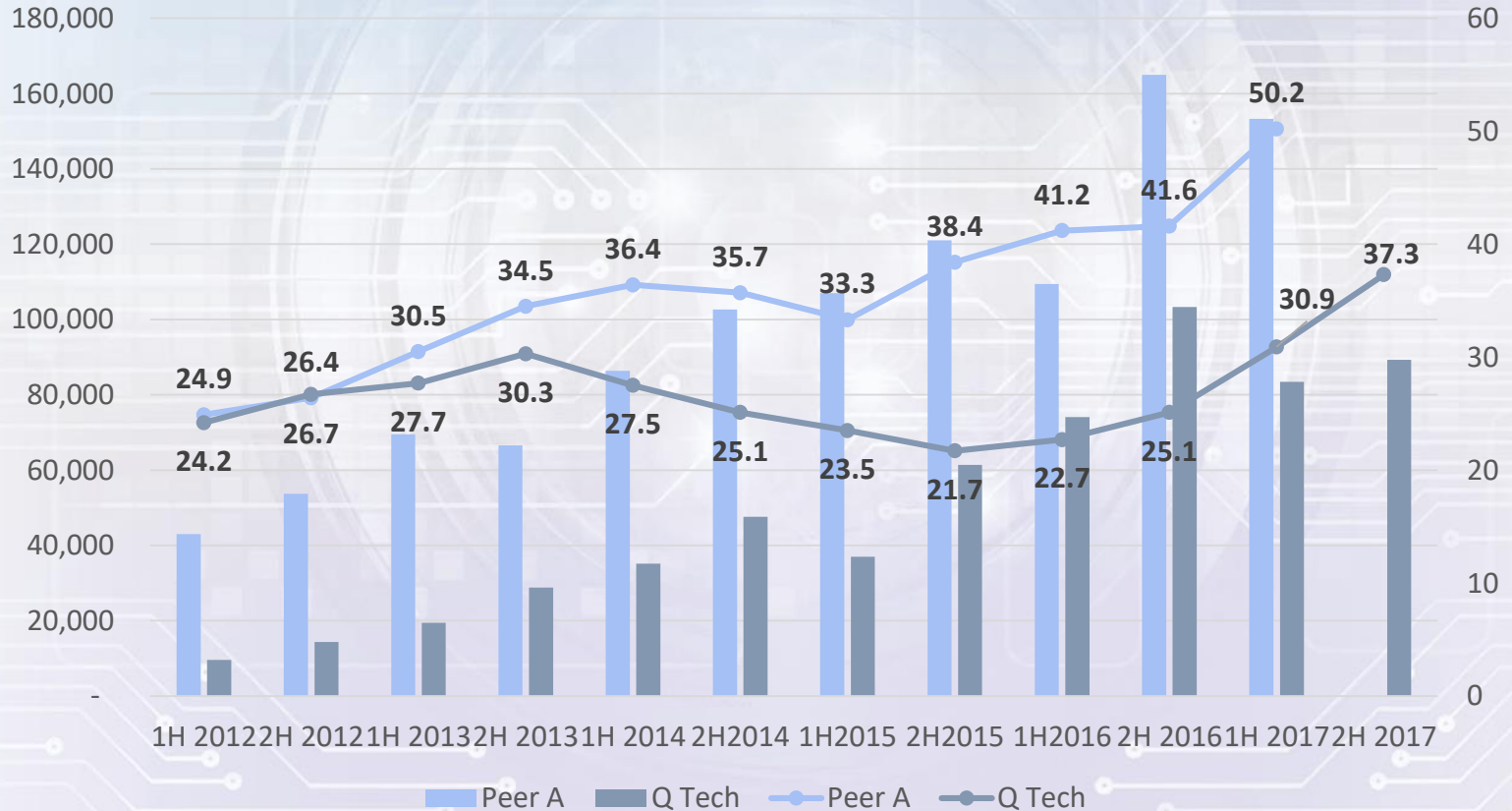
2H 2017



# Steady Increase in ASP of CCM

Sales Volume (K)

ASP(RMB)



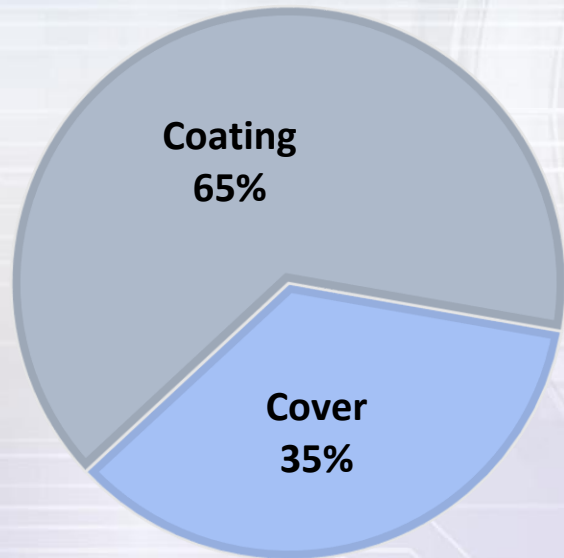
# Sales Volume of FPM Recorded a Strong Growth

Sales Volume(K)

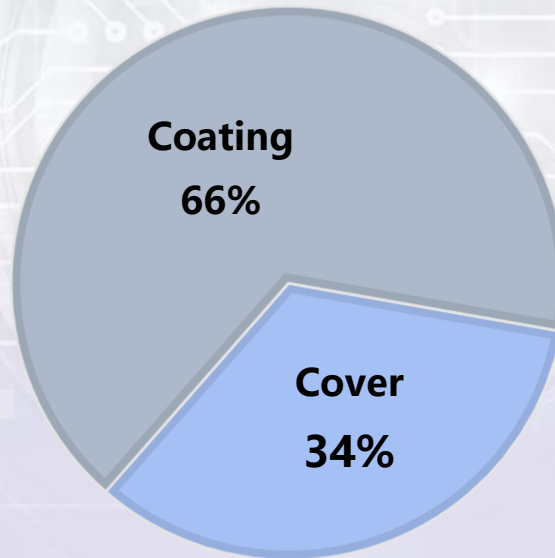


# Full-Screen Display Trend Accelerated the Adoption of Coating Products

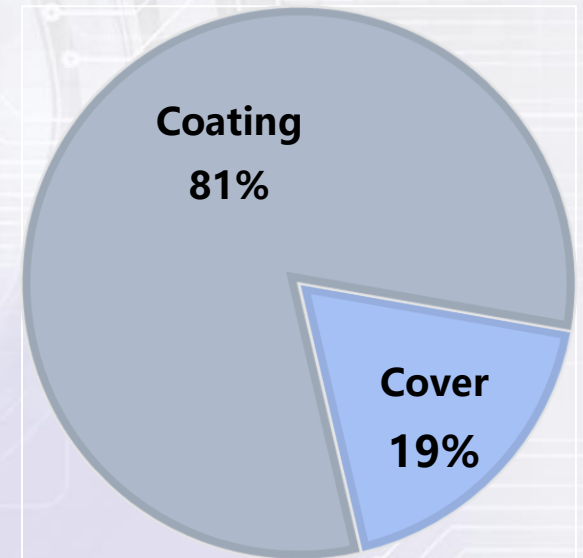
2016



1H 2017



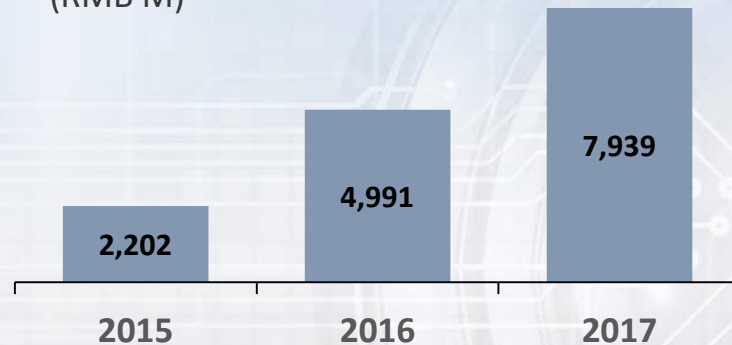
2H 2017



# Key Financial Ratios

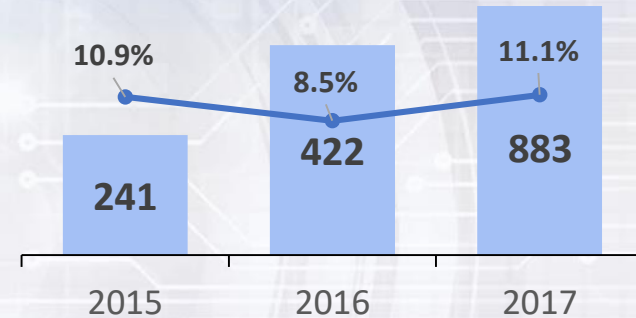
## Revenue

(RMB M)



## Gross Profit and GP Margin

(RMB M)

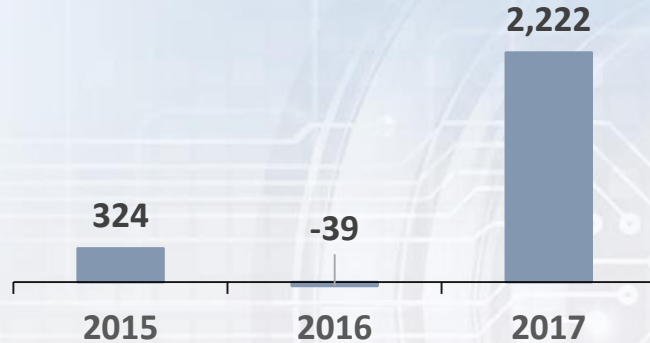


- ◆ Revenue increased by 59.1%, attributable to the significant increase in ASP of camera modules and sales volume of fingerprint recognition modules
- ◆ GP Margin increased by 2.6 pts YoY due to enhancement of product mix. The proportion of dual camera modules and single camera modules with 13 megapixels and above has increased from 23.4% to 48.2% YoY (8.2 pts more than the 40% guidance at the beginning of the year), resulting in a significant increase in added-value of camera modules
- ◆ 2H2017 gross profit margin decreased by 1.8 pts as compared with 1H2017 mainly due to:
  - Some core customers made seasonal inventory correction in Q4 causing lower than expected utilization rate of the production capacity
  - Mistake committed in capacity planning during Q3 forced the Company to reject some orders
  - Production of new projects of dual camera modules and MOC modules using new manufacturing know-how were still on the learning curve with relatively low yield rate
  - Sales volume of CCM in 2H 2017 decreased 13.7% YoY and increased 7.3% HoH

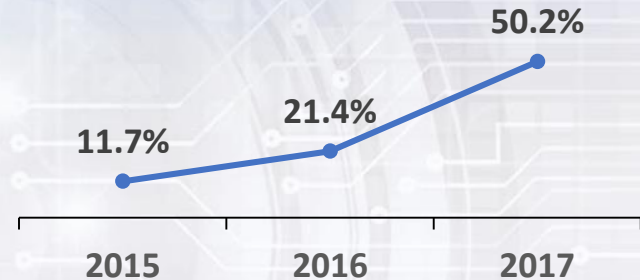
# Key Financial Ratios

## Operating Cash Flow

(RMB M)



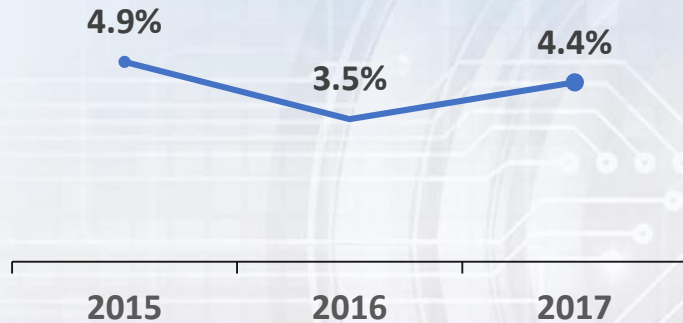
## Debt-to-Equity Ratio



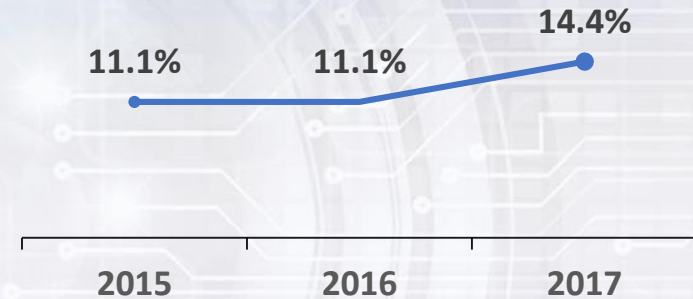
- ◆ Recorded operating cash inflow of RMB 2.222 billion , mainly due to:
  - Strengthened status in the supply chain led to a decrease in receivable days by 20 days from 124 days at the end of last year to 104 days. The payable days during the year was approximately 130 days, which is an extension of 12 days from the previous year of 118 days. The length of payable days is 26 days longer than that of receivables days.
  - The timing factor for payment settlement by the end of the year
- ◆ Debt-to-Equity ratio increased from 21.4 % by end of 2016 to 50.2 % in 2017
  - The balance of bank loans was approximately RMB 1.078 billion (Approximately RMB 335 million over the same period last year) and increased 2.2 times YoY, mainly to meet the trade settlement and among which approximately RMB 628 million bank borrowings has provided collateral by a total value of RMB 656 million asset including wealth management products, bank deposits and/or bank's acceptance bill for the purpose of earning interest spreads.

# Key Financial Ratios

## OPEX Ratio



## Income Tax Rate

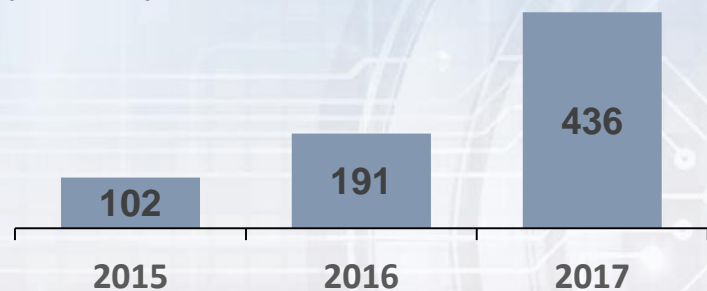


- ◆ OPEX ratio was 4.4%, increased by 0.9pts from last year, mainly due to :
  - R&D expenditure rate increased significantly, from 2.5% to 3.4%, mainly due to increased R&D investment in new products and manufacturing know-how
  - Additional expenses incurred to resolve the issues in recruiting workers during Q3 to avoid the adverse impact on production
  
- ◆ Income tax rate increased from 11.1% of previous year to 14.4% mainly due to:
  - The growth rate of additional deduction of R&D expenses of Kunshan QT China is lower than that of net profit. The deduction rate reduced from 4.3% of the same period of last year to 3.9%
  - A withholding tax of approximately RMB 4.5 million was incurred due to dividend proposed, while there was no withholding tax in 2016
  - Profits tax of Kunshan QT Hong Kong, a wholly owned subsidiary of the Company, amounted to approximately RMB 1.51 million, while profits tax refund of approximately RMB 2.14 million was recorded in 2016

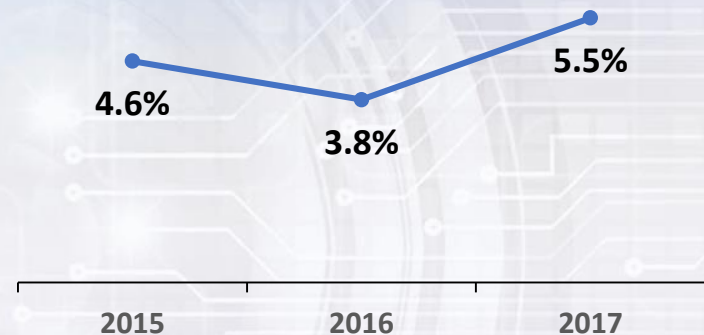
# Key Financial Ratios

## Net Profit

(RMB M)

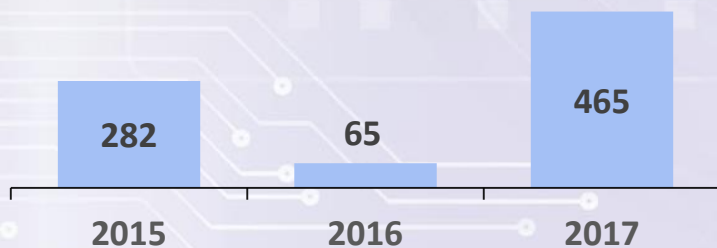


## Net Profit Margin

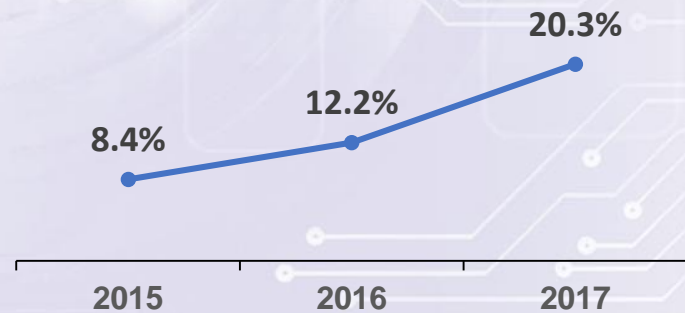


## Cash and Cash Equivalent

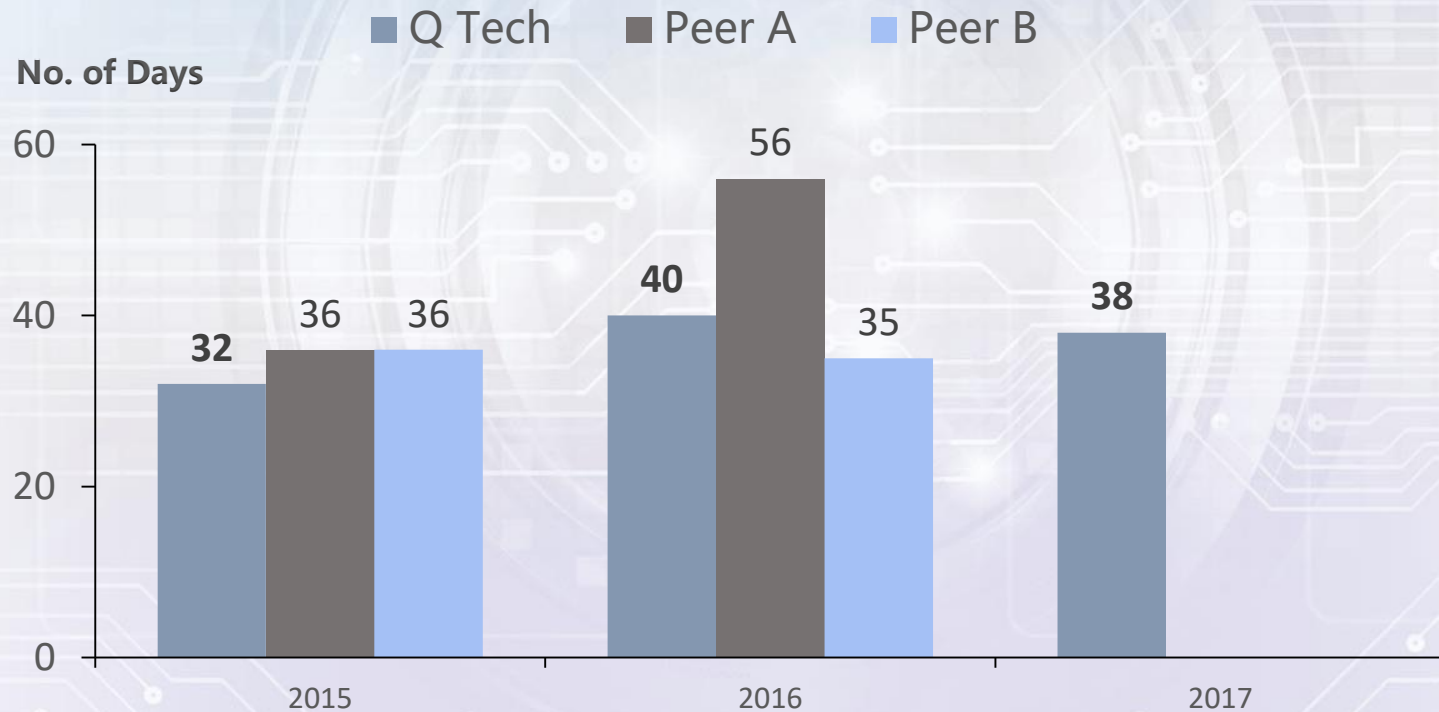
(RMB M)



## Return on Equity



# Inventory Turnover Days (2015, 2016, 2017)



# Contents

1. Business Review of 2017

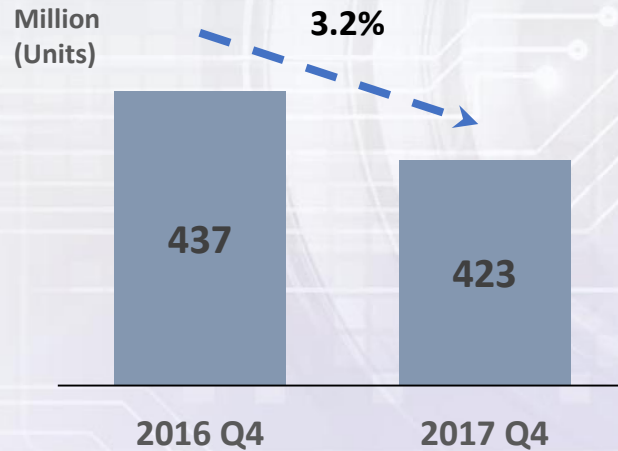
**2. Market Trend Analysis**

3. Planning and Outlook of 2018

4. Appendix

# Slower Growth in Global Mobile Phone Market

Quarterly global smartphone shipments recorded first YoY drop



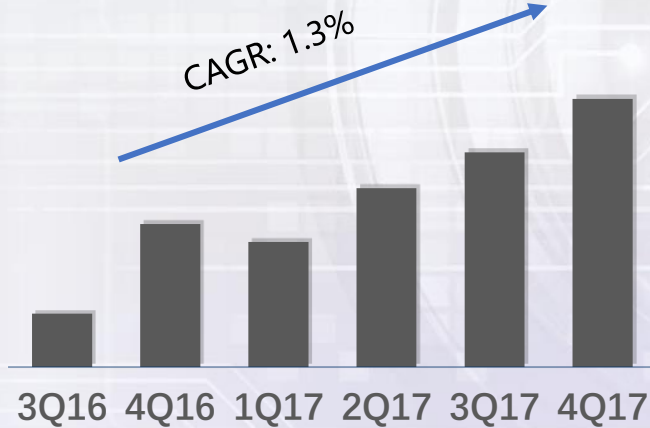
Replacement cycle of smartphones continues to lengthen



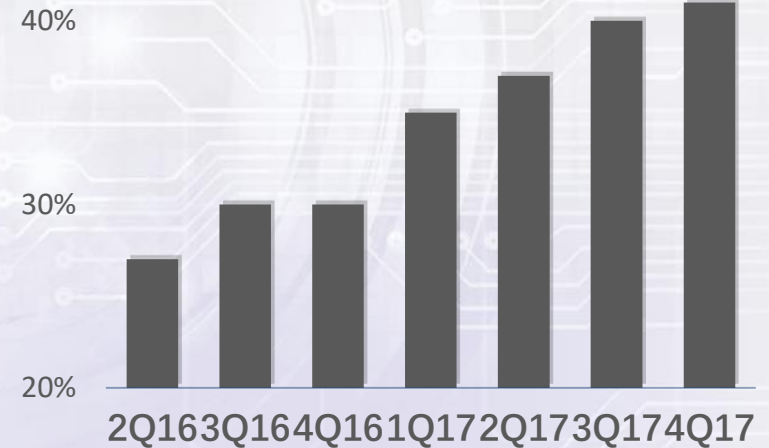
The data comes from independent research agency which the company has not verified. For reference only.

# Chinese Mobile Phone Market Continues to Grow

China's smartphone quarterly sales grow steadily

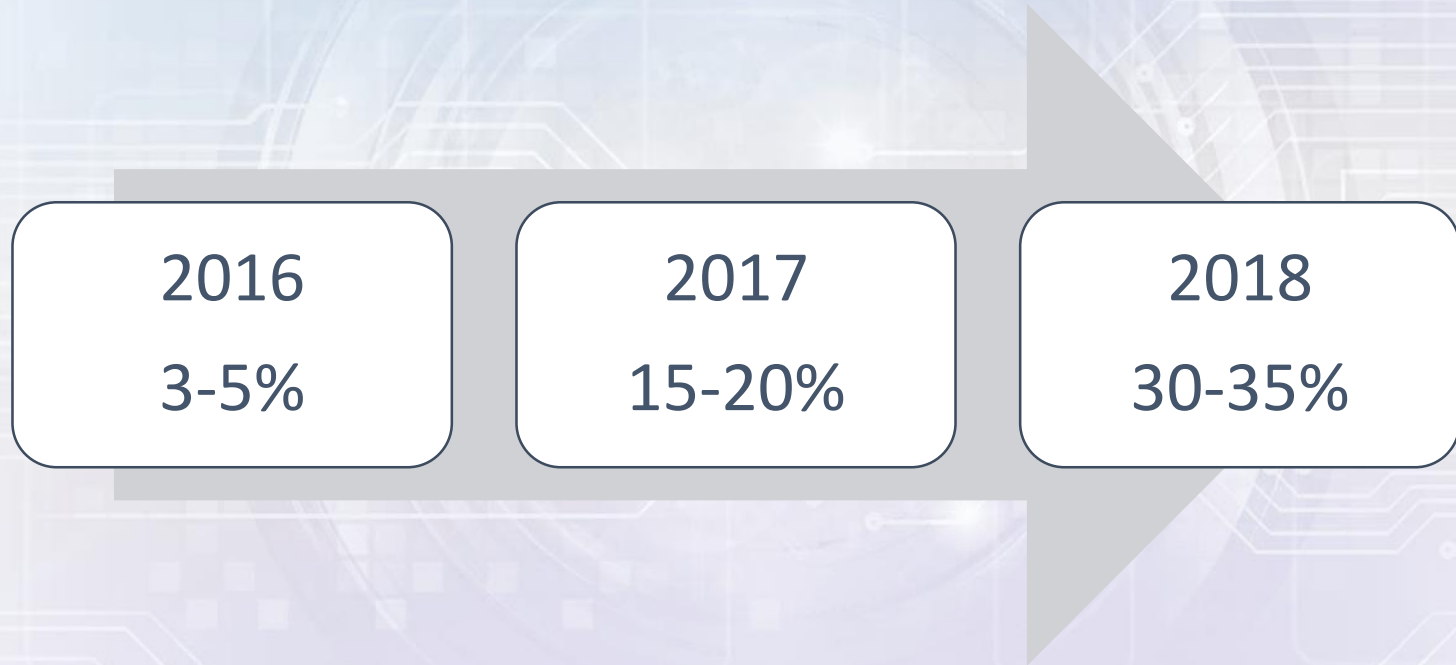


Market share of USD300 worth mobile phones is increasing in China



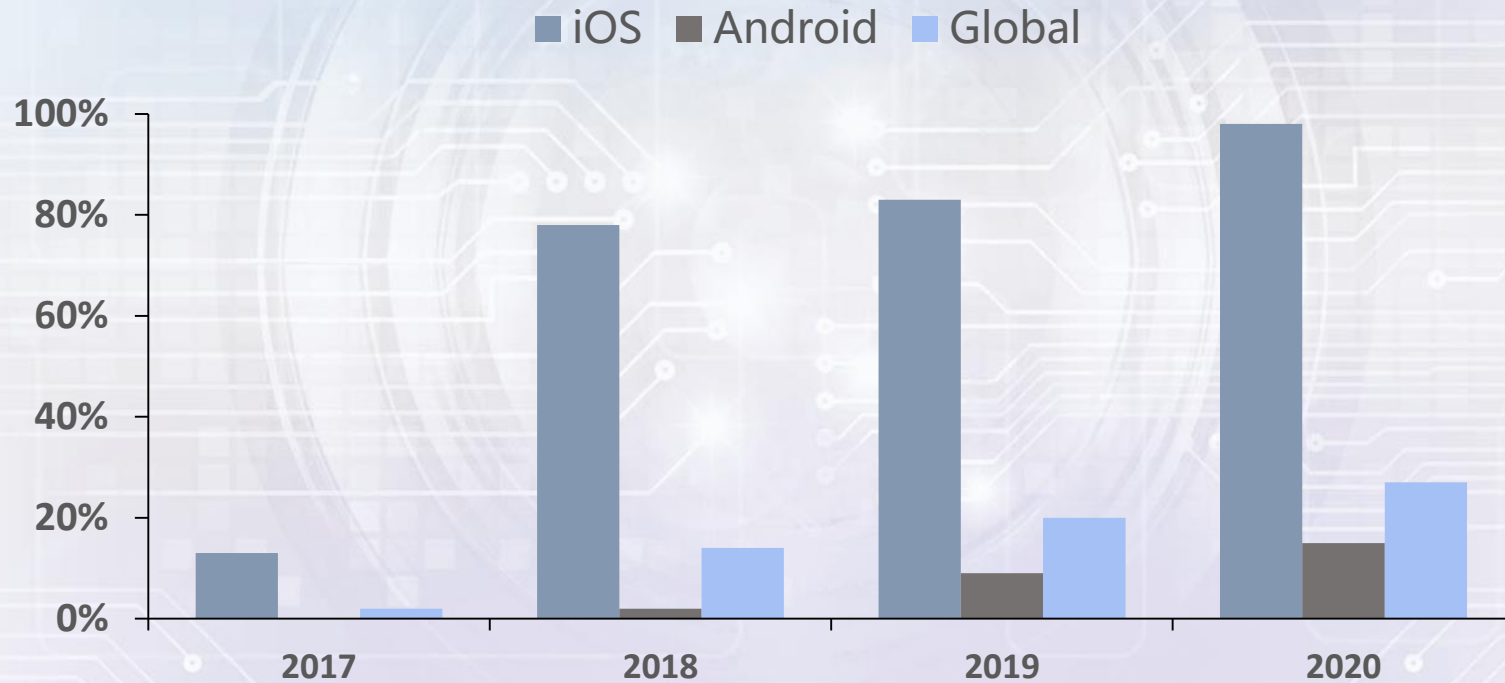
The data comes from independent research agency which the company has not verified. For reference only.

# Proportion of Chinese Smartphones with Dual Camera Continues to Rise



The data comes from independent research agency which the company has not verified. For reference only.

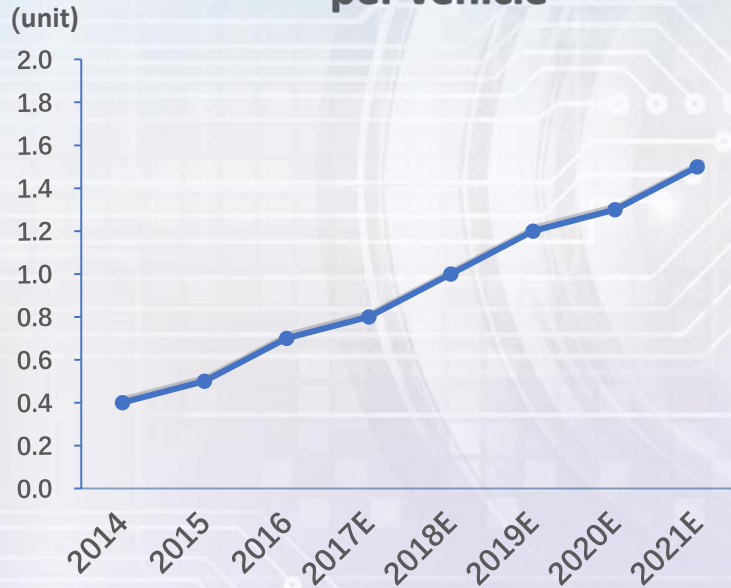
# 3D Module has Become a New Focus since 2018



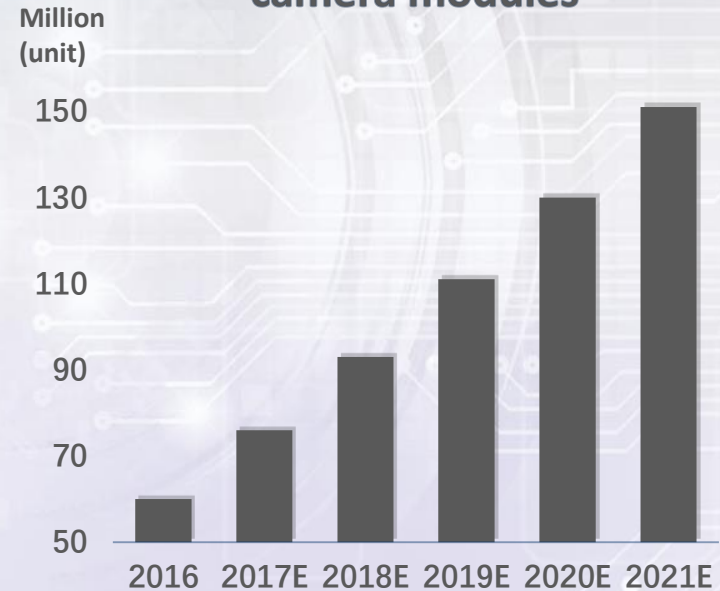
The data comes from independent research agency which the company has not verified. For reference only.

# Demand for Cameras From Automotive Soared

## Number of camera modules per vehicle



## Total demand for vehicle camera modules



The data comes from independent research agency which the company has not verified. For reference only.

# Contents

1. Business Review of 2017

2. Market Trend Analysis

**3. Planning and Outlook of 2018**

4. Appendix

# Company Goals for 2018

01

Sales volume of camera modules increased by approx. 10% to 20% YoY

02

Sales volume of fingerprint recognition modules increased by approx. 20% to 30% YoY

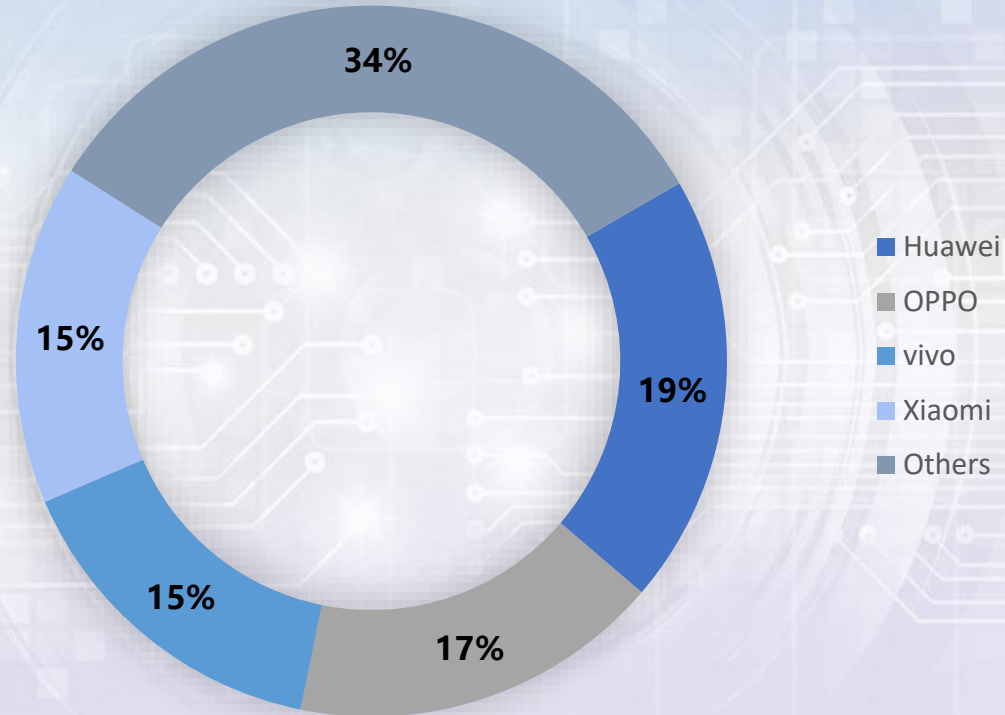
03

By end of 2018, production capacity of camera modules will be expanded gradually to maximum 45KK/month including around 10KK/month dual camera modules capacity

04

Commence the first phase construction for the new plant, and strive to be operate partially before the end of 2018

## Growth Driver 1: Strive to Become Core Suppliers of Four Major Customers

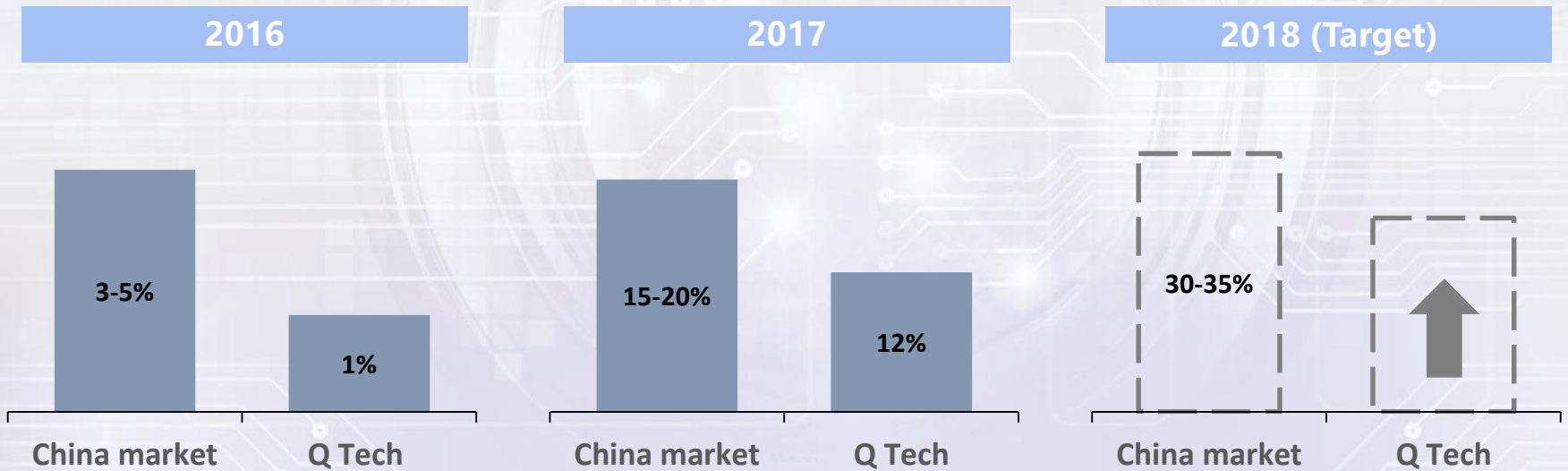


### Market Share of China Mobile Phone Brands in Q4 2017

The data comes from independent research agency which the company has not verified. For reference only.

## Growth Driver 2: Become a Main Supplier of Dual Camera Products

Q Technology is one of the first batches of manufacturers to ship dual-camera modules. Since 2016, overall shipment of dual-camera products continued to increase, and have gradually gained more customers' flagship model projects. The Company's 2018 goal is to further narrow the gap with the average penetration rate of dual camera in market and strengthen its market position.

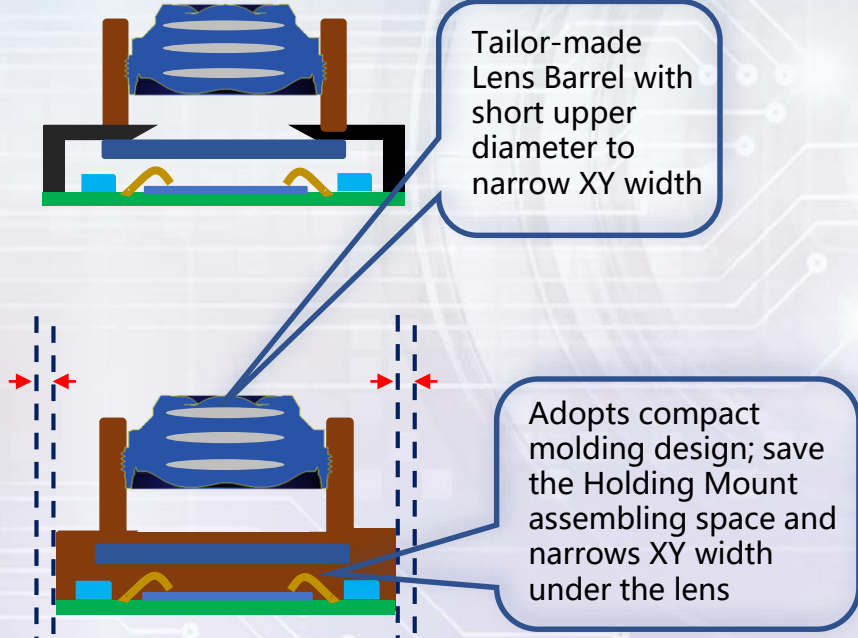


The data comes from independent research agency which the company has not verified. For reference only.

# Growth Driver 3: Miniaturization of Modules to Boost Added Value

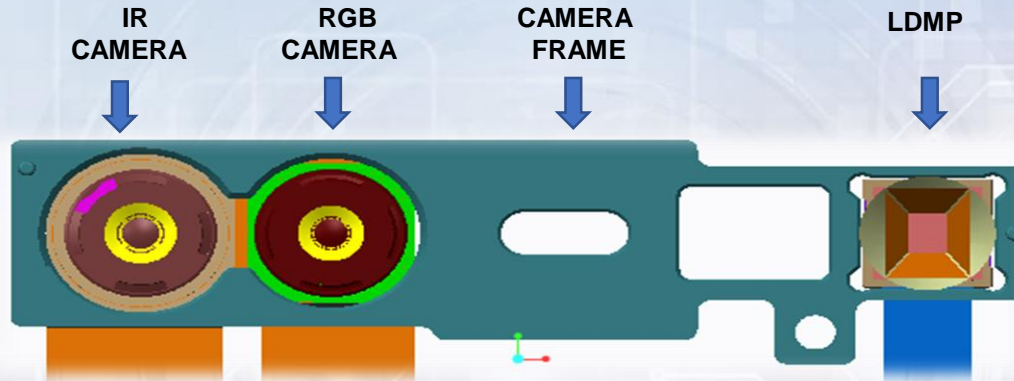
Front Facing

XY width reduced  
by 0.3mm-0.6mm



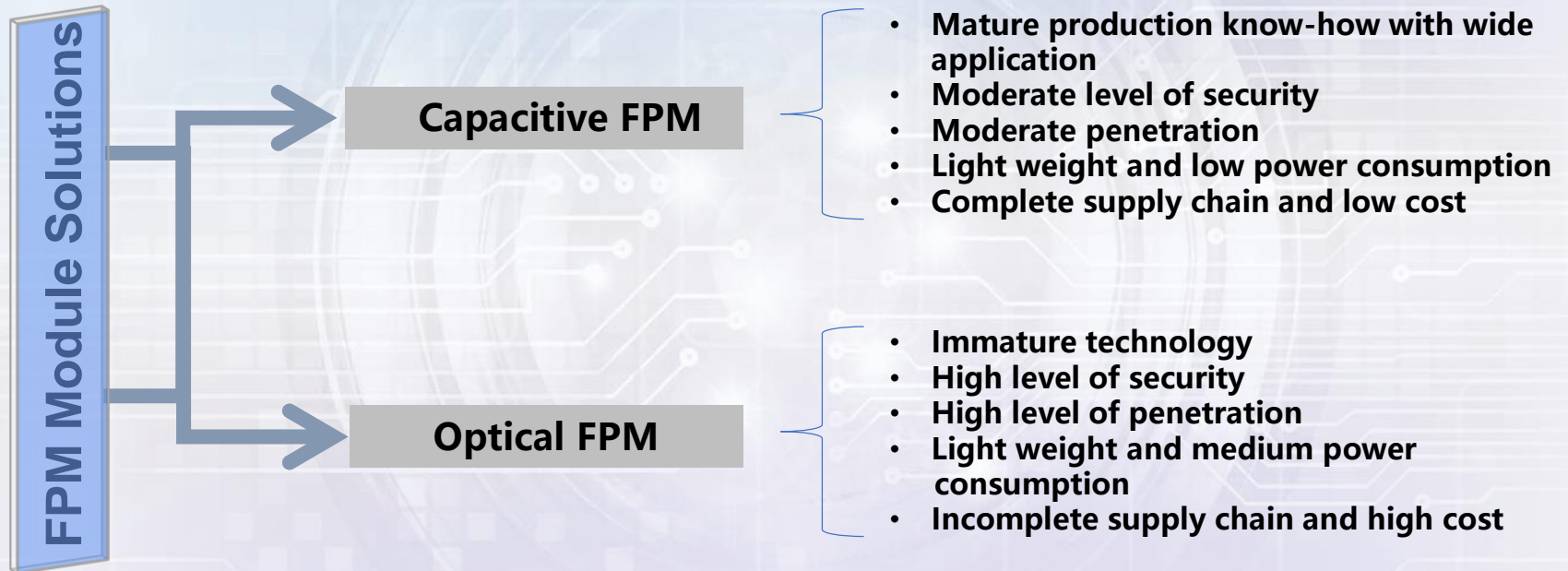
Q Technology put much effort in developing module miniaturization technology last year to meet the trend of full screen smartphones. The front camera module produced by the MOC process was shipped in Q4 2017, and it is expected to continue being included in the flagship models of the core customers in 2018.

# Growth Driver 4: The 3D Module is Becoming the New Growth Engine



Stage	Progress			
	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Samples Submission and Solutions Discussion	▶			
Rationalize the supply chain, production equipment preparation, plant preparation	▶			
Small Batch Production	▶			
Strive for mass production for Flagship models	▶			

# Growth Engine 5: Actively Promote the Development of New Fingerprint Technology



**Conclusion:** Considering the costs, capacitive FPM technology will remain the mainstream solution in the short to medium term. Meanwhile, we are also developing the technologies for optical FPM of which will potentially enter mass production stage in 2018

## Growth Driver 6: Develop Lens Technology to Lay Foundation for Future Growth

On August 31, 2017, Q Technology completed the acquisition of Taiwan Lens Company Newmax Technology Co. Ltd (3630.TW) through private placement, and after the completion, Q Technology held 36% of the stake and became the single largest shareholder.



Improve mobile phone lens technology / manufacturing capabilities



Maintain Leadership in 3D Lens



Integrate with Domestic Mainstream Brands

# Prepare the 3rd Phase of Plant Construction for Steady Expansion of Production Capacity



1. By the end of 2017, the camera module production capacity was approx. 30KK/month, including about 5KK/month dual camera, and the fingerprint module capacity was 17KK/month.
2. The 3rd phase plant construction is expected to begin in Q2 2018 and will gradually expand the camera module production capacity to no more than 45 KK/month, including about 10 KK/month, depending on customer needs and business development.
3. Capital expenditure for 2017 was approx. RMB 900 million, and the capital expenditure for 2018 is expected to be approx. RMB 500-600 million

# Determined in Intelligent Vision Product Strategy

## First Tier: Provides intelligent vision basic hardware

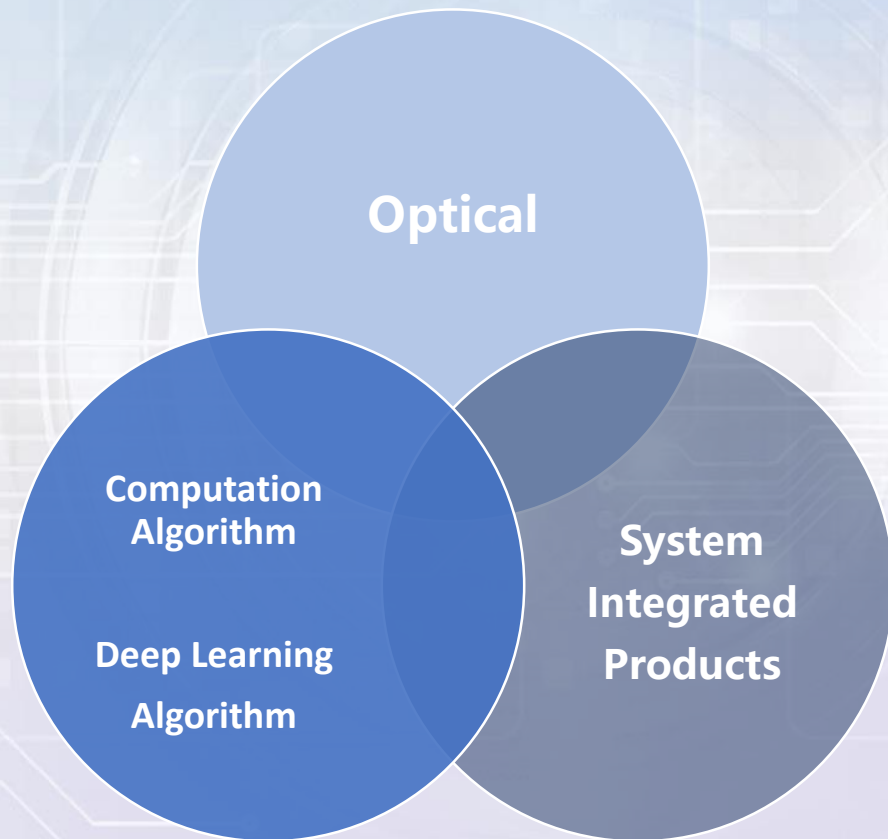
- Invest in 2D and 3D Camera Modules
- Invest in Optics Company
- Focus on the development of other major components such as CMOS, VCM, FPCB and Connectors

## Second Tier: Provide intelligent vision cameras

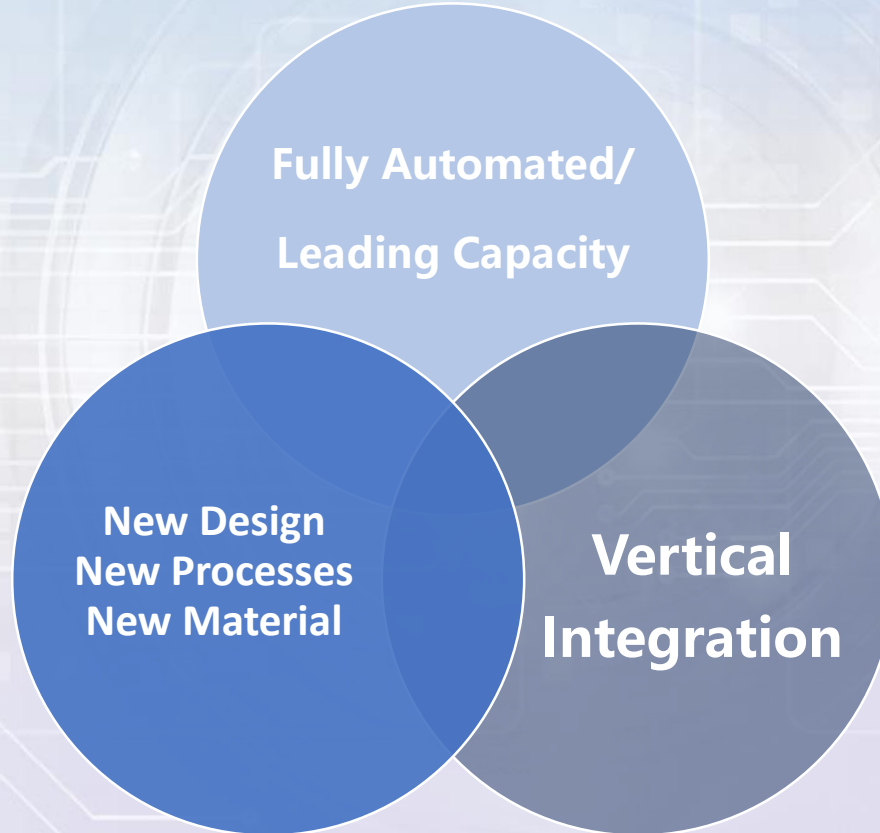
- Mount the machine with eyes stronger than human eyes
- Four application fields: Mobile Devices, Automotives, Surveillance, Smart Manufacturing
- Actively building computation algorithm and deep learning algorithm capabilities



# Develop Three Major Capabilities Persistently



# Enhancing the Competitiveness in Serving Customers



# Contents

1. Business Review of 2017

2. Market Trend Analysis

3. Planning and Outlook of 2018

**4. Appendix**

# 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, CEO*

- 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
<b>Mr. FAN Fuqiang</b>	Chief Financial Officer	Served as branch general manager and vice general manager of the corporate department of Heyuan Gao Xin Qu branch of Bank of China
<b>Mr. LIU Tongquan</b>	Deputy General Manager for Production	Served as production manager of Kunshan Giant plus Optoelectronics Technology Co., Ltd.

# 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

# 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

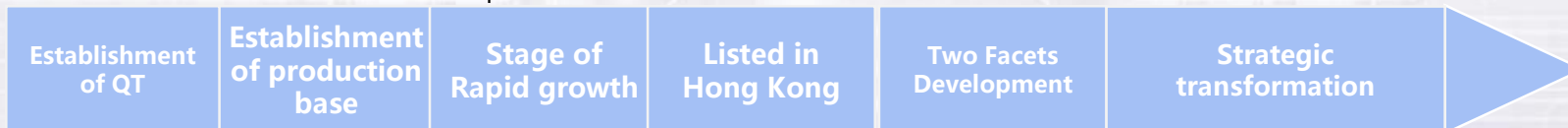
Received FPC certification to develop fingerprint recognition modules business

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

## 2017

Integrated optical capabilities, continue to gain market share in high-end camera module and fingerprint recognition module

Becoming the single largest shareholder of Newmax, being a major player in dual camera, achieved rapid growth in fingerprint recognition module



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

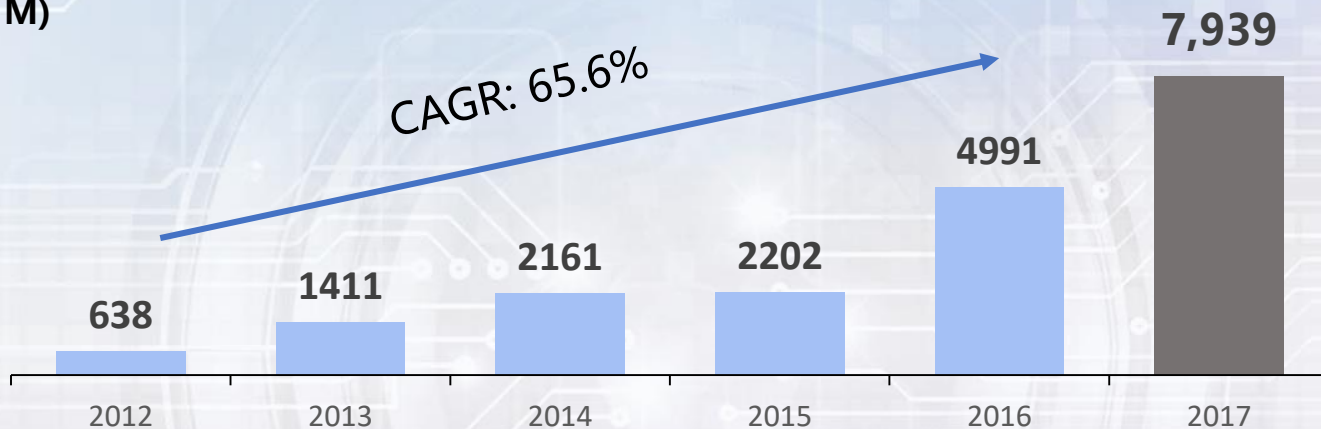
Developed integrated supply chain for 3D imaging and multiple cameras design

## 2016

# Revenue and Net Profit Growth in Past 6 years

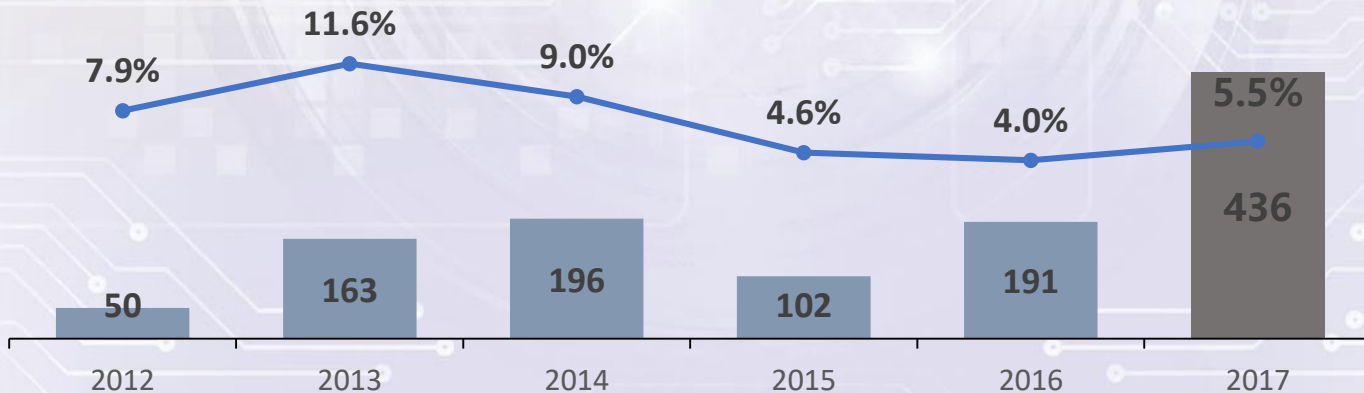
(RMB M)

Revenue



(RMB M)

Net Profit



# Shareholder Structure

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



Record in HKEX as at 19 March, not including the rights in unexercised stock options. For reference only