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Q TECHNOLOGY (GROUP) COMPANY LIMITED

丘鈇科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1478)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2014 amounted to approximately RMB2,161,084,000, an increase of approximately 53.2% as compared with the last year. The increase in turnover was mainly attributable to the continuous growth in the demand of the smart phone market as well as an increase in the sales of camera modules and strong marketing competence achieved by the Group.
- Gross profit of the Group for the year ended 31 December 2014 was approximately RMB352,579,000, an increase of approximately 50.6% as compared with the last year. Gross profit margin was approximately 16.3%.
- The profit of the Group for the year ended 31 December 2014 was approximately RMB195,506,000 (of which the expenses related to the initial public offering affecting profit or loss amounted to approximately RMB16,892,000), an increase of approximately 19.8% as compared with the last year.
- Basic earnings per share for the year ended 31 December 2014 was approximately RMB0.318.
- The Board has recommended to distribute a dividend of approximately RMB0.0406 (equivalent to approximately HK\$0.052) per share for the year of 2014.

FINANCIAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Q Technology (Group) Company Limited (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 together with the comparative figures for 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

(Expressed in Renminbi)

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
TURNOVER	2	2,161,084	1,410,613
Cost of sales		<u>(1,808,505)</u>	<u>(1,176,567)</u>
Gross profit		352,579	234,046
Other revenue	3	35,539	11,483
Other net (loss)/income	3	(7,077)	15,341
Selling and distribution expenses		(5,647)	(3,259)
Administrative and other operating expenses		(39,723)	(14,572)
Research and development expenses		<u>(73,423)</u>	<u>(51,058)</u>
Profit from operations		262,248	191,981
Finance costs	4(a)	(23,171)	(9,010)
Share of profits of an associate		<u>–</u>	<u>5,201</u>
PROFIT BEFORE TAXATION	4	239,077	188,172
Income tax	5	<u>(43,571)</u>	<u>(25,011)</u>
PROFIT FOR THE YEAR		<u>195,506</u>	<u>163,161</u>
Attributable to:			
Equity shareholders of the company		195,506	163,161
Non-controlling interests		<u>–</u>	<u>–</u>
PROFIT FOR THE YEAR		<u>195,506</u>	<u>163,161</u>
EARNINGS PER SHARE		<i>RMB Cents</i>	<i>RMB Cents</i>
Basic	6(a)	<u>31.8</u>	<u>32.6</u>
Diluted	6(b)	<u>29.6</u>	<u>30.9</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

(Expressed in Renminbi)

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
PROFIT FOR THE YEAR	195,506	163,161
OTHER COMPREHENSIVE INCOME FOR THE YEAR (AFTER TAX AND RECLASSIFICATION ADJUSTMENTS):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of subsidiaries outside Mainland China	(957)	(2,016)
– Available-for-sale financial assets: net movement in the fair value reserve	(2,292)	3,084
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(3,249)	1,068
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	192,257	164,229
Attributable to:		
Equity shareholders of the company	192,257	164,229
Non-controlling interests	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	192,257	164,229

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		335,787	269,941
Lease prepayments		17,880	18,296
Intangible assets		134	4
Deferred tax assets		5,146	5,114
Prepayment for acquisition of property, plant and equipment		1,007	819
		<u>359,954</u>	<u>294,174</u>
CURRENT ASSETS			
Inventories		141,597	129,305
Trade and other receivables	7	872,582	871,803
Other financial assets	8	125,377	416,074
Pledged bank deposits		249,919	8,939
Cash and cash equivalents		553,104	42,145
		<u>1,942,579</u>	<u>1,468,266</u>
CURRENT LIABILITIES			
Bank borrowings		712,679	427,581
Trade and other payables	9	444,823	904,350
Current tax payable		11,968	15,368
		<u>1,169,470</u>	<u>1,347,299</u>
NET CURRENT ASSETS		<u>773,109</u>	<u>120,967</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,133,063</u>	<u>415,141</u>
NON-CURRENT LIABILITIES			
Deferred income		975	–
Trade and other payables		–	146,132
Deferred tax liabilities		7,800	410
		<u>8,775</u>	<u>146,542</u>
NET ASSETS		<u>1,124,288</u>	<u>268,599</u>
CAPITAL AND RESERVES			
Capital		7,908	66
Reserves		1,116,380	268,533
TOTAL EQUITY		<u>1,124,288</u>	<u>268,599</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEx”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on new and revised IFRSs that are relevant to the Group for the current and prior years reflected in these financial statements.

(b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 5 May 2014. The Company became the Group’s holding company upon completion of the reorganisation on 26 June 2014.

As the Company had no substantive operations prior to the reorganisation and was formed for the sole purpose of effecting the Group’s restructuring and the listing of the Company’s shares, no business combination had occurred and the reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in IFRS 3, Business combinations. The financial statements have been prepared by applying the above-mentioned principle for the periods presented.

(c) **New and revised IFRSs that are first effective for the current accounting period**

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRSs 21, *Levies*

These amendments and new interpretation do not have an impact on these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 TURNOVER AND SEGMENTAL REPORTING

The principal activities of the Group are manufacturing and sales of camera modules for mobile phones and other electronic appliances. Turnover represents the sales value of goods sold, excludes VAT and is after deduction of any trade discounts.

The Group's turnover by geographical location is determined by the locations of operations of the contracting parties.

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Turnover		
PRC (including Hong Kong)	2,102,627	1,407,221
Overseas	58,457	3,392
	<u>2,161,084</u>	<u>1,410,613</u>

The Group had four (2013: four) customers with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2014. The amount of sales to these customers amounted to approximately RMB1,385,151,000 (2013: RMB1,030,484,000) for the year ended 31 December 2014.

3 OTHER REVENUE AND OTHER NET INCOME

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Other revenue		
Government grants (<i>Note</i>)	3,031	3,473
Interest income	5,236	1,381
Investment income (reclassified from equity on realisation)	26,405	5,749
Others	867	880
	<u>35,539</u>	<u>11,483</u>
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Other net (loss)/income		
Net gain on the disposal of interest in an associate	–	5,807
Net foreign exchange (loss)/gain	(7,200)	9,610
Gain/(loss) on disposal of property, plant and equipment	123	(76)
	<u>(7,077)</u>	<u>15,341</u>

Note: The amounts mainly included RMB1,000,000 cash subsidies received from local government for the Company's successful listing in Hong Kong and RMB1,670,000 subsidies on acquisition of qualified imported machinery and equipment.

4 PROFIT BEFORE TAXATION

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
(a) Finance costs		
Interest expenses	<u>23,171</u>	<u>9,010</u>
(b) Staff costs		
Contributions to defined contribution retirement plans	3,853	1,813
Salaries, wages and other benefits	111,893	74,844
Equity settled share-based payment expenses	<u>3,284</u>	<u>3,018</u>
	<u>119,030</u>	<u>79,675</u>
(c) Other items		
Amortisation		
– lease prepayments	416	416
– intangible assets	11	2
Depreciation	30,899	14,898
Auditors' remuneration	1,230	81
Operating lease charges in respect of properties	397	75
Research and development costs (<i>Note (ii)</i>)	73,423	51,058
Impairment loss recognised on trade receivables	138	360
Cost of inventories (<i>Note (iii)</i>)	1,818,519	1,202,996
Listing expenses (<i>Note (i)</i>)	<u>16,892</u>	<u>597</u>

Notes:

- (i) Remuneration of the reporting accountants in connection with the initial public offering services amounting to RMB2,171,000 (2013: RMB408,000), which are recognised as expenses in the year which they are incurred, are included as the listing expenses.
- (ii) Research and development costs include staff costs of employees in the design, research and development department of RMB22,269,000 (2013: RMB10,027,000) for the year ended 31 December 2014 which are included in the staff costs as disclosed in Note 4(b).

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

- (iii) Cost of inventories includes RMB118,567,000 (2013: RMB77,458,000) for the year ended 31 December 2014 relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current tax		
PRC Corporate Income Tax	35,809	23,407
Hong Kong Profits Tax	–	3,920
	<u>35,809</u>	<u>27,327</u>
Deferred tax		
Origination and reversal of temporary differences	7,762	(2,316)
	<u>43,571</u>	<u>25,011</u>

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before taxation	239,077	188,172
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	63,850	41,883
Tax effect of PRC preferential tax treatments (iii)	(23,185)	(12,940)
Tax effect of bonus deduction allowance of research and development costs	(8,264)	(5,615)
Effect of non-deductible expenses	3,370	554
PRC dividend withholding tax on interest in an associate	–	1,129
PRC dividend withholding tax (iv)	7,800	–
	<u>43,571</u>	<u>25,011</u>
Actual tax expense	<u>43,571</u>	<u>25,011</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision was made for Hong Kong Profits Tax in 2014 as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during 2014. Kunshan Q Technology (Hong Kong) Ltd. (“Kunshan QT Hong Kong”) is subject to Hong Kong Profits Tax at 16.5% in 2013.
- (iii) Effective from 1 January 2008, the PRC statutory income tax rate is 25%. Kunshan Q Technology Limited (“Kunshan QT China”) was qualified as a High and New Technology Enterprise (“HNTE”) in 2009, which entitled it to enjoy a preferential income tax rate of 15% from the year 2009 to 2011 according to relevant regulations in the PRC Corporate Income Tax Law. Kunshan QT China successfully renewed the HNTE qualification on 21 May 2012 and continued to enjoy a preferential income tax rate of 15% for another three years starting from 1 January 2012.
- (iv) According to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB195,506,000 (2013: RMB163,161,000) and the weighted average of 615,753,000 (2013: 500,000,000) ordinary shares in issue during the year, calculated as follows:

(i) *Weighted average number of ordinary shares*

	2014 '000	2013 '000
Issued ordinary share at 1 January	500,000	–
Effect of capitalisation issue	95,890	500,000
Effect of issuance of shares by share offer	19,863	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>615,753</u>	<u>500,000</u>

The weighted average number of shares in issue during the year ended 31 December 2013 represents the 500,000,000 shares in issue before the listing of shares on the HKEx, as if such shares had been outstanding during 2013.

(b) Diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB195,506,000 (2013: RMB163,161,000) and the weighted average of ordinary shares of 660,740,000 shares (2013: 527,331,000) calculated as follows:

(b) **Diluted earnings per share** (*Continued*)

(i) **Weighted average number of ordinary shares (diluted)**

	2014 '000	2013 '000
Weighted average number of ordinary shares at 31 December	615,753	500,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	44,987	27,331
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	660,740	527,331
	<hr/> <hr/>	<hr/> <hr/>

7 TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
<i>Current Assets</i>		
Trade receivables		
– third parties	511,695	335,034
– related parties	29,068	9,331
Bills receivable		
– third parties	310,606	229,464
	<hr/>	<hr/>
Trade and bills receivables	851,369	573,829
Less: allowance for doubtful debts	(503)	(371)
	<hr/>	<hr/>
	850,866	573,458
Amounts due from related parties	3	202,879
Other deposits, prepayments and receivables	21,713	95,466
	<hr/>	<hr/>
	872,582	871,803
	<hr/> <hr/>	<hr/> <hr/>

All of the trade and other receivables of the Group are expected to be recovered or recognised as expense within one year, except for trade receivables amounting to RMB503,000 (2013: RMB371,000) and the Group's deposits amounting to RMB82,000 (RMB18,000) as at 31 December 2014, which are expected to be recovered after more than one year.

Bills receivable of the Group represented outstanding bank acceptance bills and commercial acceptance bills. As at 31 December 2014, bills receivable of the Group amounting to RMB31,280,000 (2013: RMB69,822,000) were pledged as security for bills payable. Bills receivable are due in 3 to 6 months from the date of issue.

As at 31 December 2014, bills receivable of the Group amounting to RMB140,969,000 (2013: RMB84,323,000) were pledged as security for bank borrowings.

The management considers that related parties are under influence of the Group's controlling shareholder, hence no material credit risk exists on sales to related companies.

In respect of the sales to third party customers, individual credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivables with the following ageing analysis based on due date are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Neither past due nor impaired	540,170	401,469
Less than 3 month past due	310,695	171,689
Over 3 less than 6 months past due	–	300
Over 6 less than 12 months past due	1	–
Over 12 less than 24 months past due	251	360
More than 24 months	252	11
	851,369	573,829

As at 31 December 2014, amounts due from related parties are unsecured, interest free and have no fixed repayment terms.

(b) Impairment of trade and bills receivables

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

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
At 1 January	371	11
Impairment loss recognised	251	360
Reversal of impairment loss recognised	(113)	–
Uncollectible amounts written off	(6)	–
	<hr/>	<hr/>
At 31 December	503	371
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2014, the Group's trade and bills receivables of RMB503,000 (2013: RMB371,000) were individually determined to be impaired. The individually impaired receivables are mainly related to customers that the Group terminated business with them, and management assessed that the receivables are not probable to be recovered. Consequently, specific allowances for doubtful debts were recognised in full. The Group does not hold and collateral over these balances.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables of the Group that are neither individually nor collectively considered to be impaired are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Neither past due nor impaired	540,170	401,469
Less than 3 month past due	310,695	171,689
Over 3 less than 6 months past due	–	300
Over 6 less than 12 months past due	1	–
	<hr/>	<hr/>
	850,866	573,458
	<hr/> <hr/>	<hr/> <hr/>

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

As at 31 December 2014, receivables that were past due but not impaired related to customers that have good track records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

8 OTHER FINANCIAL ASSETS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Available-for-sale financial assets	<u>125,377</u>	<u>416,074</u>

As at 31 December 2014, certain available-for-sale financial assets with carrying value of RMB125,377,000 (2013: RMB314,419,000) have been pledged as security for bank borrowings.

As at 31 December 2014, no (2013: RMB51,472,000) available-for-sale financial assets have been pledged as security for bills payable.

The Group's available-for-sale financial assets were revalued as at 31 December 2014. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

9 TRADE AND OTHER PAYABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<i>Current liabilities</i>		
Trade payables		
– third parties	311,297	296,982
– related parties	1,208	3,813
Bills payable (<i>Note (a)</i>)		
– third parties	43,174	31,598
– related parties	–	79,937
Trade and bills payables (<i>Note (b)</i>)	355,679	412,330
Accrued payroll	17,962	10,431
Amounts due to related parties (<i>Note (c)</i>)	2,442	458,232
Amount due to the Controlling Shareholder	–	18,256
Other payables and accruals	<u>68,740</u>	<u>5,101</u>
	<u>444,823</u>	<u>904,350</u>
<i>Non-current liabilities</i>		
Amount due to related parties	<u>–</u>	<u>146,132</u>

All of the Group's trade and other payables as at 31 December 2014 are expected to be settled or recognised as income within one year or are repayable on demand.

- (a) As at 31 December 2014, bills payable of the Group with carrying value of RMB29,716,000 (2013: RMB55,282,000) was secured by bills receivable.

As at 31 December 2014, bills payable of the Group with carrying value of RMB13,458,000 (2013: RMB6,500,000) was secured by pledged bank deposits.

As at 31 December 2014, no (2013: RMB49,753,000) bills payable of the Group was secured by other financial assets.

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within 3 months	298,517	308,038
More than 3 months but within 6 months	9,450	15,260
More than 6 months but within 1 year	623	65,000
More than 1 year	695	134
	309,285	388,432

As at 31 December 2014, the accrued trade payables which represented the amounts with no invoice received by the end of the year, amounted to RMB46,394,000 (2013: RMB23,898,000).

- (c) As at 31 December 2014, amounts due to related parties were unsecured, interest-free and have no fixed repayment terms.

10 DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Final dividend proposed after the end of the year of RMB4.06 cents (equivalent to HK5.2 cents) per ordinary share	40,622	–

The final dividend proposed after the end of the year has not been recognised as a liability as at 31 December 2014.

(b) Share capital

Authorised shares of the Company

	No. of shares	Amount HK\$
Ordinary share of HK0.01 each	50,000,000,000	500,000,000

Ordinary shares of the Company issued

	Number of shares issued	Nominal value of fully paid shares HK\$'000	Nominal value of fully paid shares RMB'000
At 5 May 2014 (date of incorporation)			
Issue of one ordinary share of HK\$0.01 each	1	-	-
Share issued upon reorganisation	1	-	-
Additional share issued	1	-	-
Capitalisation issue	749,999,997	7,500	5,931
Share issued by share offer	250,000,000	2,500	1,977
	<u>1,000,000,000</u>	<u>10,000</u>	<u>7,908</u>
At 31 December 2014	<u>1,000,000,000</u>	<u>10,000</u>	<u>7,908</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the current financial year, there witnessed recovery of the global economy but the position was still complicated and diverse. Although the PRC government continued to redress the means of economic development and the composition, there were still considerable difficulties and challenges amid the economy in the PRC maintained stable growth. The position of most industries was not optimistic. With respect to the smart phone market, the total output of global smart phone still maintained a stable growth, with the demand from overseas growing at a faster rate. On the contrary, the growth of smart phone in the PRC seemed to slow down or even showed negative growth in certain quarters. However, as one of the leading PRC-based camera module suppliers focusing on mid-to-high end camera module market for Chinese branded smart phone, the Group used its best endeavours to overcome the bottlenecks about the slow down in the growth of industry in general, and achieve rapid growth in sales volume.

During the financial year under review, being benefitted from the accurate positioning of the products, and the correct interpretation by the management about the market, the turnover of the Group continued to increase and reached approximately RMB2,161,084,000, an increase of approximately 53.2% as compared with the last year. The profit for the year reached approximately RMB195,506,000, an increase of approximately 19.8% as compared with the last year, exceeding the target set at the beginning of the year. Meanwhile, the basic earnings per share of the Company was RMB31.8 cents. The Board recommended to distribute a final dividend of approximately RMB0.0406 (equivalent to approximately HK\$0.052) per share for the year.

During the current financial year, camera modules with resolution of 5 mega pixels and higher accounted for approximately 92.5% (2013: 88.6%) of total turnover, whilst camera modules with resolution of 8 mega pixels and higher accounted for approximately 34.5% (2013: 21.0%) of total turnover, demonstrating the market recognition received by the Group on its high-end products. This allowed the Group's products to maintain a relatively stronger competitiveness in the high pixels products aspect. At the same time, the Group launched the camera modules with resolution of 16 mega pixels and 20 mega pixels to the market during the year, representing the technology standard of the Group moving up to a new level.

During the current financial year, the Group continued to adhere to the customer-oriented sales strategy, which emphasized that the customer experiences is critical to its sales and growth of profits. Hence, the Group continued to increase R&D investment, conduct technology innovation, optimize production technique and enhance product quality. Therefore, during the year, the Group continued to maintain close and favourable cooperation relationship with its core customers, and has established its business relationship with two new well-known branded smart phone manufacturers in the PRC. Moreover, the Group received a number of awards from its customers, including "Best Global Partner 2014" awarded by ZTE Group, "Core Supplier 2014" awarded by Yulong Coolpad, "Quality Award Program Planning", "Excellent Quality Award" awarded by ZTE Group, "Best Quality Supplier Award 2014" awarded by Shanghai Hua Qin, and "Pilot 4G Best Support Award 2014" awarded by Yulong Coolpad.

By capitalizing on the correct product planning and customer strategies formulated by the management and the endeavours of all staff, the Group achieved remarkable results under the challenging, complicated and competitive market environment. The growth in businesses remained steady and expeditious with the expected targets fulfilled. At the same time, the right corporate culture and corporate governance mechanisms also allowed the Company to earn a good reputation from the market. The Company was well recognized by its peers and customers, laying a solid foundation for the Company to create a better brand image.

PROSPECTS

We believe that in 2015 the Group will face both challenges and opportunities. On one hand, there are still uncertainties in the macro-economic environment of the world and in the PRC. The structural reorganization of the PRC economy may not be smooth and successful. On the other hand, the growth in smart mobile telecommunication terminals shall remain stable. Mid-to-high end camera modules and the application of innovative products will bring new business opportunities to the Group. Therefore, the Group will continue to adhere to the sales strategies that focus at favourable experiences of customers. More efforts will be devoted to the research and development of new products and new techniques. With the expansion in the scope of product application, the level of automated production will increase. The Group will proactively acquire new customers and explore new markets, and will continue to optimize the corporate governance structure. This will further establish the distinguished brand image, and enhance the core competence of the Group.

Looking ahead into future, the management of the Company is confident that upon leading all staff the Company will seize the opportunities and face the challenges. Operational efficiency will continue to enhance the growth of our businesses. The management of the Group is confident that the Group will grow in scale and become the leader in the industry so as to bring more return to the shareholders of the Company (the "Shareholders"). At the same time, the Group is in a relatively keen and competitive market with the macro-economic environment ever changing. Amid its confidence the results of operations of the Group may differ from the expectation above.

FINANCIAL REVIEW

Turnover

As at 31 December 2014, the turnover of the Group was approximately RMB2,161,084,000, an increase of approximately 53.2% as compared with the last year. The increase in turnover was mainly attributable to the continuous growth in the demand of the smart phone market as well as an increase in the sales of camera modules and strong marketing competence achieved by the Group.

Cost of sales

The cost of sales of the Group increased by 53.7% from approximately RMB1,176,567,000 for the year ended 31 December 2013 to approximately RMB1,808,505,000 for the year ended 31 December 2014. The increase in the cost of sales of the Group was primarily attributable to the increase in the cost of raw materials and components of the Group primarily, as a result of an increase in the Group's production volume driven by increased demand and sales.

Gross profit and gross profit margin

As at 31 December 2014, the gross profit of the Group was approximately RMB352,579,000 (2013: RMB234,046,000), an increase of approximately 50.6% as compared with the last year. Gross profit margin was approximately 16.3% (2013: 16.6%), which was slightly less than the last year. The decrease in gross profit margin was mainly attributable to: (i) the fall in product selling price, partially offset by the decrease in prices of raw materials. Furthermore, despite the fact that the sales of camera modules with resolution of higher mega pixels can also increase the average selling prices and the gross profit margin, the camera modules with resolution of higher mega pixels represents a small portion of the total sales; (ii) in order to accelerate the progresses on establishing business relationship with new customers, the Group reduced the gross profit margin requirements on the products as appropriate when cooperating with the new customers in the early phases of placing orders; and (iii) the PRC government had implemented higher minimum wage policy, which resulted in an increase of direct labour cost.

Other revenue

The other revenue of the Group increased by 209.5% from approximately RMB11,483,000 for the year ended 31 December 2013 to approximately RMB35,539,000 for the year ended 31 December 2014, primarily due to an increase in investment income from the wealth management products of the Group from approximately RMB5,749,000 for the year ended 31 December 2013 to RMB26,405,000 for the year ended 31 December 2014.

Other net (loss)/income

The Group had other net income of RMB15,341,000 for the year ended 31 December 2013, while the Group had other net loss of RMB7,077,000 for the year ended 31 December 2014, primarily as a result of the net foreign exchange loss of RMB7,200,000 for the year ended 31 December 2014 as a result of the depreciation of Renminbi against USD in the year 2014.

Selling and distribution expenses

As at 31 December 2014, the total selling and distribution expenses of the Group amounted to RMB5,647,000 (2013: RMB3,259,000), an increase of approximately 73.3% as compared with the last year, and accounted for approximately 0.3% (2013:0.2%) of the turnover. The increase in selling expense for the current financial year was mainly attributable to the marketing activities in consolidating new markets and new customers.

Administrative and other operating expenses

As at 31 December 2014, the total administrative and other operating expenses of the Group amounted to RMB39,723,000 (2013: RMB14,572,000), an increase of approximately 172.6% as compared with the last year, and accounted for 1.8% (2013:1.0%) of the turnover. The increase in administrative and other operating expenses was mainly attributable to the increase in relevant manpower expenses and the increase in relevant operating expenses as a result of the business expansion.

Research and development expenses

As at 31 December 2014, the total research and development expenses of the Group amounted to approximately RMB73,423,000 (2013: RMB51,058,000), an increase of approximately 43.8% as compared with the last year, and accounted for approximately 3.4% (2013: 3.6%) of the turnover. The increase in research and development expenses for the current financial year was mainly attributable to additional efforts devoted to the research of new products and new functions by the Group. This allowed us to develop products of higher pixels and more functions, such as products of 16 mega pixels and 20 mega pixels, dual camera modules, optical image stabilization products, as well as to optimize and enhance the standards of production technique.

Finance costs

The finance costs of the Group increased by approximately 157.2% from RMB9,010,000 for the year ended 31 December 2013 to RMB23,171,000 for the year ended 31 December 2014, primarily due to the increase in interest expenses as a result of the increased bank borrowings of the Group.

Share of profits of an associate

For the year ended 31 December 2013, the Group shared a profit of Huatian Technology (Kunshan) Electronic Co., Ltd. (“Huatian Kunshan”) of approximately RMB5,201,000. In December 2013, the Group disposed all of its equity interest in Huatian Kunshan to an independent third party at a consideration of USD13,268,600 and therefore did not share any profit or loss of Huatian Kunshan during the year ended 31 December 2014.

Income tax expenses

The income tax expenses of the Group increased from approximately RMB25,011,000 for the year ended 31 December 2013 to RMB43,571,000 for the year ended 31 December 2014, which was mainly attributable to the increase in profit. Effective tax rate for 2013 and 2014 was approximately 13.3% and 18.2% respectively. The increase in effective tax rate was primarily attributable to the expenses related to the listing of shares of the Company (the “Listing”) during this year which are not tax deductible from the taxable profits of the Group and the accrued PRC dividend withholding tax.

Kunshan QT China, a subsidiary of the Company, was recognized as the state high-tech enterprise, and is entitled to a preferential income tax rate of 15% according to the relevant policies. Chengdu Q Technology Limited, a subsidiary of the Company, was recognized as a software enterprise. According to the relevant policies, such subsidiary will be entitled to preferential tax rates and policies in value-added tax and income tax.

Profit for the year

As at 31 December 2014, the profit of the Group for the year amounted to RMB195,506,000 (2013: RMB163,161,000), of which the expenses related to the initial public offering affecting profit or loss amounted to approximately RMB16,892,000, an increase of approximately 19.8% as compared with the last year. Net profit margin was approximately 9.0% (2013: 11.6%). The fall in net profit margin for the year was mainly attributable to the expenses arising from the initial public offering and the increase in income tax.

LIQUIDITY AND FINANCIAL RESOURCES

Bank borrowings

As at 31 December 2014, the Group's bank borrowings amounted to approximately RMB712.7 million, representing a 66.7% increase from approximately RMB427.6 million as at 31 December 2013. All of those bank borrowings are payable within 1 year.

As at 31 December 2014, the Group's bank borrowings were denominated in RMB and USD.

For the years ended 31 December 2014 and 2013, the cash flow overview of the Group was set out as follows:

	For the year ended	
	31 December	
	2014	2013
	RMB	RMB
Net cash generated from/(used in) operating activities	303,709,000	(302,345,000)
Net cash generated from/(used in) investing activities	239,208,000	(434,502,000)
Net cash (used in)/generated from financing activities	(32,838,000)	752,798,000

During the year, the increase in cash and cash equivalents of the Group was mainly due to the increase in net cash generated from operating activities and increase in net cash generated from investing activities. As at 31 December 2014, the balance of cash and cash equivalents amounted to approximately RMB553,104,000, an increase of approximately RMB510,959,000 from the end of last year.

Operating activities

The net cash flow from operating activities of the Group in 2014 amounted to RMB303,709,000, which increased significantly as compared to the last year. The net cash flow from operating activities of the Group increased significantly from negative to positive was primarily attributable to: (i) the fact that the Group no longer repaid advance from the related company through endorsement of bills receivable during 2014, so that the Group could receive the fund itself when the bills receivable matured; (ii) the increase in profit after tax; (iii) effective inventory management, at the time when there had been substantial growth in the scale of sales, total inventory only increased at a small amount; and (iv) effective management of account receivables.

The turnover days for the trade and bills receivables of the Group in 2014 and 2013 were 119 days and 120 days respectively, whilst the turnover days for the trade and bills payable were 76 days and 108 days respectively. The decrease in the turnover days for account payables was attributable to the cessation of payment by the related companies with usance letter of credit. Inventory turnover days were 27 days and 32 days respectively.

Investing activities

The net cash flow from investing activities of the Group in 2014 amounted to RMB239,208,000, which was mainly due to the purchase of equipment and the construction of plant with an amount of RMB158,348,000, the purchase of available-for-sale financial assets of RMB956,110,000, and the expiration of available-for-sale financial assets of RMB1,270,516,000.

Financing activities

The net cash outflow from financing activities of the Group in 2014 amounted to RMB32,838,000, which was mainly due to the proceeds from the global offering of shares of RMB550,508,000, bank borrowings of RMB1,417,946,000, repayments from related companies of RMB242,195,000, receipt of borrowings from related companies of RMB333,041,000, capital contribution from shareholders of RMB123,294,000; and repayment of bank borrowings of RMB1,450,809,000, pledged bank deposits of RMB223,719,000 and repayment of borrowings from related companies of RMB951,778,000.

Gearing ratio

Gearing ratio in 2014, which is defined by bank borrowings and related parties' loans divided by total equity at the end of the period, was approximately 63.4%, which was considerably improved when compared with 213.6% in 2013. The main reasons were that the Group realized proceeds from the global offering during the year, the net assets of the Group (including the proceeds from the global offering) increased steadily and the full repayment of borrowings with related companies prior to the Listing whilst the Net debt to equity ratio (defined by bank borrowing and related parties' loans deducted by cash and cash equivalents divided by total equity) is approximately 14.2% (2013:197.9%).

Treasury policies

The Group's treasury policy was disclosed in the prospectus of the Company dated 20 November 2014 (the "Prospectus"). The Board, the Risk Management Committee and the staff at the relevant positions always remain alert to the performance and risk assessment of the wealth management products, so as to assure that the wealth management operation does not pose risk to the principal. At the same time, the Company also pays attention to the flow of liquidity in order to ensure that its sufficiency of working capital is not affected.

MATERIAL ACQUISITION AND DISPOSAL

Save for the reorganisation in preparation for the listing of the Shares as disclosed in the Prospectus, the Group did not have any material acquisitions or disposals of its subsidiaries and associated companies for the year ended 31 December 2014.

SIGNIFICANT INVESTMENT

Save as disclosed in the Prospectus, the Group did not have any significant investment during the year ended 31 December 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2014, the Group has not entered into any legally binding agreement or arrangement with respect to any investment opportunities except those disclosed in the Prospectus.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2014, the assets pledged by the Group included bills receivable of RMB172,249,000 (of which RMB31,280,000 were pledged as security for bills payable, and RMB140,969,000 were pledged as security for bank borrowings), available-for-sale financial assets of RMB125,377,000, and bank deposits of RMB249,919,000 (which are mainly pledged as security for bills payable and bank borrowings).

EMPLOYEE POLICIES AND REMUNERATION

As at 31 December 2014, the Group had a total of 2,015 employees (31 December 2013: 1,529). The total remuneration of the employees of the Group was approximately RMB119.0 million for the year ended 31 December 2014 (31 December 2013: RMB79.7 million). The Group adopts an equal policy on remuneration with same position receiving same package and provides to all staff attractive salary benefits. Apart from the basic salary, the package also includes year-end bonus, medical insurance and social insurances (staff under labour service agreements and internship agreements are treated according to the laws and regulations of the PRC). In addition, the Company has adopted the pre-IPO share option scheme and a share option scheme on 13 November 2014. Further information on those schemes will be available in the annual report of the Company for the year ended 31 December 2014 (the “2014 Annual Report”). The Company provided on-the-job training together with other training programmes for the employees at different positions to improve their skills and knowledge during the year ended 31 December 2014.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through bank borrowings, and sales and purchases which give rise to receivables, payables, cash balances and loan balances that are denominated in a foreign currency other than RMB. The currencies giving rise to our currency risk are primarily USD and Hong Kong Dollars.

USE OF PROCEEDS FROM GLOBAL OFFERING

On 2 December 2014, the shares of the Company were initially listed on the Main Board of the HKEx. The net proceeds from the above global offering were approximately HK\$658.0 million (after deducting relevant listing expenses). The Company will use the net proceeds in proportion as set out in the section headed “Future Plans and Use of Proceeds – Use of Proceeds” of the Prospectus.

DIVIDEND

The Board has recommended to pay a final dividend in respect of the year ended 31 December 2014 at RMB0.0406 (equivalent to approximately HK\$0.052) per share to the Shareholders whose names appear on the register of members of the Company on Tuesday, 9 June 2015.

The relevant final dividend will be paid in Hong Kong dollars based on the official exchange rate of Renminbi against Hong Kong dollars as quoted by the People’s Bank of China on Monday, 18 May 2015. Subject to the approval by the Shareholders at the forthcoming annual general meeting (the “AGM”), the proposed final dividend is expected to be paid on or around Friday, 19 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining Shareholders’ entitlement to attend and vote at the 2014 AGM, the register of members of the Company will be closed from Tuesday, 19 May 2015 to Friday, 22 May 2015, both days inclusive, during which period no transfer of shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 18 May 2015.

For determining Shareholders’ entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 5 June 2015 to Tuesday, 9 June 2015, both days inclusive, during which period no transfer of shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 4 June 2015.

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

The shares of the Company were initially listed on the Main Board of the HKEx on 2 December 2014 (the “Listing Date”). During the period from the Listing Date to 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as contained in Appendix 10 to the Rules Governing the Listing of Securities on the HKEx (the “Listing Rules”). The Company has made specific enquiry 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 from the Listing Date to 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

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

As the Company’s shares were initially listed on the Main Board of the HKEx on the Listing Date, the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 to the Listing Rules was not applicable to the Company for the period from 1 January 2014 to 1 December 2014. The Company has complied with the applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2014. The corporate governance practices adopted by the Company will be disclosed in the Corporate Governance Report set out in the 2014 Annual Report.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee comprises three members, namely Mr. Ng Sui Yin (who is the chairman of the Audit Committee), Ms. Chen Jun and Mr. Chu Chia-Hsiang, all being independent non-executive Directors. The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2014 with the Company’s management.

PUBLICATION OF REPORT

The annual results announcement of the Group is published on the respective websites of the “HKEx” (<http://www.hkexnews.hk>) and the Company (<http://www.qtechglobal.com>). The 2014 Annual Report will be despatched to the Shareholders and will be available 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 continuing support, the Directors and its staff for their dedication and hard work.

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

Hong Kong, 27 March 2015

As at the date of this announcement, the Executive Directors are Mr. He Ningning (Chairman), Mr. Wang Jianqiang (Chief Financial Officer) and Mr. Yang Peikun (Chief Executive Officer); and the Independent Non-executive Directors are Mr. Chu Chia-Hsiang, Ms. Chen Jun and Mr. Ng Sui Yin.