



Company Stock Code: 603236.SS
Short Name of the Company: Quectel

Quectel Wireless Solutions Co., Ltd.

2020 Annual Financial Report



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1 Basic Information of the Company

Stock Profile				
Class of Stock	Stock Exchange for Listing	Stock Name	Stock Code	Previous Stock Name
A Share	Shanghai Stock Exchange	Quectel	603236	-

Contact Information	Board Secretary	Securities Affairs Representative
Name	Lei ZHENG	Fan WANG
Office Address	Building 5, Shanghai Business Park Phase III (Area B), No.1016 Tianlin Road, Minhang District, Shanghai 200233, China	Building 5, Shanghai Business Park Phase III (Area B), No.1016 Tianlin Road, Minhang District, Shanghai 200233, China
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2 Main Business, Business Model and Industry Context in the Reporting Period

In the Reporting Period, the Company's main business, business model and industry context have not undergone any major changes. The details are as follows:

2.1 Main Business

The Company specializes in the design, production, R&D and sales of wireless communication modules and solutions in the field of IoT, providing one-stop services including wireless communication modules, antenna and cloud platform management. The multiple functions of diverse products provided by Quectel can meet the requirements of different smart terminal markets.

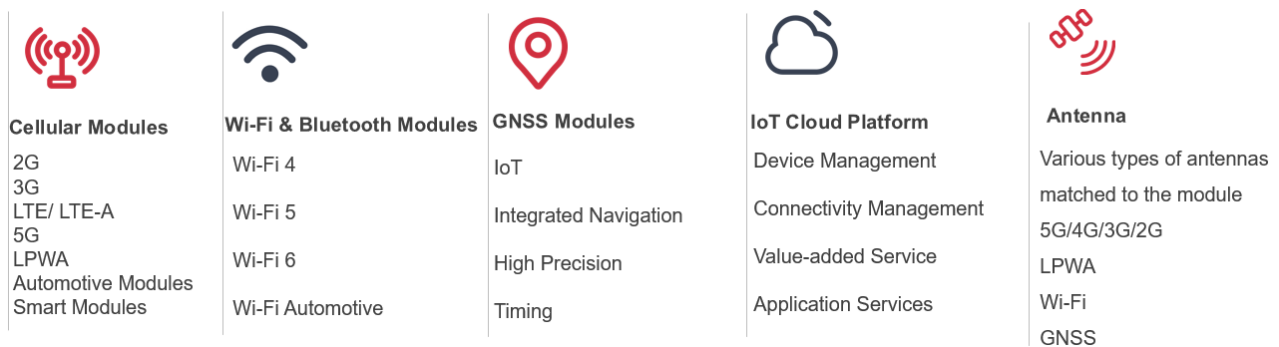


Figure of the Company's Main Business

The Company's products are widely used in Telematics & Transport, Energy, Payment, Safety, Smart Cities, Gateway, Industry, Life & Healthcare, Agriculture & Environment, etc.

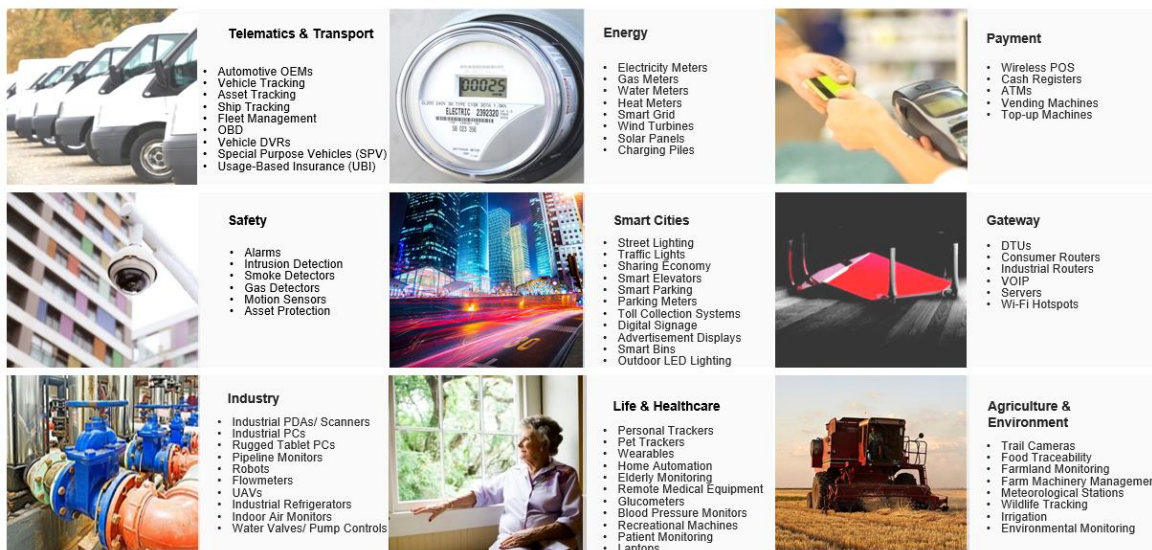


Figure of the Main Application Scenarios of the Company's Products

2.2 Business Model

In the Reporting Period, the Company mainly focus on the design, production, R&D and sales of wireless communication modules and solutions in the field of IoT, belonging to the asset-light business model.

2.2.1 Procurement Model

The Company has established a strict controlling system to regulate and standardize the procurement process, including selection and evaluation of suppliers, quality control of raw materials, etc., so as to ensure efficient and organized procurement. The Procurement Department organizes purchases based on order status, safety stock, R&D requirements and future market expectations.

2.2.2 Production Model

With a combination of self-manufacturing and outsourcing, the Company has ensured a stable supply chain, and has significantly increased its efficiency in R&D, production and test. In the Reporting Period, the Company has strictly controlled its product quality and ensured a stable production capacity.

2.2.3 Sales Model

In the Reporting Period, the product sales market was divided into overseas and domestic markets and the sales model included distribution and direct sales. To facilitate market development and sales management, the Company divided the sales area into China, Europe, Asia-Africa-Latin America and North America. Sales and technical service teams in multiple countries and regions around the world can provide customers with timely and efficient localized services.

2.3 Industry Context

In recent years, as a lot of downstream application scenarios have sprung up, the wireless communication industry has great prospects of stable and continuous development.

2.3.1 IoT Market

According to the data of *ABI Research*, there would be 6.616 billion IoT terminal connections by the end of 2020, and by 2026, it is expected that there will be more than 23.72 billion IoT terminal connections.

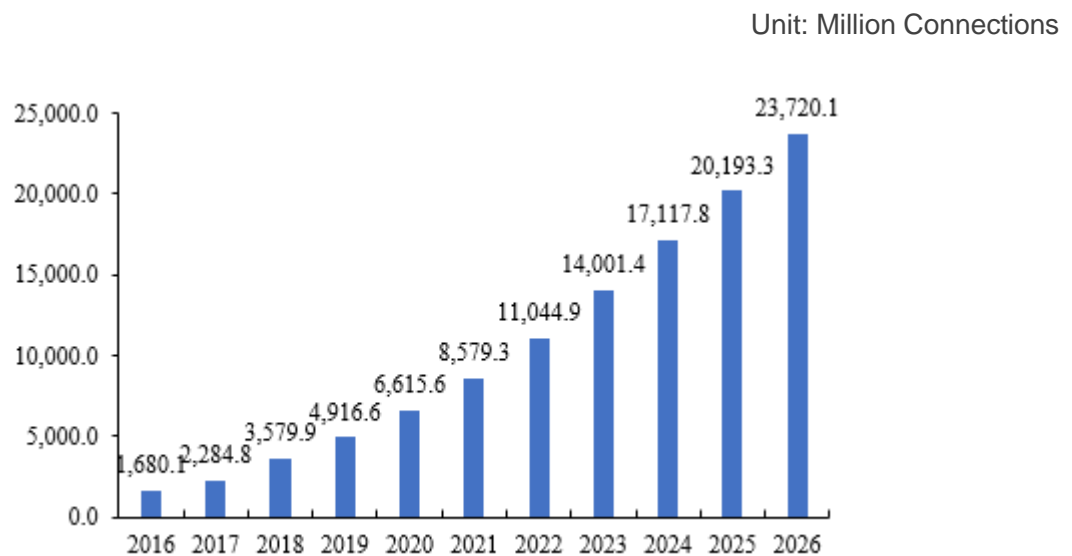


Figure of Statistical Forecast of Global IoT Connections

Source: *ABI Research*

2.3.2 CIoT Market

According to the *Ericsson Mobility Report* released by *Ericsson* in November 2020, by 2026, it is expected that there will be around 6 billion CIoT (Cellular Internet of Things) connections. Among them, 2G and 3G are still in use, and the coverage of NB-IoT, CAT M, 4G and 5G will continue to grow.

Figure 14: Cellular IoT connections by segment and technology (billion)

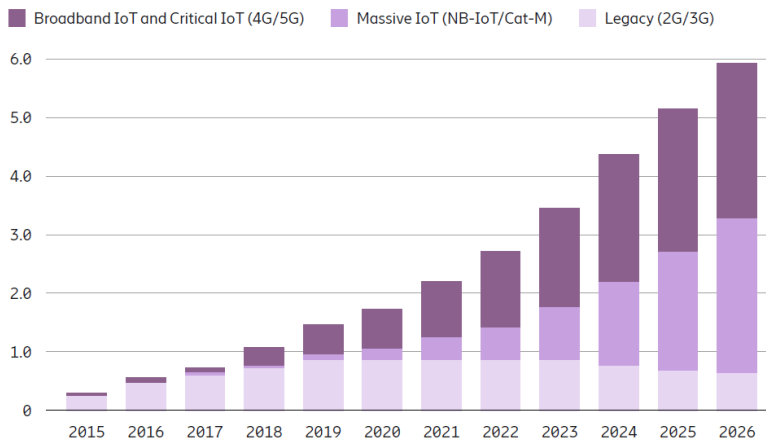


Figure of Statistical Forecast of Global CIoT Connections

Source: Ericsson Mobility Report

According to the *2020 Statistical Bulletin of the Communications Industry* released by the Ministry of Industry and Information Technology of the People's Republic of China, by the end of 2020, the CIoT users developed by the three major telecom enterprises reached 1.136 billion, with a net increase of 108 million over the previous year.

2.3.3 5G Market

Since 2020, China has issued a series of guidelines and policies on 5G development. For example, the National Development and Reform Commission and the Ministry of Industry and Information Technology have issued 7 Development Programs of Innovative 5G Applications covering vertical industries such as healthcare, education, electrical power, ports, manufacturing, ultra-high definition and vehicle-infrastructure cooperation. At the same time, the Ministry of Industry and Information Technology also explicitly proposed 18 measures for 5G in five aspects, including speeding up network deployment, enriching application scenarios, increasing R&D efforts, building security systems, and strengthening organization and implementation. Through a variety of relevant guidelines and policies, the construction of 5G network and IoT has been accelerated, and the application of IoT based on the integration of 5G communication technology and vertical industries has expanded continuously. Meanwhile, various business demands have been gradually explored, and the growth momentum of market demand remains strong.

Wireless communication module is the core part of all kinds of IoT terminals to realize communication function. In view of the booming 5G industry in both domestic and overseas markets, the Company provides multi-platform 5G modules to meet the needs of different customers. At the same time, the Company plays an active part in the implementation of private network slicing led by the Ministry of Industry and Information Technology, industry associations and operators, as well as the formulation of common module standards and industrial application specifications, to commit to the development of the 5G industry.

2.3.4 ICV Market

ICV (Intelligent Connected Vehicle) has been incorporated into the development plan by many countries around the world, and it will become the key direction for the landing of 5G vertical applications. In 2020, the United States Department of Transportation released *Ensuring American Leadership in Automated Vehicle Technologies: Automated Vehicles 4.0 (AV 4.0)*. In the *5th EU Road Safety Action Programme 2020-2030*, the European Transport Safety Council (ETSC) clearly put forward 9 important actions for the next ten years, one of which was the automated traffic. In February of the same year, 11 domestic ministries and commissions, including the National Development and Reform Commission, the Office of the Central Leading Group for Cyberspace Affairs, and the Ministry of Industry and Information Technology, jointly released the *Strategies for the Innovative Development of Intelligent Vehicles* (No. 202 [2020] of the National Development and Reform Commission), for the purposes of conforming to the new round of trend of scientific and technological reform and industrial revolution, seizing the strategic opportunities for the intelligent development of the industry, and accelerating the innovative development of intelligent vehicles.

In the future, the continuous popularization of ICV will make the demand for automotive communication modules continue to expand. The Company has shown its foresight in ICV field, and now has extensive experience in the mass production of automotive products. Based on different communication modes, the Company has developed a rich automotive product portfolio: C-V2X module - AG15, LTE module - AG35 series, LTE-A + C-V2X module - AG52x series, 5G + C-V2X module - AG55x series, AP module - AG215S, as well as automotive Wi-Fi & Bluetooth modules and GNSS modules, which can fully meet the various needs for customers' product planning of intelligence vehicles.

3 Key Accounting Data and Financial Indicators

3.1 Key Accounting Data and Financial Indicators for the Last Three Years

Unit: Yuan Currency: RMB

	2020	2019	Fluctuation (%)	2018
Total assets	4,601,246,090.65	2,931,973,545.61	56.93	1,292,448,613.62
Revenues	6,105,779,381.15	4,129,746,036.13	47.85	2,701,473,995.49
Net profits attributable to shareholders of the Company	189,015,964.80	148,001,477.82	27.71	180,485,212.16
Net profits attributable to shareholders of the Company excluding non-recurring profit or loss	170,074,205.56	134,838,343.05	26.13	170,403,764.16
Net assets attributable to shareholders of the Company	1,868,676,298.94	1,714,723,122.18	8.98	655,299,024.64

Net cash flow from operating activities	-398,540,204.22	-143,946,666.41	Not Applicable	84,305,901.32
Basic earnings per share (Yuan/share)	1.77	1.62	9.26	2.25
Diluted earnings per share (Yuan/share)	1.77	1.62	9.26	2.25
Weighted average ROE (%)	10.57	13.34	-2.77	32.21

3.2 Key Accounting Data by Quarter of the Reporting Period

Unit: Yuan Currency: RMB

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	1,029,575,139.66	1,467,605,083.06	1,710,897,319.71	1,897,701,838.72
Net profits attributable to shareholders of the Company	33,918,449.02	35,738,835.87	55,345,209.01	64,013,470.90
Net profits attributable to shareholders of the Company excluding non-recurring profit or loss	11,648,748.07	33,160,949.49	53,888,332.52	71,376,175.48
Net cash flow from operating activities	-390,099,666.10	65,741,623.20	-196,559,216.15	122,377,054.83

4 Financial Reports

Consolidated Balance Sheet

Dec. 31, 2020

Name of enterprise: Quectel Wireless Solutions Co., Ltd.

Unit: Yuan Currency: RMB

Items	Dec. 31, 2020	Dec. 31, 2019
Current Assets:		
Cash and bank balances	610,586,920.47	601,191,423.32
Financial assets held for trading		301,118,055.56
Accounts receivable	871,530,879.09	480,932,487.85
Accounts receivable financing	398,913,363.61	178,553,333.41
Prepayments	88,414,738.74	15,026,229.99
Other receivables	42,368,946.26	35,718,179.44
Inventories	1,438,194,584.07	724,338,080.95
Other current asset	261,420,150.49	221,122,770.18
Total current assets	3,711,429,582.73	2,558,000,560.70
Non-current Assets:		
Long-term equity investment	40,454,408.69	
Other equity instrument investment	60,000,000.00	60,000,000.00
Fixed assets	571,514,752.29	159,112,536.14
Construction in process	23,904,831.58	21,768,111.39
Intangible assets	93,892,521.03	53,785,328.05
Long-term deferred expenses	68,401,355.42	44,694,624.82
Deferred tax assets	16,075,215.23	5,609,982.41
Other non-current assets	15,573,423.68	29,002,402.10
Total non-current assets	889,816,507.92	373,972,984.91
Total assets	4,601,246,090.65	2,931,973,545.61
Current Liabilities:		

Short-term borrowings	873,005,577.06	236,535,945.54
Trading Financial Liabilities	30,414,901.58	
Notes payable	270,117,823.98	127,045,352.65
Account payable	1,224,867,557.32	723,773,777.03
Advances from customers		29,136,712.76
Contract liability	69,260,718.27	
Employee salaries payable	159,458,055.54	94,749,548.93
Taxes payable	10,123,809.41	4,684,557.45
Other payables	1,761,488.14	1,324,529.07
Other current liabilities	4,109,860.41	
Total current liabilities	2,643,119,791.71	1,217,250,423.43
Non-current Liabilities:		
Long-term borrowings	89,450,000.00	
Total Non-current liabilities	89,450,000.00	
Total liabilities	2,732,569,791.71	1,217,250,423.43
Shareholders' equity		
Share capital	107,016,000.00	89,180,000.00
Capital reserve	1,164,264,045.66	1,172,630,636.96
Other comprehensive income	79,126.96	21,323.70
Surplus reserve	52,975,347.58	35,468,387.85
Retained earnings	544,341,778.74	417,422,773.67
Total equity attributable to parent company	1,868,676,298.94	1,714,723,122.18
Total shareholders' equity	1,868,676,298.94	1,714,723,122.18
Total liabilities and shareholders' equity	4,601,246,090.65	2,931,973,545.61

Consolidated Income Statement

Jan. to Dec. 2020

Unit: Yuan

Currency: RMB

Item	2020	2019
I. Revenue	6,105,779,381.15	4,129,746,036.13
Including: Operating revenue	6,105,779,381.15	4,129,746,036.13
II. Total operating costs	5,926,331,841.32	3,982,036,060.84
Including: Costs of sales	4,870,620,652.64	3,256,180,032.99
Taxes and surcharges	7,618,509.80	7,101,926.42
Selling expenses	197,897,412.90	202,063,698.01
Administrative expenses	184,044,750.10	127,790,047.09
Research and development expenses	706,678,736.86	361,645,466.78
Finance expenses	-40,528,220.98	27,254,889.55
Including: Interest expenses	15,299,756.95	6,660,819.06
Interest income	3,665,221.68	3,954,030.36
Add: Other income	50,697,741.07	12,710,079.20
Investment income (loss expressed with "-")	-4,153,056.86	2,331,250.00
Including: Investment income from associates and joint ventures	-545,591.31	
Fair value gains (loss expressed with "-")	-30,414,901.58	360,071.08
Credit impairment losses (loss expressed with "-")	-21,690,254.80	-13,803,046.33
Asset impairment losses (loss expressed with "-")	-394,400.48	-3,909,970.71
Gains/loss on asset disposal (loss expressed with "-")	-317,005.12	
III. Operating profit (loss expressed with "-")	173,175,662.06	145,398,358.53
Add: Non-operating income	8,371,223.22	10,782.43
Subtract: Non-operating expenses	2,979,930.86	55,855.76

IV. Total profit (loss expressed with "-")	178,566,954.42	145,353,285.20
Subtract: Income tax expenses	-10,449,010.38	-2,648,192.62
V. Net profit (loss expressed with "-")	189,015,964.80	148,001,477.82
Net profit from continuing operations (loss expressed with "-")	189,015,964.80	148,001,477.82
Net profit attributable to shareholders of the parent company (loss expressed with "-")	189,015,964.80	148,001,477.82
VI. Other comprehensive income (net of tax)	57,803.26	-46,901.81
A. Other net comprehensive incomes attributable to owners of the Parent Company	57,803.26	-46,901.81
1. Other comprehensive income to be reclassified into profit or loss	57,803.26	-46,901.81
(1) Foreign currency exchange reserves	57,803.26	-46,901.81
VII. Total comprehensive income	189,073,768.06	147,954,576.01
A. Total comprehensive income attributable to shareholders of the parent company	189,073,768.06	147,954,576.01
VIII. Earnings per share		
A. Basic earnings per share (Yuan/share)	1.77	1.62
B. Diluted earnings per share (Yuan/share)	1.77	1.62

Consolidated Cash Flow Statement

Jan. to Dec. 2020

Unit: Yuan

Currency: RMB

Item	2020	2019
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	4,866,622,849.20	3,499,883,811.23
Refunds of taxes	279,427,365.14	257,003,327.77
Cash received from other operating activities	72,451,439.36	19,165,180.20
Sub-total of cash inflows from operating activities	5,218,501,653.70	3,776,052,319.20
Cash paid for goods and services	4,689,142,674.03	3,286,391,494.07
Cash paid to and on behalf of employees	656,777,223.21	438,857,181.89
Cash paid for all types of taxes	24,198,804.37	24,464,530.09
Cash paid for other operating activities	246,923,156.31	170,285,779.56
Sub-total of cash outflows from operating activities	5,617,041,857.92	3,919,998,985.61
Net cash flows from operating activities	-398,540,204.22	-143,946,666.41
II. Cash flows from investing activities		
Cash received from disposal or returns of investments	300,000,000.00	300,000,000.00
Cash received from returns on investments	3,061,213.86	2,331,250.00
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	422,379.92	
Sub-total of cash inflows from investing activities	303,483,593.78	302,331,250.00
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	551,487,817.85	233,954,963.16
Cash paid for the acquisition of investment	41,000,000.00	660,757,984.48
Sub-total of cash outflows from investing activities	592,487,817.85	894,712,947.64
Net cash flows from investing activities	-289,004,224.07	-592,381,697.64

III. Cash flows from financing activities		
Cash received by absorbing investments		902,000,112.83
Cash received from borrowings	2,446,902,558.64	275,093,961.81
Sub-total of cash inflows from financing activities	2,446,902,558.64	1,177,094,074.64
Cash repayments of borrowings	1,693,230,747.88	101,777,690.55
Cash paid for distribution of dividends, profits or for interest expenses	53,273,614.01	3,481,788.33
Sub-total of cash outflows from financing activities	1,746,504,361.89	105,259,478.88
Net cash flows from financing activities	700,398,196.75	1,071,834,595.76
IV. Effect of exchange rate fluctuation on cash and cash equivalents	57,803.26	3,604,675.73
V. Net increase in cash and cash equivalents	12,911,571.72	339,110,907.44
Add: Balance of cash and cash equivalents at the beginning of the period	597,574,871.10	258,463,963.66
VI. Balance of cash and cash equivalents at the end of the period	610,486,442.82	597,574,871.10

Consolidated Statement of Changes in Shareholder's Equity

Period: January-December 2020

Unit: Yuan

Currency: RMB

Items	2020						
	Shareholders' Equity Attributable to Parent Company						Total shareholders' equity
	Share capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	Retained earnings	Subtotal	
I. Closing Balance of Prior Year	89,180,000.00	1,172,630,636.96	21,323.70	35,468,387.85	417,422,773.67	1,714,723,122.18	1,714,723,122.18
II. Opening Balance of Current Year	89,180,000.00	1,172,630,636.96	21,323.70	35,468,387.85	417,422,773.67	1,714,723,122.18	1,714,723,122.18
III. Increases/ Decreases in Current Year ("-" for Decreases)	17,836,000.00	-8,366,591.30	57,803.26	17,506,959.73	126,919,005.07	153,953,176.76	153,953,176.76
1. Total Comprehensive Income			57,803.26		189,015,964.80	189,073,768.06	189,073,768.06
2. Contributed Capital by Owners and Capital Withdrawal		9,469,408.70				9,469,408.70	9,469,408.70
(1) The Amount of Share-Based Payments Recorded in Owners' Equity		9,469,408.70				9,469,408.70	9,469,408.70
3. Profit Distribution				17,506,959.73	-62,096,959.73	-44,590,000.00	-44,590,000.00
(1) Accrual of surplus				17,506,959.73	-17,506,959.73		
(2) Distribution to Owners (or shareholders)					-44,590,000.00	-44,590,000.00	-44,590,000.00
4. Internal transfer of owners' equity	17,836,000.00	-17,836,000.00					
(1) Capital Surplus Transferred to Capital (or equity)	17,836,000.00	-17,836,000.00					
IV. Balance at the End of the Period	107,016,000.00	1,164,264,045.66	79,126.96	52,975,347.58	544,341,778.74	1,868,676,298.94	1,868,676,298.94

Items	2019						
	Shareholders' Equity Attributable to Parent Company						Total shareholders' equity
	Share capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	Retained earnings	Subtotal	
I . Closing Balance of Prior Year	66,880,000.00	283,461,115.43	68,225.51	27,517,290.29	277,372,393.41	655,299,024.64	655,299,024.64
II. Opening Balance of Current Year	66,880,000.00	283,461,115.43	68,225.51	27,517,290.29	277,372,393.41	655,299,024.64	655,299,024.64
III. Increases/ Decreases in Current Year ("- " for Decreases)	22,300,000.00	889,169,521.53	-46,901.81	7,951,097.56	140,050,380.26	1,059,424,097.54	1,059,424,097.54
1. Total Comprehensive Income			-46,901.81		148,001,477.82	147,954,576.01	147,954,576.01
2. Contributed Capital by Owners and Capital Withdrawal	22,300,000.00	889,169,521.53				911,469,521.53	911,469,521.53
(1) Common shares invested by owners	22,300,000.00	879,700,112.83				902,000,112.83	902,000,112.83
(2) The Amount of Share-Based Payments Recorded in Shareholders' Equity		9,469,408.70				9,469,408.70	9,469,408.70
3. Profit Distribution				7,951,097.56	-7,951,097.56		
(1) Accrual of surplus				7,951,097.56	-7,951,097.56		
IV. Balance at the End of the Period	89,180,000.00	1,172,630,636.96	21,323.70	35,468,387.85	417,422,773.67	1,714,723,122.18	1,714,723,122.18