

603160.SH



Shenzhen Goodix Technology Co., Ltd.
2020 Annual Report Summary



I. Corporate Information

1. Company Profile

Stock Short Name	Goodix	Stock Code	603160
Stock Exchange on which the Shares are Listed	Shanghai Stock Exchange		
Contact Person and Means of Contact	Board Secretary	Representative of Securities Affairs	
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2. The Main Business

Shenzhen Goodix Technology Co., Ltd. ("Goodix" for short) is an integrated solution provider for applications based on IC design and software development offering industry-leading software and hardware semiconductor solutions for smart devices, IoT applications, and automotive electronics. Goodix serves hundreds of millions of global consumers with quality products and solutions via renowned brands including Huawei, OPPO, vivo, Xiaomi, Samsung, Google, Amazon, Dell, etc. Since its founding, Goodix has been dedicated to its mission, "Enrich Your Life Through Innovation". It prioritizes the needs of consumers and markets, concentrates on the design and R&D of chips, and keeps challenging itself. Goodix now enjoys four product categories: biometric authentication, human-interface, IoT, and voice and audio solutions.

The strategic development goal of Goodix is to center around sensing, processing, connectivity, and security, to create an integrated platform for chip design and software/hardware product technologies, building more innovative technologies and product portfolios, and sparing no effort to entrench the business layout comprising smart devices, IoT applications, and automotive electronics. As a result, it is expected to grow into a world-leading comprehensive IC design company that delivers unique value to global clients and consumers.

As an IC design house, Goodix adopts the fabless model and focuses on the design, research, and development of chips that are driven by market demands, while

outsourcing tasks such as wafer fabrication, packaging, and testing to professional fabrication packaging and testing vendors. The products Goodix offer are sold both directly as well as via agents and distributors to module makers, integrated solution providers, and device manufactures.

3. 2020 Key Highlights

Shenzhen Goodix Technology Co., Ltd. Announces Annual Results

Revenue Up 3% To RMB 6.69 billion

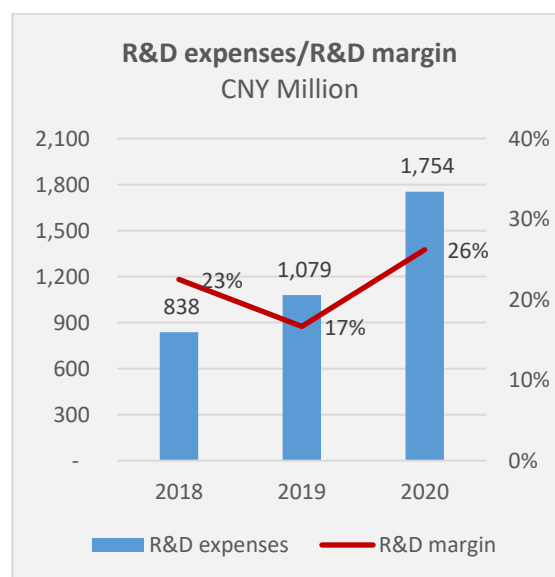
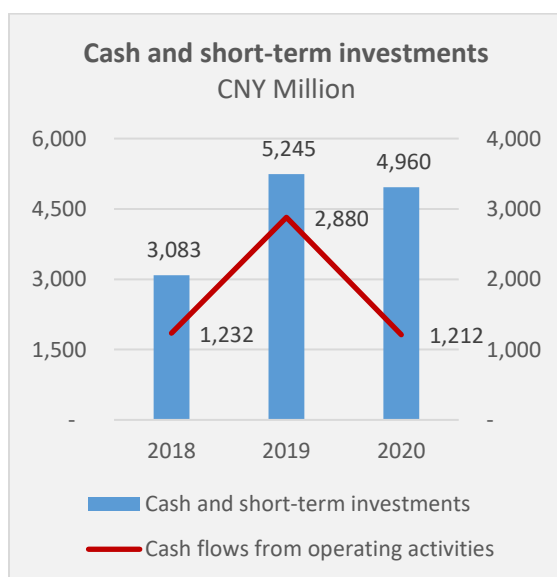
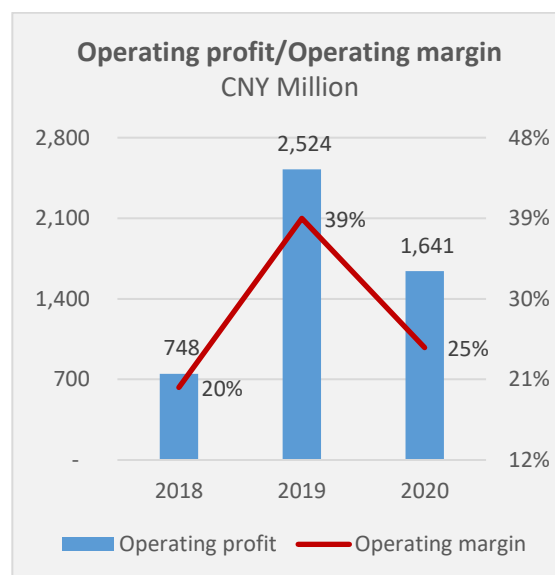
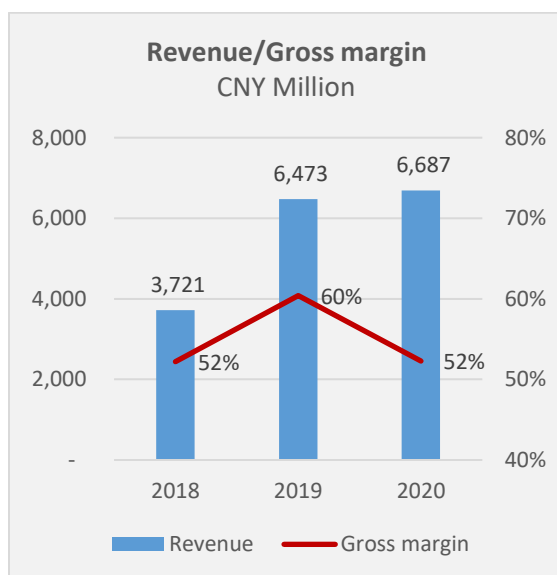
Shenzhen, China, April 27, 2021 -- Goodix Technology (603160. SH), an integrated solution provider for applications based on IC design and software development, today announced the audited consolidated results for 2020 annual ("2020") ended December 31, 2020.

- **Total Revenue** was RMB 6.69 billion, an increase of 3% year-over-year;
- **Gross Profit** was RMB 3.50 billion in 2020, down from RMB 3.91 billion in 2019, a decrease of 11% year-over-year;
- **Gross Margin** was 52% in 2020 vs. 60% in 2019;
- **Net Profit** was RMB 1.66 billion, a decrease of 28% compared with RMB 2.32 billion in 2019;
- **Basic EPS:** RMB 3.67 per share vs. RMB 5.17 per share in 2019;
- **Diluted EPS:** RMB 3.57 per share vs. RMB 4.99 per share in 2019.

4. Key Financial Results Within Past Three Years

December Fiscal Year End (All figures in Million CNY)	2018	2019	2020
Revenue	3,721.3	6,473.3	6,687.3
Gross margin%	52%	60%	52%
Operating profit	748.0	2,523.8	1,640.8
Operating margin%	20%	39%	25%
Net profit	742.5	2,317.4	1,659.2
R&D expenses	838.3	1,079.1	1,754.0
R&D margin%	22.5%	16.7%	26.2%
Cash and short-term investments	3,083.4	5,245.0	4,960.1

Total assets	5,345.2	7,848.8	9,887.9
Shareholder's equity	4,107.5	6,439.4	8,037.1
Liability ratio%	23%	18%	19%
Cash flows from operating activities	1,232.1	2,880.0	1,211.6



In 2020, the company achieved a revenue of RMB 6.69 billion, an increase of 3% compared with RMB 6.47 billion in 2019, a slower rate of increase is mainly due to impact of the epidemic and changes in the international situation. It illustrates that the business is robust and picking up steadily.

In 2020, gross profit was RMB 3.50 billion, a decrease of 11% compared with RMB 3.91 billion in 2019. Gross margin was 52% in 2020, down 8 percentage points from 60% in 2019, due to the iteration of new and old products, changes in product sales structure, and local market competition.

Affected by the substantial increase in R&D investment, the company had an operating expense of RMB 2.46 billion in 2020, an increase of 41% compared with RMB 1.74 billion in 2019.

- Of which, R&D expenses were RMB 1.75 billion in 2020, an increase of 63% compared with RMB 1.08 billion in 2019. R&D expenses accounted for 26% of revenue, an increase of 9 percentage points from 17% a year ago. The main reason for the substantial increase in R&D expenses is the company's strategic layout for sustainable development in the future, continuously increasing investment in new technology research and product development, actively expanding technology and market coverage, and laying a solid foundation for the company's long-term growth.
- Sales and marketing expenses were RMB 577 million in 2020, an increase of 9% compared with RMB 528 million in 2019, mainly because of increased employee salaries, depreciation, and amortization expenses, etc.
- G&A expenses were RMB 130 million in 2020, a decrease of 2% compared with RMB 132 million in 2019. All fluctuate within the normal range.

Affected by the intensified market competition and the ranging impact of the epidemic, revenue growth rate in 2020 was hampered, however the R&D investment continued to increase, resulting in a net profit of RMB 1.66 billion in 2020, a decrease of 28% from RMB 2.32 billion in 2019.

The net assets attributable to shareholders in listed companies were RMB 8.04 billion, an increase of 25% from RMB 6.44 billion on year-on-year basis. The company's total assets were RMB 9.89 billion, an increase of 26% from RMB 7.85 billion on basis of the previous year; the current ratio is 3.66, and the liability ratio is 19%. The figures are in a normal and healthy level. It has good debt solvency and retains sufficient expansion strength for the company's long-term development.

In 2020, the net cash flow from operating activities was RMB 1.21 billion, a decrease of 58% on a year-on-year basis, from RMB 2.88 billion in 2019, due to an increase in the company's inventory and an increase in manpower and salary payments.

Net cash flow from investment activities was RMB -2.84 billion vs. RMB 0.31 billion in 2019, a net difference of RMB 3.15 billion, due to payment of NXP (VAS), DCT mergers / acquisitions in 2020, strategic investment, and other reasons.

The net cash flow from financing activities in 2020 was RMB 244 million, an increase of RMB 505 million from RMB -261 million in 2019. The changes are mainly due to the increase in employee equity incentive payments and the increase in bank loans.

II. Management Discussion

1. Industry and Market

During the reporting period, Goodix's products were mainly applied in the following three fields: smart devices, IoT applications, and automotive electronics. Solutions for smart devices were the main source of the company's revenue. Meanwhile, Goodix has expanded its footprint in IoT and automotive electronics markets at a fast pace. It is worth noting that the Bluetooth Low Energy and Health Sensors series saw significant breakthroughs and growth.

- In the smart device market, the large-scale application of 5G technologies was catalyzed. According to data from the China Academy of Information and Communications Technology, smartphone shipments in China reached 296 million units in 2020, of which 5G handsets accounted for 52.9%, or 163 million units. International Data Corporation (IDC) forecasted that by the end of 2021, 40% of the country's mobile phone users would begin to use 5G handsets, and China would feature a globally-leading 5G smartphone adoption rate. The number of 5G smartphones is increasing and the PC and tablet markets have exploded as the demand for working from home and online education has soared; thus, innovative products developed by Goodix, including biometric authentication, and human-interface will offer more opportunities.
- In terms of IoT, the speedy development of 5G and AI technologies signals that IoT applications will cover hundreds of millions of sensible, controllable, and connectable smart devices. Diverse application fields and expansive markets are about to create superior development conditions for upstream companies engaging in self-developed chips. Regarding wearable devices, which see wide utilization of IoT technologies, IDC statistics showed that the shipments of global wearable devices have maintained rapid growth in recent years, up from 78 million units in 2015 to 337 million units in 2019, a compound annual growth rate (CAGR) of 44%. According to the 2020 Market Update by Bluetooth Special Interest Group (SIG), Bluetooth

technology is turning into an interconnected engine for commercial and industrial applications from a communication solution for individuals. It estimated that by 2024, the annual shipments of Bluetooth audio streaming devices will reach 1.5 billion units, up 40% from 2019. With the release of the new specification for LE Audio in 2020, Bluetooth technology is expected to change the ways of audio experience and enrich the audio innovative application markets.

- Responding to the surge in smart vehicles, the global automotive chip market maintains high-speed growth. IDC predicted that in 2020, the global automotive semiconductor revenue was approximately \$31.9 billion; by 2024, that amount would increase to \$42.8 billion, introducing new opportunities in China's automotive chip industry. Especially considering self-driving vehicles, IoV, and other technological innovations emerged one after another over the past few years, such new human-interface technologies, including touchscreen controller, fingerprint authentication solutions, voice control, and machine vision have become new engines for growth. With abundant experience in technologies related to human-interface, biometric authentication, and sensors, Goodix possesses great potential in the development of automotive electronics.

2. Business Review and Outlook

(1) The biometric authentication product line

Looking back to 2020, the world's overall demand for smartphones declined significantly due to the COVID-19 pandemic. Meanwhile, some clients were hit by the international situation, resulting in a further contraction in demand and greater uncertainty.

Goodix's IN-DISPLAY FINGERPRINT SENSOR™ have gradually gained popularity among clients, and an increasing number of smartphones with OLED display have widely used them since mass production. As more smartphones are equipped with the OLED display, in-display fingerprint solutions have become a standard feature of this type of handsets and celebrated a continuously expanding market size. Yet, more mature technologies and fiercer competition led to a decrease in the solution's unit price. In response, Goodix developed the ultra-thin optical IN-DISPLAY FINGERPRINT SENSOR™. Thanks to better integration with the smartphone design and smaller size, it is sought-after among high-end flagship models. The ultra-thin optical IN-DISPLAY FINGERPRINT SENSOR™ is expected to become the most popular biometric authentication solution for smart devices, especially high-end flagship models, because the mass production has been scaled up, costs have been reduced, and differentiated functions such as health monitoring have been integrated.

Aside from the dominant position in the optical in-display fingerprint solutions market, Goodix also steadily grew its market share for capacitive fingerprint sensors, which have become another standard feature of smartphones. Side-key capacitive fingerprint sensors are widely accepted by consumers as they can better adapt to the integrated design requirements of mobile phones. Improved performance and ultra narrow side-key capacitive fingerprint sensors have also helped Goodix rapidly expand its market share. Goodix's fingerprint solution for PCs is welcomed by clients engaging in laptops for business use. Dell, ThinkPad, and other international brands have put this technology into commercial use.

(2) The human-interface product line

The company's touch control product market share ranks among the top three in the industry. The human-computer interaction products include mainly touch controller for mobile phone, tablet, PC/laptop, and automotive as well as touchpad solutions for PC. The corresponding products have been used on more than one billion mobile devices worldwide and are popular with consumers around the globe. With the continuous evolution of smart devices and display technologies, the company will constantly promote technological innovation, expand innovative application of human-computer interaction technology in more fields, and bring unlimited potential of precise control and convenient interaction to consumers around the world.

- In the field of touch controller for mobile phone, the company's AMOLED series touch controllers are designed for full screen, bringing users a better and smoother touch experience, and are widely favored by leading smartphone manufacturers. The solutions have been fully accepted by mainstream brands such as Huawei, OPPO, vivo, Xiaomi and Motorola, and have achieved large-volume shipments to industry leaders such as Samsung Display, BOE, and other display manufacturers — further consolidating the company's leading position in the global market.
- In the field of PC and tablet, touch controllers for laptops have entered the supply chain of the top global brands such as HP, Dell, Huawei, and Lenovo, and are widely used in many best-selling laptops. They are also the market leader in the Chromebook market. Touchpad solutions have been used in large quantities on Dell, Huawei, Xiaomi, and other branded laptops. Touch controllers for tablets continue to win the trust of international famous brands, and the new generation of medium-to-large-sized panel touch controller has also been mass-produced and used in Huawei's flagship tablet MatePad Pro.
- In the field of automotive electronics, the company's touch controllers for automotive have gradually achieved large-scale commercial use in the automotive field.

Customers include Geely, Changan, Chery, and many international brands such as GM and Hyundai.

(3) Voice and Audio Solutions

The company offer innovative voice and audio solutions to the world's leading smartphone manufacturers. After the company completed the acquisition and integration of NXP's VAS business in the first quarter of the year, the company's voice and audio solutions have a firm and solid foundation, which can provide global customers with high-performance, high-reliability hardware and software solutions that provide end users with more precise and clear high-quality voice and audio experience anytime and anywhere.

The next generation of Smart Audio Amplifier has made it to market. This product is used in conjunction with the company's latest algorithm to provide an ideal solution for stereo headset application. At the same time, the company has enhanced the next generation of voice product experience by introducing de-reverberation and neural network-based algorithms, and further improved the echo cancellation and noise suppression performance in voice calls. The company's AudioCapture solutions have been widely recognized in the application market. These software solutions have been applied in the mobile and consumer electronics markets as well as the automotive electronics market.

Moving forward, the company will provide a series of innovative products with excellent performance to win the recognition from new and current customers in both international and domestic markets. With extensive intellectual property rights reserve portfolio and a robust product roadmap, the company will continue to invest in the research and development of key technologies, strive to expand the company's innovative applications in smart devices, and consolidate the company's layout in the field of Internet of Things. It is believed that these key technologies will bring more opportunities.

(4) IoT product line

In 2020, the company continued to invest in key IoT technologies, and its many products are already commercially available. In the wearable market, the second-generation heart rate and blood oxygen detection solutions based on optical technology have been used by many customers such as the realme Watch, providing accurate and reliable health monitoring experience for consumers. At the same time, the industry's leading third-generation heart rate, blood oxygen, and ECG detection solutions have also been mass-produced and will be ready for sale with customers' wearable products. The innovative

2-in-1 solution of in-ear detection and touch control continue to lead the market, and are widely used by TWS earphones of many mainstream brands such as vivo TWS Neo. Bluetooth Low Energy solutions also begin to be adopted by clients, and continue to receive positive feedback from the market.

3. Products

Goodix welcomed more diverse products and solutions, and many new competitive products achieved mass production and commercial use in 2020. Biometric authentication and human-interface products remained in a leading position in the smart device market, while gaining notable breakthroughs in the automotive market. It's worth mentioning that touch controllers and fingerprint solutions for automotive have been widely used by many well-known domestic and foreign automotive brands. Health and wearable sensors celebrated large-scale sales and were highly recognized by key accounts. The integration of the Voice and Audio Solutions business led Goodix into the acoustics field, giving rise to the global leadership of smart amplifiers in Android devices in terms of shipments.

(1) Biometric authentication solutions: the ultra-thin optical IN-DISPLAY FINGERPRINT SENSOR™ has gained large-scale commercialization, and capacitive fingerprint sensor pioneered within the market

In 2020, Goodix remained a leading player in the in-display fingerprint solution market, with an impregnable market share in China. Despite lower unit prices caused by fiercer competition, the overall shipments ramped up and the company's market share steadily increased. Goodix's ultra-thin optical IN-DISPLAY FINGERPRINT SENSOR™ has been adopted by over 30 5G flagship models in China. It is expected to remain the first choice for such models with scaled-up mass production, lower costs, and differentiated health management functions. Excellent product performance, service support, and supply assurance enable in-display fingerprint products to win recognition from more clients, capture more market share overseas, and raise sales volume.

Goodix's ultra narrow side-key capacitive fingerprint sensor is popular in the market, winning the favor of many clients and achieving mass production. As a result, the company maintains a leading position in terms of both technology and market share. The demand for capacitive fingerprint solution for PC has exploded. But thanks to stable supply, the total shipments and sales volume skyrocketed, and Goodix celebrated soaring global market share. The fingerprint sensors for consumer laptops maintain a high market share, while that for business laptops see breakthroughs in the market. The

innovative smart lock solutions have greater shipments and market share. In addition, Goodix's automotive fingerprint authentication solution has been commercialized.

(2) Human-interface solutions: touch controller for flexible OLED displays has been commercially available for the first time, expanding diversified market share

Goodix's human-interface solutions have made great technological breakthroughs and achieved market development in the smartphone, PC, tablet, and automotive fields.

The AMOLED touch control solutions have been continuously used by mainstream brands in 20-odd business models in 2020. Remarkable breakthroughs have been obtained in the touch control technology for flexible OLED displays; the touch control solution supporting flexible Y-OCTA displays celebrated the first-ever large-scale commercial use in flagship models of key accounts.

With regard to the area of touch controllers for PC and tablet, Goodix succeeded in developing the next-generation medium-to-large-sized panel touch control solutions and established partnerships with Lenovo and other domestic and foreign clientel. The touchpad business has seen rapid growth. Automotive touch controllers see consistently expanding market share and are widely used in major vehicle models of several automotive brands. The shipments of automotive touch controller approached 1 million units.

Looking ahead to 2021, touch control solutions for smartphones and PCs with greater performance, touchpads with innovative functions, and automotive touch control solutions that support 14-inch and above displays, and integrate functions of MCU will create more opportunities for Goodix to serve top-grade clients around the world.

(3) VAS products: Goodix has maintained a leading position and explored more opportunities

In this area, Goodix works mainly to provide innovative voice, audio, and haptic driver solutions for worldwide leading smart device and automotive brands. The shipments of smart amplifiers for Android devices rank high across the world. In 2020, Goodix acquired and integrated NXP's Voice and Audio Solutions and built relevant R&D and product service teams in China. With a solid foundation in VAS business, Goodix can offer software and hardware solutions, which feature high performance and reliability, for global clients, and a more accurate, clearer, and high-quality voice and audio experience for end-users.

Combined with the latest SpeakerBoost algorithm, Goodix released the new-generation smart amplifier in 2020, which is widely used in smartphones from OPPO to Xiaomi. The VoiceExperience solution, based on neural network algorithms, significantly improving the experience of voice products and has been used in smartphones from OPPO, vivo, and other reputed domestic and overseas clients. In addition, Goodix released the next-generation AudioCapture solution, which can be used to record surround sound. This has been recognized by well-known clients all around the world.

Goodix is also developing new applications of products in the automotive electronics market. In-vehicle audio products of CarVoice have been commercialized in a number of mainstream vehicle models and Tier 1 manufacturers of in-vehicle infotainment devices, supporting the innovation and design of voice applications in the automotive market.

Goodix will continue to roll out a series of innovative multimedia application products with excellent performance. With its wide-ranging intellectual property reserve portfolio and robust product roadmap, Goodix will keep investing in the R&D of key technologies and expanding its innovative applications in smart devices. Goodix will also consolidate its layout in automotive electronics, IoT, and other fields, thus seizing more market opportunities.

(4) IoT products: a variety of products are commercialized on a large scale, fueling Goodix's sustainable development

In 2020, Goodix enhanced its investment and layout in the four core technical fields of sensing, processing, connectivity, and security. Smart health wearable devices give a boost to the rapid growth of the AIoT market. Goodix's series of health sensors, with world-leading performance of detecting heart rate, oxygen saturation (SpO2) levels, and ECG, have been widely used by first-tier brands, with an annual shipment of more than 10 million units. In the TWS headset market, Goodix's industry-first 2-in-1 solution of in-ear detection and touch control has won the favor of major brand customers, and has been fully commercialized in Huawei, OPPO, vivo, and OnePlus, with shipments exceeding 10 million pieces. With high performance and low power consumption, Bluetooth Low Energy solutions have been fully commercialized in smart band / smart watches, active stylus, and others, with shipments exceeding one million units at the client end. Goodix has established strategic partnerships with many well-known ODM customers and become a supplier of first-tier smart device brands. In the field of audio, Goodix's first active noise cancelation audio codec IC (ANC Codec), with excellent performance, has been commercialized on the flagship TWS headsets of top-notch domestic customers and over one million units have been shipped. Goodix will, with

constant efforts in the development of IoT products like wearable, audio, and smart home devices, permit continuous impetus for business growth.

4. Clients and Market

Goodix mainly targets the smart device market represented by smartphones, tablets, and laptops; the IoT market represented by smart wearable devices, TWS headsets, smart home devices, and smart retail; and the automotive electronics market represented by in-vehicle infotainment systems and automotive access control systems.

Goodix's clients mainly include Samsung, Google, Dell, Amazon, Lenovo, Huawei, OPPO, vivo, Xiaomi, and other major smart device brands at home and abroad, as well as well-known automotive brands like Buick, Hyundai, and Nissan. In the market and ecosystem that Goodix focuses on, close strategic cooperation relationships have also been established with ecosystem partners and standardization organizations like Microsoft, Intel, Alipay, WeChat Pay, China UnionPay, and Bluetooth SIG. Goodix will continue to consolidate the foundation of cooperation with domestic and overseas clients, increase market share, and create more unique value for global clients and consumers.

5. Development Strategy

Under the corporate mission of "Enrich Your Life Through Innovation", Goodix conducts innovation and business development based on market demand, continues to increase R&D expense, and leads the industrial innovation trend with its innovative concepts. With a broader global vision, it firmly grasps the opportunities of the times, consolidates the layout of smart devices, IoT applications, and automotive electronics, and makes solid progress to become a world-leading comprehensive IC design company and innovative technology team. In this method, it will unlock a secured and convenient high-tech user experience for worldwide clients and consumers, creating long-term value for shareholders, industry and society, and provide a platform for employees to display their talent.

To steadily advance the implementation of long-term strategies, Goodix is making an attempt to formulate and achieve medium and long-term goals. In the future, Goodix will continue to focus on the applications in the smart device market, IoT, and automotive electronics, and establish its presence in overseas markets; strengthen execution to ensure the on-schedule roll-out of a large number of new and innovative products; combine internal development and M&A integration to diversify technological abilities around optical, acoustic, and electronic core sensing technologies, and develop more

comprehensive and diverse products, thus realizing the upgrading from a company with only a fundamental product line, to a comprehensive IC design company.

(1) Take root in the smart device market and establish a presence in overseas markets

With its traditional advantages in the smart device market, Goodix will continue to capitalize on its advanced technologies, like biometric authentication and human-interface to improve product performance while constantly introducing new products, strengthening strategic cooperation with mobile brands, and developing its products and solutions in depth and in width. In addition, Goodix will establish its presence in overseas markets, serve more international clients, and further globalize its innovation value and brand influence.

(2) Enhance presence and seeking further development of IoT and automotive electronics

Goodix will seek more development opportunities in the IoT market with great potential in the next ten years, continuing to build a comprehensive IoT platform and ecosystem around the four fields of sensing, processing, connectivity, and security, while constantly introducing more products with differentiated values. To seize market opportunities that arise from emerging technologies like 5G and AI, Goodix, oriented to customer needs, will successively launch a series of globally competitive innovative products and solutions in 2021, further increasing categories of IoT products, and continuing to provide top-notch products and solutions with differentiated values for all kinds of innovative IoT applications. Goodix will also expand its client base and product application fields in the IoT market, while promoting the application of health sensors for wearables, BLE solutions, and intelligent voice and audio solutions on a larger scale.

With the electronization of the automotive industry, the automotive electronics system will develop in an intelligent, networking, and integrated manner. Complying with this trend, Goodix is set to seek greater development in the field of automotive electronics through independent R&D and cooperation on external resources.

(3) Striving for endogenous and extended growth for diversification and internationalization

The endogenous growth of high R&D expense and international M&A integration have always fueled the improvement of Goodix's innovation capabilities. Goodix is poised to continue to invest heavily in innovation, tap, and improve its innovation capabilities.

Meanwhile, it will accelerate the process of internationalization, look for high-quality projects worldwide, integrate top-notch R&D talent, and advantageous patent resources through M&A, and greatly shorten the cycle from R&D to mass production, thus providing consumers around the world with access to the more diversified and superior product experience.

6. Business Plan

Goodix will insist on a customer-centric strategy. Based on the different needs of clients in various fields, it will develop more innovative product portfolios to help clients succeed in the commercialization of these products.

(1) Smart devices: to consolidate market advantages and lead application innovation

In 2021, global smartphone shipments will recover and exceed the performance of 2019. In the smartphone market, Goodix will continue to enhance the popularity of optical IN-DISPLAY FINGERPRINT SENSOR™, promote the continuous and widespread commercialization of ultra-thin optical IN-DISPLAY FINGERPRINT SENSOR™ with competitiveness and functional innovations, and provide 5G devices with biometric authentication solutions with leading technologies and better performance. In terms of capacitive fingerprint sensors, in addition to further enhancing its market advantages, Goodix has introduced the new-generation ultra narrow side-key capacitive fingerprint solution that can meet the diverse needs of different clients.

Goodix's ToF solutions have matured and will be mass-produced and commercialized in due course in 2021. It is expected to support smartphone-based imaging system and AR applications with its excellent performance and superior quality, and permit new impetus for revenue growth in new markets like smart home.

In the field of touch controllers, Goodix witnesses the increasing popularity of flexible OLED displays, further popularization of displays with high refresh rate, a steady growth of laptops and tablets, and significant increases in the proportions of rigid and flexible OLED displays. In this context, Goodix will introduce more differentiated product portfolios with high performance to unlock the optimal touch control experience for global consumers; continuing to lead the market and enhance its presence in the Windows OS-based device market to gain a larger market share; launch new-generation medium-to-large-sized touch control solutions, permit new impetus for Goodix's rapid growth in the emerging market of flexible smartphone and the PC field, and further expand the commercialization of the products in mainstream brand manufacturers; continuing to

explore the boundaries of touch control technology, and launch new products like pressure-sensitive touchpads; winning the appeal of first-tier brands through fully utilizing the advantages of the product portfolio combining Goodix's multi-protocol active stylus driver chip and BLE solutions.

With the help of the NXP Semiconductor's VAS team, Goodix has enhanced its competitiveness in voice and audio markets, broadened its vision in the innovation of new technologies and application fields, and expanded the portfolio of innovative products, permitting new impetus for its development.

(2) IoT: to conduct diversified innovation to facilitate large-scale commercialization

Goodix will continue to center around the four fields of sensing, processing, connectivity, and security — building an comprehensive IoT platform, publicizing more innovative application scenarios and providing solutions with differentiated values around consumption fields concerning IoT.

With the exploration and technology accumulation in the field of high-precision sensors, Goodix will enhance its leading edge in wearable devices, and provide end-users with more accurate health data and a more convenient interactive experience; establish competitive advantages with technical capabilities, and build a complete service system in a customer-centric way. In 2020, Goodix's first active noise cancelation audio codec IC (ANC Codec) was mass-produced for an internationally renowned brand's TWS headsets. The mass production of this product with the world's highest active noise cancelation performance signaled Goodix's entry into the field of high-value acoustic chips. As for wireless connectivity, Goodix will continue to advance the large-scale commercialization of BLE products that integrate low power consumption and high performance, and support the fast-growing innovative IoT applications with the differentiated values of the products. Based on years of experience and expertise in Bluetooth and audio, Goodix will launch a first-class TWS platform solution in due course, and provide clients with quality products and services in this high-growth emerging market, thus permitting new impetus for its growth.

(3) Automotive electronics: to follow the trend of smart vehicles and continuously launch innovative products

As automotive intelligence accelerates, Goodix has continuously rolled out innovative automotive electronics products to meet the market's urgent demand for larger-sized in-vehicle displays, richer human-interface experience, and more innovative functions.

As for human-interface, Goodix will advance the larger-scale mass production of automotive touch controllers, and develop next-generation innovative products to provide drivers with a more convenient and safe driving experience. As voice technology gradually develops into the link of human-vehicle interaction, Goodix will continue to invest in the R&D of in-vehicle intelligent voice and audio technologies, in a bid to provide more innovative solutions for automotive clients.

In the aspect of fingerprint authentication in the automotive industry, Goodix has developed the automotive fingerprint authentication solutions combining software and hardware, and have achieved mass production and commercialization in well-known automotive brands, providing a basic hardware platform for innovative applications of smart cockpits. In the future, Goodix will publicize this successful commercialization example to the market, providing innovative solutions with differentiated values for automotive manufacturers.

With the support of the Dream Chip Technologies (DCT) team, Goodix has fostered the cutting-edge image processing technology and SoC design capabilities for automotive to fully catalyze the intelligent upgrading of automobiles.

(4) Company governance: to standardize global process management and accelerate the construction of talent team

Goodix will step up its efforts to strengthen its global operation capabilities, introduce senior managers who have worked in top-notch transnational corporations, and further optimize its governance system. Moreover, Goodix is going to propel the optimization of the internal management system, constantly improve and upgrade basic management platforms of R&D, finance, legal affairs, human resources, and administration, and build efficient systems of production, operation and quality management.

Goodix is implementing talent incentive policies, inspiring organizational vitality through restricted stocks, stock options, and employee stock ownership plans, enhancing the sense of ownership of employees, building a community of shared interests between employees and the company, and work with employees to achieve its strategic development goals; strengthening the talent training at home and abroad, accelerating the construction of talent team, and providing employees with a platform to display their talent.

Regarding the standardized corporate governance, Goodix will hew to the Company Law of the P.R.C., Securities Law of the P.R.C., Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and other laws and regulations in 2021. It will standardize the governance structure, conduct true and complete information disclosure, foster

interactive investor relations, and establish strict and effective systems of internal control and risk control. Goodix will also ensure honest operation and transparent management, continuously perfect the corporate governance structure, standardize the company operations, and effectively maximize the interests of all shareholders and the company.

7. Employees

As of December 31, 2020, Goodix had a total of 2,200+ employees, compared to 1,600+ in December 31, 2019.

About Goodix

Goodix Technology (603160.SH) is an integrated solution provider for applications based on IC design and software development offering industry-leading software and hardware semiconductor solutions for smart devices, IoT applications, and automotive electronics. Goodix serves hundreds of millions of global consumers with quality products and solutions via renowned brands including Huawei, OPPO, vivo, Xiaomi, Samsung, Google, Amazon, Dell, HP, LG, OnePlus, Nokia, ASUS, etc.

Standing among the global semiconductor industrial revolution with a solid foundation built upon the achievements and successes in human-interface and biometric authentication, Goodix will continue its dedication in research and development, striving to establish the comprehensive IC design blueprint for smart devices, IoT applications, and automotive electronics, aiming to become a world-leading comprehensive IC design company and innovative technology team that delivers continuous surprises to global customers and consumers, offers long-term and differentiating values to the industry and the society, and provides excellent career development opportunities for Goodix's global talents.

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Major Accounting Data and Financial Indicators

Shenzhen Goodix Technology Co., Ltd. Consolidated Income Statement

For the prior twelve months ending Dec 31, 2020 and Dec 31, 2019

(The currency of the statements is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Jan-Dec, 2020	Jan-Dec, 2019
1.Revenue	6,687,275,485.14	6,473,254,534.50
Less:Operating cost	3,191,803,801.23	2,563,728,709.79
Taxes and surcharges	40,951,372.40	67,441,272.44
Selling expenses	577,049,775.18	528,121,645.28
Administrative expenses	129,556,577.75	132,289,470.32
Research and development expenses	1,754,021,489.72	1,079,061,259.53
Finance expenses	-46,137,564.27	-5,905,649.67
Including:Interest expense	4,158,604.86	513,864.56
Interest income	67,571,919.46	12,452,541.82
Add:Other income	358,210,808.18	343,077,115.12
Investment income	59,051,586.68	92,797,646.18
Including: Investment income from joint ventures and affiliates	7,240.16	
earning from fair market value changes	177,808,052.35	25,466,079.73
Impairment of credit	1,134,577.32	-809,598.63
Impairment of assets	-27,664,353.91	-45,227,045.73
Proceeds from asset disposal	32,235,492.80	
2.Operating profits	1,640,806,196.55	2,523,822,023.48
Add:non-operating income	2,634,299.93	3,638,157.22
Less:non-operating expenses	92,060.02	3,706,999.47
3.Profit before tax	1,643,348,436.46	2,523,753,181.23
Less:income tax	-15,824,479.84	206,396,120.57
4.Net profit	1,659,172,916.30	2,317,357,060.66
Net profit contributed before the combination under common control		
I .Profit classified by continuity		
Continuous operating profit and loss	1,659,172,916.30	2,317,357,060.66
II .Profit classified by ownership		
Net profit attributable to owners of the parent company	1,659,172,054.66	2,317,356,706.02
Net profit attributable to minority shareholders	861.64	354.64
5.Other comprehensive income after tax	-133,299,603.77	2,694,890.80
Other comprehensive income after tax attributable to owner of the parent company	-133,299,537.92	2,694,893.76
I .Comprehensive income not to be reclassified as profit or loss		

II .Comprehensive income to be reclassified as profit or loss	-133,299,537.92	2,694,893.76
i.Currency translation reserve	-133,299,537.92	2,694,893.76
Other comprehensive income after tax attributable to minority shareholders	-65.85	-2.96
6.Total comprehensive income	1,525,873,312.53	2,320,051,951.46
Total comprehensive income attributable to owner of the parent company	1,525,872,516.74	2,320,051,599.78
Total comprehensive income attributable to minority shareholders	795.79	351.68
7.Earning per share:		
I .Basic earnings per share	3.67	5.17
II .Diluted earning per share	3.57	4.99

Consolidated Statement of Balance Sheet

As of Dec 31, 2020 and Dec 31, 2019

(The currency of the statements is Chinese Yuan, 'CNY', unless otherwise indicated)

Assets	31-Dec-20	31-Dec-19
Current assets:		
Cash and cash equivalents	4,081,744,680.49	3,519,545,051.96
Financial assets held for trading	878,322,054.79	1,725,466,079.73
Notes receivables and trade receivables, net	703,891,220.99	691,445,515.88
Inventories	617,125,569.79	366,243,893.16
Prepayments	61,798,444.22	31,545,044.10
Other receivables	38,338,298.04	95,506,821.45
Current portion of non-current assets	53,465,642.46	30,520,875.00
Other current assets	153,547,694.18	30,955,822.08
Total current assets	6,588,233,604.96	6,491,229,103.36
Non-current assets:		
Long-term equity investments	83,109,694.18	
Other non-current financial assets	374,485,997.56	
Investment property		
Fixed assets	391,030,454.98	245,699,345.08
Construction in progress	67,871,394.87	120,258,499.77
Right-of-use assets		
Intangible assets	1,269,631,954.92	775,920,639.31
Goodwill	543,288,317.95	43,138,491.19
Long-term deferred expenses	16,735,944.99	16,307,892.64
Deferred tax assets	118,884,666.15	48,818,704.33
Other non-current assets	434,582,572.96	107,409,862.02
Total non-current assets	3,299,620,998.56	1,357,553,434.34
Total assets	9,887,854,603.52	7,848,782,537.70
Liabilities and Stockholders' Equity	30-Sep-20	31-Dec-19
Current liabilities:		
Short-term loans	425,327,979.45	
Financial liabilities held for trading		
Notes payables and trade payables	386,926,303.79	533,216,817.28
Advances from customers		2,171,196.46
Contract liability	3,795,250.64	
Accrued payroll	269,441,244.97	181,004,878.04
Taxes payable	32,578,411.89	86,287,228.34
Other payables	679,236,083.75	578,042,047.08
Other current liabilities	447,538.84	
Total current liabilities	1,797,752,813.33	1,380,722,167.20
Non-current liabilities:		
Lease liabilities		
Deferred income	16,148,670.53	12,182,037.01

Deferred tax liabilities	36,841,294.66	16,453,940.75
Total non-current liabilities	52,989,965.19	28,635,977.76
Total liabilities	1,850,742,778.52	1,409,358,144.96
Equity:		
Paid-in capital	457,724,035.00	455,732,298.00
Capital reserve	1,864,936,707.47	1,505,357,149.97
Less: treasury shares	259,898,049.30	334,093,668.76
Other comprehensive income	-139,452,980.89	-6,153,442.97
Surplus reserve	228,862,017.50	228,325,829.50
Undistributed earnings	5,884,938,160.42	4,590,255,867.36
Equity attributable to owners of the parent company	8,037,109,890.20	6,439,424,033.10
Equity attributable to minority shareholders	1,934.80	359.64
Total Shareholder's equity	8,037,111,825.00	6,439,424,392.74
Total liabilities and Shareholder's equity	9,887,854,603.52	7,848,782,537.70

Consolidated Statement of Cash Flows

For the prior twelve months ending Dec 31, 2020 and Dec 31, 2019

(The currency of the statements is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Jan-Dec, 2020	Jan-Dec, 2019
1. Cash flows from operating activities		
Cash received from sales and services	7,295,666,457.69	7,632,271,488.36
Taxes and surcharges refunds	459,951,209.78	392,421,945.17
Other cash received from operating activities	227,616,965.67	92,361,326.36
Total cash inflows from operating activities	7,983,234,633.14	8,117,054,759.89
Cash paid for goods and services	4,061,988,818.95	2,746,245,663.96
Cash paid for employees related expenses	1,094,064,540.23	742,988,786.08
Taxes and surcharges cash payments	432,606,022.89	853,514,524.79
Other cash payments related to operating activities	1,182,933,947.89	894,276,155.55
Total cash outflows from operating activities	6,771,593,329.96	5,237,025,130.38
Cash generated from operating activities	1,211,641,303.18	2,880,029,629.51
2. Cash flows from investing activities		
Cash received from withdraw of investments	7,450,000,000.00	12,270,000,000.00
Cash received from investment income	84,510,426.25	112,840,883.84
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	37,826,680.00	7,938.21
Cash received from other investment related activities	61,669,190.00	-
Total cash inflows from investing activities	7,634,006,296.25	12,382,848,822.05
Cash paid for fixed assets, intangible assets and other long-term assets	1,239,222,977.19	499,235,544.02
Cash payments for investments	9,236,650,054.77	11,508,230,756.44
Cash paid for other investment related activities	-	68,942,000.00
Net cash payments for acquisitions of subsidiaries and other business units		
Total cash outflows from investing activities	10,475,873,031.96	12,076,408,300.46
Net cash used in investing activities	-2,841,866,735.71	306,440,521.59
3. Cash flows from financing activities		
Cash received from investments by others including: investment from minority shareholders	237,082,350.63	40,555,907.96
	779.37	7.96
Cash received from borrowings	425,000,000.00	29,969,760.00
Other cash received from other financing activities	1,257,488.69	-
Total cash inflows from financing activities	663,339,839.32	70,525,667.96
Cash repayments for debts	-	29,969,760.00
Cash payments for distribution of dividends, profit and interest expenses	368,265,078.19	228,901,999.06

Other cash payments related to financing activities	51,102,707.37	72,733,564.34
Total cash outflows from financing activities	419,367,785.56	331,605,323.40
Net cash provided by financing activities	243,972,053.76	-261,079,655.44
4.Effect of changes in exchange rate on cash and cash equivalents	-45,536,824.66	720,992.77
5.Net increase in cash and cash equivalents	-1,431,790,203.43	2,926,111,488.43
Add: Cash and cash equivalents at the beginning of the year	3,509,545,051.96	583,433,563.53
6.Cash and cash equivalents at the end of the year	2,077,754,848.53	3,509,545,051.96