



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



## 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	Secretary to the Board	Representative of Securities Affairs	
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## The Main Business

Goodix Technology is an integrated solution provider for applications based on IC design and software development offering industry-leading software and hardware semiconductor solutions. It is recognized as the largest biometric authentication solution provider for Android devices in the global market. Currently, Goodix product lines cover the areas of biometric authentication, human interface, and IoT. Looking forward, the company aims for growing into an enterprise targeting at comprehensive IC designs as the goal for its strategic development.

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 offers are sold both directly as well as via agents and distributors to module makers, integrated solution providers, and device manufactures.

## Shenzhen Goodix Technology Co., Ltd. Announces Interim Results

Revenue Up 6% To RMB 3.06 billion

Shenzhen, China, August 20, 2020- Goodix Technology (603160. SH), an integrated solution provider for applications based on IC design and software development, today announced the unaudited consolidated results for the first half year of 2020 (“1H20”) ended June 30, 2020.

### 1H20 Key Highlights

- **Total revenue** was RMB 3.06 billion, an increase of 6% year-over-year;
- **Gross profit** was RMB 1.58 billion in 1H20, down from RMB1.78 billion in 1H19, a decrease of 11% year-over-year;
- **Gross margin** was 52% in the 1H20 vs. 62% in the 1H19;
- **Net profit** was RMB 600 million, a decrease of 41% compared with RMB 1.02 billion in the first half of 2019;
- **Basic EPS** : RMB 1.32 per share vs. RMB 2.27 per share in the 1H19;
- **Diluted EPS**: RMB 1.28 per share vs. RMB 2.20 per share in the 1H19.

### 1H20 Financial Review

December Fiscal Year End	Jun' 18	Jun' 19	Jun' 20
(All figures in Million CNY )	1H18	1H19	1H20
Revenue	1,388.5	2,886.7	3,056.1
Gross Profit	550.6	1,781.8	1,577.8
Gross Margin%	39.7%	61.7%	51.6%
Operating Income	85.6	1,173.5	581.7
Operating Margin%	6.2%	40.7%	19.0%
Net Income	112.2	1,016.8	568.9
R&D expense	333.2	457.8	834.6
R&D margin%	24.0%	15.9%	27.3%

In the first half of 2020, affected by the COVID-19 pandemic and changes in the international situation, the company had a revenue of RMB 3.06 billion, an increase of 6.0% compared with RMB 2.89 billion in the first half of 2019. Our gross profit declined to RMB 1.58 billion in the 1H20 from RMB 1.78 billion in the 1H19, demonstrating a decrease of 11%.

Our gross margin was 52% in the 1H20 and down 10 percentage point from 62% in the 1H19, due to the product mix caused by a mass production of ultra-thin in-screen fingerprint sensor products.

The company had an operating expense of RMB 1.15 billion in the first half of 2020, an increase of 44% compared with RMB 800 million in the first half of 2019. Of which, sales and marketing expense was RMB 253 million, an increase of 2% compared with RMB 248 million in the first half of 2019, mainly caused by the increased cost of technical support to end customers of new products which was offset by the reduction in propaganda and promotion expenses due to the impact of the pandemic. In the first half of 2020, sales and marketing expenses accounted for 8.3% of revenue, a decrease of 0.3% compared with 8.6% in the first half of 2019.

G&A expenses were RMB 61 million, a decrease of 8% compared with RMB 67 million in the first half of 2019, mainly caused by accounting rule change in terms of the amortization of land use for the Global Intelligent Chip Innovation Center Project in the first half of 2020, G&A expenses accounted for 2.0% of revenue, a decrease of 0.3% compared with 2.3% in the first half of 2019.

R&D expenses were RMB 840 million, an increase of 82% compared with RMB 460 million in the first half of 2019, and accounted for more than 70% of operating expenses, due to newly added overseas R&D centers, incremental labor costs, and increased R&D activities. In the first half of 2020, R&D expenses accounted for 27% of revenue, increasing 11 percentage point from 16% a year ago. The continuous investment in R&D fully reflects the company's strategies of focusing on long-term development and being committed to building core competitiveness. The company will continue to focus on IC design, and actively seek for new products and new fields.

The net profit in the first half of 2020 was RMB 600 million, a decrease of 41% compared with RMB 1.02 billion in the first half of 2019. In the first half of 2020, basic earnings per share was RMB 1.32 per share, down 42% from RMB 2.27 per share in the same period last year. Diluted EPS (earnings per share) was RMB 1.28 per share, down 42% from RMB 2.20 per share in the same period last year; basic earnings per share after

deducting non-recurring profit and loss was RMB 1.23 per share, 43% lower than RMB 2.14 per share in the same period last year.

The net assets attributable to shareholders in listed companies were RMB 6.86 billion, an increase of 6% from RMB 6.44 billion at the end of the previous year. The company's total assets were RMB 8.44 billion, an increase of 8% from RMB 7.85 billion at the end of the previous year.

In the first half of 2020, the net cash flow from operating activities was RMB 3 million, a decrease of 99.7% on a year-on-year basis, from RMB 810 million in the first half of 2019, due to company's increase in production and procurement. Net cash flow from investment activities was RMB -1.28 billion and RMB -570 million in the first half of 2019, the net investment expenditure increased by RMB 710 million, due to the acquisition payment of NXP's VAS. The change in the net cash flow from fund-raising activities was mainly due to paying dividends in cash.

## **Management Discussion**

### **Industry and Market**

During the reporting period, the company's products were mainly used in smartphones, tablets, laptops, automotive electronics and Internet of Things. Products for smartphones are the main source of the company's revenue. At the same time, the company continues to expand Internet of Things and automotive electronics business.

- In the smartphone market, IDC predicts that the global smartphone shipments will drop by 11.9% in 2020, with the total shipments of 1.2 billion. Growth is expected to resume in the first quarter of 2021, and 5G is expected to become a catalyst for market recovery and will play an important role in the recovery of the global smartphone market in 2021.
- In the automotive electronics market, after decades of development and the deepening electronic penetration, many stringent requirements for automobile industry such as safety, comfort and energy saving have been put forward. The number of electronic control units in automobiles is increasing, and the number of sensors and wiring harnesses is also increasing multiple times. Especially in recent years, technological innovations such as auto-drive and Internet of Vehicles have emerged. The emerging "human-computer interaction" technology and innovation function have received widespread attention and become new demand. Rapid integration of new technologies such as touch screen, fingerprint recognition, voice

control, machine vision has brought a more convenient and intelligent human-vehicle interaction experience. In the future, automotive electronic system will evolve to intellectualization, networking and integration. Based on strong technology accumulation in human-computer interaction, biological recognition, sensors and other fields, the company will have a broader space for innovative exploration and development in the automotive electronics field.

- Moreover, with the acceleration of 5G and AI technology, Internet of Things application will cover hundreds of billions of perceptible, controllable and connected intelligent devices. According to the Mobile Economy Report 2020 released by the Groupe Special Mobile Association (GSMA), the total IoT connections reached 12 billion around the world in 2019, and the number is expected to reach 24.6 billion by 2025. Prosperous application fields and huge market space will create superior development conditions for the upstream chip industry.

## **Business Review and Outlook**

### **1. The biometric authentication product line**

Affected by the COVID-19 pandemic, the overall demand for smartphones has declined significantly in 2020. In addition, some customers are affected by changes in the international situation, so the market demand further shrinks, which also increases market uncertainty.

In the first half of 2020, the company continued to lead in the in-screen optical fingerprint market and maintained a relatively higher market share in the domestic market. However, because it was difficult to continue to increase its market share, coupled with the decline in overall market demand in the first half of the year and increased competition in lens solutions, its revenue and profit growth were under pressure. In the first half of the year, the company's in-screen optical fingerprint solutions made new commercial breakthrough in overseas markets with excellent product performance, service support and supply guarantee, and were used by customers such as Samsung and Motorola. The overseas sales scale is expected to continuously increase in the second half of the year. The company's ultra-thin in-screen optical fingerprint products have been mass-produced, taking the lead in this subdivision field with technological leadership, used by more than 20 flagship models from many well-known brands such as Huawei, OPPO, Xiaomi, OnePlus and Motorola. With the expansion of mass production and the continuous improvement of technology, product costs will continue to decline. The company will provide customers with more and more valuable product selections in the future.

In the field of capacitive fingerprint, the company's leading ultra-narrow side capacitive fingerprint solutions are very popular, and the market penetration rate continues to increase. The solutions were widely used by entry-level 5G mobile phones and high-end flagship brand such as Huawei Mate Xs in the first half of the year, helping the company continue to maintain technology leadership and market leadership in the field of capacitive fingerprint. The company's capacitive fingerprint chips further expanded global market share in PC and made further breakthrough in the business model market while maintaining a high market share in the existing consumer model, used in several business laptops such as HP and Lenovo ThinkPad. The extended application of the company's capacitive fingerprint in new field also achieved positive results. The automotive-grade fingerprint recognition solutions applied to smart cockpit were first used in the Lynk&Co 05 model.

## **2. The human-interface product line**

The company's touch product market share ranks among top three in the industry. The human-computer interaction products include mainly mobile phone touch, tablet touch, PC touch, PC touchpad and auto touch. The corresponding products have been used on more than one billion mobile devices worldwide and are popular with consumers around the world. 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 fun of precise control and convenient interaction to consumers around the world.

In the field of mobile phone touch, the company's AMOLED series touch products are designed for full screen, bringing users a better and smoother touch experience, and are widely favored by smart 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. The company's all-in-one Out-cell touch chips fully support multiple TP stacks such as GFF/GFM/OGS/G1F, and have already achieved mass shipment. On-cell touch chips supporting Yocta have also been successfully developed and are about to be mass-produced.

In the field of PC and tablet, PC touch solutions 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 products have been used in large quantities on Dell, Huawei, Xiaomi and other branded notebook computers. Tablet touch products continue to win the trust of international

famous brands, and the new generation of middle-large-size panel touch chips have also been mass-produced and used in Huawei's flagship tablet MatePad Pro.

In the field of auto touch, the company's automotive-grade touch chips have gradually achieved large-scale commercial use in the automotive field. Customers include not only Chinese-made vehicles such as Geely, Changan and Chery, but also many international brands such as GM and Hyundai.

### **3. Voice and audio solutions**

Voice and audio products 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 this year, the company's voice and audio system solutions have a firm and solid foundation, which can provide global customers with high-performance and high-reliability software and hardware solutions and provide the end users with more precise and clear high-quality voice and audio experience anytime and anywhere.

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 reduction performance in voice calls. The company's audio capture solutions (AudioCapture) have been widely recognized in the application market. At the same time, the next generation of SmartAmp (Smart Audio Amplifier) has also been put on the market. This product is used in conjunction with the company's latest algorithm to provide an ideal solution for stereo headset application. These solutions have been applied in the mobile and consumer electronics markets as well as the automotive electronics market.

Moving forward, the company will also provide a series of innovative products with excellent performance to win the recognition from new and old customers in both international and domestic markets. With extensive intellectual property rights reserve portfolio and 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 continues 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 monitoring sensors based on optical technology have been used

in many customers such as Realme Watch, providing accurate and reliable health monitoring experience for consumers at home and abroad. At the same time, the industry's leading third-generation heart rate, blood oxygen and ECG products have also been mass-produced and will be ready for sale with customers' wearable products. The innovative two-in-one solutions of in-ear detection and touch continue to lead the market, and are widely used by TWS headphones of many mainstream brands such as vivo TWS Neo. Bluetooth low power consumption products also begin to be adopted by clients, and continue to receive positive feedback from the market.

### **About Goodix**

Goodix Technology (SH: 603160) 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., and is recognized as the largest biometric authentication solution provider for Android devices in the global market.

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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## Shenzhen Goodix Technology Co., Ltd.

### Consolidate Income Statement

For the first half of 2020 and 2019

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

<b>Income Statement</b>	<b>Jan-June,2020</b>	<b>Jan-June,2019</b>
<b>Revenue</b>	¥3,056,096,472	¥2,886,715,292
Less: Cost of Goods Sold	1,478,297,751	1,104,896,363
Taxes and surcharges	18,787,451	29,012,425
Selling expenses	252,897,390	247,507,717
Administrative expenses	61,257,759	66,783,466
Research and development expenses	834,602,901	457,813,664
Finance expenses	-19,300,158	-2,462,078
Including: Interest expense	36,111	9,046
Interest income	16,177,565	6,924,558
Add: Other income	140,509,535	184,469,940
Investment income	29,598,647	33,470,739
earning from fair market value changes	8,298,645	15,933,276
Impairment of credit	675,069	-655,378
Impairment of assets	-26,902,594	-42,846,068
Proceeds from asset disposal		
<b>Operating income</b>	581,732,680	1,173,536,244
Add: non-operating income	1,426,855	488,739
Less: non-operating expenses	59,891	3,110,134
<b>Income before tax</b>	583,099,644	1,170,914,848
Less: income tax	-14,225,374	154,074,255
<b>Net profit</b>	597,325,018	1,016,840,593
Net profit contributed before the combination under common control		
I .Profit classified by continuity		
Continuous operating profit and loss	597,325,018	1,016,840,593
II .Profit classified by ownership		
Net profit attributable to owners of the parent company	597,323,330	1,016,840,593
Net profit attributable to minority shareholders	1,688	
<b>Other comprehensive income after tax</b>	23,276,200	1,141,229
Other comprehensive income after tax attributable to owner of the parent company	23,276,189	1,141,229
I .Comprehensive income not to be reclassified as profit or loss		
II .Comprehensive income to be reclassified as profit or loss	23,276,189	1,141,229
I. Currency translation reserve	23,276,189	1,141,229
Other comprehensive income after tax attributable to minority shareholders	11	
<b>Total comprehensive income</b>	620,601,218	1,017,981,821

Total comprehensive income attributable to owner of the parent company	620,599,519	1,017,981,821
Total comprehensive income attributable to minority shareholders	1,699	
<b>Earnings per share:</b>		
I .Basic earnings per share	¥1.32	¥2.27
II .Diluted earnings per share	¥1.28	¥2.20

### Consolidated Statement of Balance Sheet

As of June 30,2020 and Dec 31,2019

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

<b>Assets</b>	<b>30-Jun-20</b>	<b>31-Dec-19</b>
<b>Current assets:</b>		
Cash and cash equivalents	2,264,180,482	3,519,545,052
Financial assets held for trading	1,709,513,123	1,725,466,080
Notes receivables and trade receivables, net	725,287,125	691,445,516
Inventories	808,494,194	366,243,893
Prepayments	67,274,326	31,545,044
Other receivables	52,718,830	95,506,821
Current portion of non-current assets	30,972,813	30,520,875
Other current assets	111,520,427	30,955,822
<b>Total current assets</b>	<b>5,769,961,321</b>	<b>6,491,229,103</b>
<b>Non-current assets:</b>		
Other non-current financial assets	200,000,000	
Investment property		
Fixed assets	382,107,565	245,699,345
Construction in progress	18,336,296	120,258,500
Intangible assets	1,278,422,603	775,920,639
Goodwill	585,366,255	43,138,491
Long-term deferred expenses	16,961,747	16,307,893
Deferred tax assets	53,129,874	48,818,704
Other non-current assets	139,378,031	107,409,862
<b>Total non-current assets</b>	<b>2,673,702,371</b>	<b>1,357,553,434</b>
<b>Total assets</b>	<b>8,443,663,692</b>	<b>7,848,782,538</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Short-term loans	250,036,111	
Financial liabilities held for trading	676,000	
Notes payables and trade payables	469,271,557	533,216,817
Advances from customers		2,171,196

Contract liability	754,876	
Employee benefits payable	185,924,122	181,004,878
Taxes payable	56,098,186	86,287,228
Other payables	602,002,296	578,042,047
Other current liabilities	636,613	
<b>Total current liabilities</b>	<b>1,565,399,760</b>	<b>1,380,722,167</b>
<b>Non-current liabilities:</b>		
Deferred income	10,589,223	12,182,037
Deferred tax liabilities	12,593,747	16,453,941
<b>Total non-current liabilities</b>	<b>23,182,969</b>	<b>28,635,978</b>
<b>Total liabilities</b>	<b>1,588,582,730</b>	<b>1,409,358,145</b>
<b>Equity:</b>		
Paid-in capital	456,692,147	455,732,298
Capital reserve	1,641,860,608	1,505,357,150
Less: treasury shares	312,134,949	334,093,669
Other comprehensive income	17,122,746	-6,153,443
Legal reserve	228,325,830	228,325,830
Undistributed earnings	4,823,211,697	4,590,255,867
Equity attributable to owners of the parent company	6,855,078,078	6,439,424,033
Equity attributable to minority shareholders	2,884	360
<b>Total owner's equity</b>	<b>6,855,080,962</b>	<b>6,439,424,393</b>
<b>Total liabilities and owner's equity</b>	<b>8,443,663,692</b>	<b>7,848,782,538</b>

### Consolidated Statement of Cash Flows

For the first half of 2020 and 2019

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

<b>Cash Flow Statement</b>	<b>Jan-June,2020</b>	<b>Jan-June,2019</b>
<b>Cash flows from operating activities</b>		
Cash received from sales and services	3,302,964,973	3,067,365,657
Taxes and surcharges refunds	197,792,284	205,176,725
Other cash received from operating activities	36,023,741	25,615,466
Total cash inflows from operating activities	3,536,780,997	3,298,157,848
Cash paid for goods and services	2,280,498,359	1,187,968,472
Cash paid for employees related expenses	543,757,370	546,933,056
Taxes and surcharges cash payments	259,498,003	414,388,324

Other cash payments related to operating activities	450,210,488	340,877,761
Total cash outflows from operating activities	3,533,964,221	2,490,167,614
<b>Cash generated from operating activities</b>	<b>2,816,776</b>	<b>807,990,234</b>
<b>Cash flows from investing activities</b>		
Cash received from withdraw of investments	4,600,000,000	4,650,000,000
Cash received from investment income	55,064,726	58,077,835
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,680	1,745
Cash received from other investment related activities	61,669,190	
Total cash inflows from investing activities	4,716,739,596	4,708,079,580
Cash paid for fixed assets, intangible assets and other long-term assets	1,185,976,111	61,413,078
Cash payments for investments	4,813,354,828	5,150,000,000
Cash paid for other investment related activities		68,942,000
Net cash payments for acquisitions of subsidiaries and other business units		
Total cash outflows from investing activities	5,999,330,939	5,280,355,078
<b>Net cash used in investing activities</b>	<b>1,282,591,343</b>	<b>-572,275,498</b>
<b>Cash flows from financing activities</b>		
Cash received from investments by others	117,579,857	40,555,900
including: investment from minority shareholders		
Cash received from borrowings	250,000,000	29,969,760
Other cash received from other financing activities	4,063,469	
Total cash inflows from financing activities	371,643,325	70,525,660
Cash repayments for debts		
Cash payments for distribution of dividends, profit and interest expenses	364,843,550	
Other cash payments related to financing activities	7,117,263	52,122,961
Total cash outflows from financing activities	371,960,814	52,122,961
<b>Net cash provided by financing activities</b>	<b>317,488</b>	<b>18,402,699</b>

<b>Effect of changes in exchange rate on cash and cash equivalents</b>	14,727,486	-11,245
<b>Net increase in cash and cash equivalents</b>	<b>1,265,364,569</b>	<b>254,106,190</b>
Add: Cash and cash equivalents at the beginning of the year	3,509,545,052	583,433,564
<b>Cash and cash equivalents at the end of the year</b>	<b>2,244,180,482</b>	<b>837,539,754</b>