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Q Tech

Q TECHNOLOGY (GROUP) COMPANY LIMITED

丘鈦科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1478)

INSIDE INFORMATION: UPDATE ON THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF KUNSHAN QTECH MICROELECTRONICS CO., LTD. ON A STOCK EXCHANGE IN THE PRC

References are made to the announcements of the Company dated 15 December 2020, 23 April 2021, 23 June 2021, 30 June 2021 and 16 December 2021 (the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as used in the Announcements. This announcement is made by the Q Technology (Group) Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

FINANCIAL DATA

In accordance with the relevant provisions of the Shenzhen Stock Exchange’s “Guidelines for the Content and Format of Information Disclosure by Companies preparing Public Offering of Securities No. 28” (公開發行證券的公司資訊披露內容與格式準則第28號) and the further requirements of the Shenzhen Stock Exchange, Kunshan QT China is required to further update and disclose the expected key financial results of the period from January to March 2022 and the financial data of the year from January to December 2021. In order to meet the requirements of the Shenzhen Stock Exchange, Kunshan QT China has submitted a reply to the second round of comments (the “**Second Comments**”) from the Shenzhen Stock Exchange on 23 February 2022 and updated the draft prospectus for the Listing Application of Kunshan QT China accordingly which will disclose its expected key financial results of the period from January to March 2022 and also the updated financial data of 2021 respectively as follows:

1. The expected key financial results of the period from January to March 2022 (not reviewed or audited) (Unit: Ten Thousand RMB):

	January to March 2022 (Note 2)	January to March 2021	Changes year-on-year
Revenue	350,000.00 to 400,000.00	379,300.00	-7.72% to 5.46%
Net profit attributable to shareholders of the parent company (Note 1)	9,000.00 to 12,000.00	23,400.00	-61.54% to -48.72%
Net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses	8,500.00 to 10,500.00	20,200.00	-57.92% to -48.02%

Note 1: The parent company means Kunshan Q Technology (Hong Kong) Limited, which is an indirect wholly-owned subsidiary of the Company.

Note 2: The financial data from January to March 2022 and January to March 2021 are preliminary estimates by the management of Kunshan QT China and have not been audited or reviewed by auditor.

It is estimated that Kunshan QT China may achieve revenue of approximately RMB3.50 billion to RMB4.00 billion in the period from January to March 2022, decreasing by approximately 7.72% to increasing by approximately 5.46% as compared with that of the same period of 2021. It is estimated that the net profit attributable to the shareholders of the parent company in the period from January to March 2022 will be approximately RMB90.00 million to RMB120.00 million, decreasing by approximately 48.72% to approximately 61.54% as compared with that of the same period of 2021. It is estimated that the net profit attributable to the shareholders of the parent company after deducting non-recurring gains and losses in the period from January to March 2022 will be approximately RMB85.00 million to RMB105.00 million, decreasing by approximately 48.02% to approximately 57.92% as compared with that of the same period of 2021.

In the first quarter of 2022, the revenue growth rate of Kunshan QT China may decline mainly due to the poor demand of Android mobile phone terminal market affected by multiple factors such as prolonged epidemic. In the first quarter of 2022, the net profit attributable to shareholders of the parent company of Kunshan QT China is expected to decline year-on-year for the following reasons: (i) intensified competition in camera module market of the mobile phone terminals further squeezes the gross margin; (ii) the proportion of revenue from IoT and automotive camera module products increases with Kunshan QT China's strategic layout, but the loss is continued since these businesses are still in the market development stage; (iii) the increase of minimum wage and social security payment base in Suzhou leads to the increase of labor costs; and (iv) the COVID-19 outbreak in Suzhou recently has adversely affected the supply chain and the efficiency and cost of Kunshan QT China's production and delivery. The expected year-on-year decline in net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in the first quarter of 2022 is mainly influenced by the decline in consolidated gross profit.

The year-on-year growth of expected revenue in the first quarter of 2022 is mainly based on information such as the sales data in January 2022 and sales orders in February and March 2022 reviewed by the management of Kunshan QT China, who predict that the sales volume from automotive and IoT fields will increase significantly compared with that of the corresponding period, which is conducive to the stability or improvement of average unit selling price. The year-on-year decline in the expected net profit in the first quarter of 2022 is mainly due to Kunshan QT China's continued investment in the capacity and capability of automotive and IoT fields, while the scale effect of such businesses has not been fully reflected, affecting the consolidated gross profit margin of the businesses.

2. Financial data of 2021 (not reviewed or audited) (Unit: Ten Thousand RMB):

	Expected financial results of 2021 (excluding the data of fingerprint recognition module business of the Retained Group) (Note 2)	Updated expected financial results of 2021 (excluding the data of fingerprint recognition module business of the Retained Group)	Financial results of 2020 (including the data of fingerprint recognition module business)	Changes year-on-year (Note 3)
Revenue	1,720,000.00 to 1,750,000.00	1,707,767.47	1,706,011.16	0.10%
Net profit attributable to shareholders of the parent company (Note 1)	89,000.00 to 93,000.00	88,729.60	88,574.66	0.17%
Net profit attributable to shareholders of the parent company after deducting non- recurring gains and losses	78,000.00 to 82,000.00	80,846.40	89,384.47	-9.55%

Note 1: The parent company means Kunshan Q Technology (Hong Kong) Limited, which is an indirect wholly-owned subsidiary of the Company.

Note 2: The data are key expected financial results information disclosed in the Company's Inside Information Announcement dated 16 December 2021.

Note 3: The changes refer to the changes in the updated expected financial results of 2021 compared to the financial results of 2020.

The revenue of 2021 of Kunshan QT China was approximately RMB17,077.6747 million, increased by approximately 0.10% year-on-year. Net profit attributable to shareholders of the parent company was approximately RMB887.296 million, increased by approximately 0.17% year-on-year. Net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses was approximately RMB808.464 million, representing a year-on-year decrease of approximately 9.55%.

The revenue of 2021 of Kunshan QT China increased slightly as compared to that of 2020. The main reason was that Kunshan QT China focused more on the development of the camera module business since the delineation of the fingerprint recognition module business, and the sales volume of camera modules increased steadily compared to that of 2020. Excluding the impact of eliminating revenue from fingerprint recognition module of 2020, revenue growth rate of Kunshan QT China for 2021 was approximately 11.85% year-on-year. The slight upward trend in the net profit attributable to the shareholders of the parent company of Kunshan QT China in 2021 was consistent with the year-on-year changes trend of its revenue. And slight year-on-year decrease in the net profit attributable to the shareholders of the parent company after deducting non-recurring gains and losses in 2021 of Kunshan QT China was mainly attributable to effect of Kunshan QT China's delineation of the fingerprint recognition module business and the increase in administrative expenses and financial expenses.

The above financial data of 2021 and January to March 2022 are the preliminary estimates of the management of Kunshan QT China, which are not audited or reviewed by auditors and do not constitute profit forecasts or performance commitments made by the Kunshan QT China.

The Proposed Listing is conditional upon, among other things, the approval of the CSRC and the Shenzhen Stock Exchange. The terms of the Offering, including the final size and price range of the Offering, and the timetable of the Proposed Listing have not yet been fixed as at the date of this announcement. The Company will make further announcement in relation to the Proposed Spin-off as and when appropriate pursuant to the relevant requirements of the Listing Rules.

Shareholders of the Company and potential investors should note that, the financial data of 2021 of Kunshan QT China included in the updated draft prospectus and the reply to the Second Comments is the preliminary management account financial statement for the twelve months ended 31 December 2021 reviewed by the management of Kunshan QT China and has not been audited or reviewed by independent auditors. The expected financial results of the period from January to March 2022 is a preliminary assessment of the available information by the management of Kunshan QT China and has not been reviewed or audited by independent auditors and/or the Audit Committee of the Company as well. Therefore, the actual performance of Kunshan QT China may be different from the above data and does not represent the final actual performance of the Group in 2021 and the period from January to March 2022 either due to the difference between the accounting standards applicable to Kunshan QT China and those applicable to the Company.

The Proposed Listing is subject to, inter alia, the prevailing market conditions and approvals from relevant authorities, including the CSRC and the Shenzhen Stock Exchange. Accordingly, there is no assurance as to whether and when the Proposed Listing will proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 23 February 2022

As at the date of this announcement, the executive Directors are Mr. He Ningning (Chairman), Mr. Hu Sanmu (Chief Executive Officer) and Mr. Fan Fuqiang; and the independent non-executive Directors are Mr. Ko Ping Keung, Mr. Chu Chia-Hsiang and Mr. Ng Sui Yin.