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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 Q Technology (Group) Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 December 2020, 23 April 2021, 23 June 2021, 30 June 2021, 16 December 2021, 23 February 2022, 27 June 2022, 4 August 2022 and 17 August 2022 (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 Company pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

UPDATE ON FINANCIAL DATA

In accordance with the relevant provisions of the Review Rules for the Issuance and Listing of Shares on the ChiNext Board of the Shenzhen Stock Exchange (《深圳證券交易所創業板股票發行上市審核規則》) of the Shenzhen Stock Exchange, Kunshan QT China had submitted the audited financial data for the six months ended 30 June 2022, and further updated the information regarding (i) expected results for the period from January to September 2022; (ii) details of marginal improvement of the third quarter of 2022; and (iii) expected annual results for the year 2022 (the “**Updated Financial Information**”), all of which were set out in the draft prospectus for the Listing Application as well as the replies to the rounds of inquiries of the Shenzhen Stock Exchange and the Opinion Implementation Letter. On 29 September 2022, the updated draft prospectus for the Listing Application submitted by Kunshan QT China as well as the replies to the rounds of inquiries of the Shenzhen Stock Exchange and the Opinion Implementation Letter and other information were disclosed on the website of the Shenzhen Stock Exchange, and the Updated Financial Information is disclosed as follows:

I. UPDATED EXPECTED RESULTS FOR THE PERIOD FROM JANUARY TO SEPTEMBER 2022 (NOT AUDITED OR REVIEWED):

1. Updated expected key financial data for the period from January to September 2022 (Presented in italic and bold text)

The updated expected key financial data of Kunshan QT China for the period from January to September 2022 is as follows:

Unit: RMB0'000

Items	January to September 2022 <i>(Note 2)</i>	January to September 2021 <i>(Note 3)</i>	Changes year-on-year
Revenue	975,000.00 to 985,000.00	1,261,544.58	-22.71% to -21.92%
Net profit attributable to shareholders of the parent company <i>(Note 1)</i>	28,000.00 to 31,000.00	74,618.11	-62.48% to -58.46%
Net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses	13,000.00 to 16,000.00	69,581.19	-81.32% to -77.01%

Note 1: The parent company refers to Kunshan QT Hong Kong (the same below).

Note 2: The financial data for the period from January to September 2022 is the preliminary estimates of the management of Kunshan QT China, which has not been audited or reviewed by auditors and does not constitute profit forecasts or performance commitments made by Kunshan QT China.

Note 3: The data for the period from January to September 2021 is historical financial data not yet audited or reviewed by auditors.

The updated quarterly expected results of Kunshan QT China for the period from January to September 2022 are as follows:

Unit: RMB0'000

Items	First quarter	Second quarter	Third quarter average	Third quarter range
Revenue	343,603.06	320,598.89	315,798.05	310,798.05 to 320,798.05
Net profit attributable to shareholders of the parent company	12,126.63	7,750.77	9,622.59	8,122.59 to 11,122.59
Net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses	5,223.41	4,415.63	4,860.96	3,360.96 to 6,360.96

Note: Except for the data for the period from January to June of 2022, which has been audited by the initial public offering reporting auditor of Kunshan QT China, the financial data of remaining quarters is preliminary estimates of the management of Kunshan QT China and has not been audited or reviewed by auditors and does not constitute performance commitments or profit forecasts made by Kunshan QT China.

- (1) The forecasted average revenue of Kunshan QT China for the third quarter of 2022 is approximately RMB**3,157,980,500**, **declining slightly by approximately 1.50%** compared with the second quarter of 2022, mainly due to ***the fact that the macro environment in the third quarter was still unstable, while there was a significant increase in sales volume of non-handset business as a result of Kunshan QT China's determined execution of its competitive strategy to expand its market share and its continuous pursuit of business opportunities;***
- (2) The forecasted average net profit attributable to shareholders of the parent company of Kunshan QT China for the third quarter of 2022 is approximately RMB**96,225,900**, **increasing by approximately 24.15%** compared with the second quarter of 2022, mainly due to ***the subsidies and incentives received by Kunshan QT China from the local government, higher investment income from the foreign currency derivative instruments arising from the significant exchange rate fluctuation in the third quarter, and higher investment income from the wealth management products entrusted to large commercial banks. According to the fund management policy and for the purpose of ensuring the liquidity, safety and profitability of the funds, Kunshan QT China had entrusted a number of wealth management products with low-risk to some large commercial banks.***

2. Reasons for the difference between the updated expected results data and previous disclosures

The amendments on the expected results are due to the following reasons: (i) the auditing work on the financial statements for August 2022 was not completed yet the last time when the management of Kunshan QT China made a performance forecast, while such auditing work on the financial statements for August 2022 has been completed by the management this time; (ii) the exchange rate of RMB against the US dollar has greatly fluctuated recently, and Kunshan QT China estimates its performance based on the latest changes in exchange rate; and (iii) Kunshan QT China makes estimates based on the latest status regarding orders on hand, products delivered, communication with key customers and purchase of raw materials, etc.

Unit: RMB0'000

Items	January to September 2022 (Updated Data)	January to September 2022 (Original Data)	Differences
Revenue	975,000.00 to 985,000.00	980,000.00 to 1,020,000.00	decline
Net profit attributable to shareholders of the parent company	28,000.00 to 31,000.00	24,000.00 to 27,000.00	increase
Net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses	13,000.00 to 16,000.00	13,000.00 to 16,000.00	nil

The decline in the expected amount of revenue is due to the fact that the delivering time of Kunshan QT China's orders on hand is generally 15 to 90 days after the ordering, and the turnaround time is short, Kunshan QT China needs to continuously follow up on the latest status regarding the orders on hand, products delivered, and the communication with customers to estimate its revenue.

The increase in the expected amount of the net profit attributable to shareholders of the parent company is due to the fact that as most of Kunshan QT China's raw materials are settled in USD, the exchange rate fluctuations have a certain impact on Kunshan QT China, and therefore, Kunshan QT China will purchase foreign currency forward contracts and option contracts to limit the cost of foreign exchange and minimise the impact of exchange rate fluctuations on its results. With the recent depreciation of the RMB, the forward contracts and option contracts purchased previously by Kunshan QT China effectively reduced the negative impact of the depreciation of RMB, and the gains from changes in fair value increased. As such, the expected amount of the net profit attributable to shareholders of the parent company of Kunshan QT China increased accordingly.

The maintenance in the expected amount of net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses is due to the fact that Kunshan QT China, having considered the short turnaround time of its orders, the greatly exchange rate fluctuations in recent time, and the recent changes in the upstream chip industry, had made a relatively conservative forecast for the net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses when it estimated the results previously. After taking into account the changes in various factors, it is expected that the net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses will still fall within this range.

3. Updated expected key operation data for the period from January to September 2022 (Presented in italic and bold text)

Time	The shipment volume of camera module (1,000 units)	Changes year-on-year
January 2022	47,723.00	31.02%
February 2022	26,208.00	-17.77%
March 2022	38,706.00	7.32%
April 2022	33,624.00	-21.45%
May 2022	36,685.00	-4.14%
June 2022	30,081.00	-21.64%
Total from January to June 2022	213,027.00	-4.82%
July 2022	37,715.00	-3.69%
August 2022	35,200.00	-13.63%
Forecasts for September 2022	38,881.00	-9.55%
Total from January to September 2022	324,823.00	-6.32%

Note: The data for January to August 2022 is derived from the Company's announcements, among which, the data for July to August has not been audited or reviewed by auditors; and the data for September is the estimates of Kunshan QT China.

II. UPDATE ON MARGINAL IMPROVEMENT IN THE RESULTS OF KUNSHAN QT CHINA IN THE THIRD QUARTER OF 2022 (NOT AUDITED OR REVIEWED):

1. *Orders on hand as at 19 September 2022 (Previous disclosure only for the period until 15 July 2022):*

The amount of orders on hand (tax exclusive) of camera module products of Kunshan QT China as at 19 September 2022 was approximately RMB2,400,718,100, increasing by approximately RMB86,550,900 from the amount of orders on hand (tax exclusive) of approximately RMB2,314,167,200 as at 30 June 2022.

2. *Breakdowns of products delivered but not yet recognised as revenue as at 31 August 2022 (Previous disclosure only for the period until 30 June 2022):*

As at 31 August 2022, the total amount of the camera modules products delivered but not yet recognised as revenue of Kunshan QT China was approximately RMB111,790,500, in which the amount of camera modules of IoT and automotive camera modules accounted for approximately 10.50% of the sales amount of camera modules, which was approximately 8.09 percentage points higher than the proportion of approximately 2.41% taking up by the annual sales amount of such category of product in 2021. The expanding effect of Kunshan QT China in the IoT and automotive fields is gradually demonstrated, and the structure of products delivered but not yet recognised as revenue showed marginal improvement.

III. UPDATED EXPECTED ANNUAL RESULTS FOR 2022 (NOT AUDITED OR REVIEWED):

1. *Updated expected annual results for 2022 (Presented in italic and bold text)*

Unit: RMB0'000

Items	2022 (Note 1)	2021	Changes year-on-year
Revenue	<i>1,300,000.00 to 1,330,000.00</i>	1,707,835.28	<i>-23.88% to -22.12%</i>
Net profit attributable to shareholders of the parent company	<i>34,000.00 to 38,000.00</i>	90,557.34	<i>-62.45% to -58.04%</i>
Net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses	18,000.00 to 22,000.00	84,139.00	-78.61% to -73.85%

Note 1: The annual financial data for 2022 is the preliminary estimates of the management of Kunshan QT China, which has not been audited or reviewed by auditors and does not constitute profit forecasts or performance commitments made by Kunshan QT China.

2. Reasons for the difference between the updated expected annual results and previous disclosures

The forecast on annual results vary with the changes in the expected results for the third quarter of 2022.

Unit: RMB0'000

Items	2022 <i>(Updated Data)</i>	2022 <i>(Original Data)</i>	Differences
Revenue	1,300,000.00 to 1,330,000.00	1,330,000.00 to 1,390,000.00	decline
Net profit attributable to shareholders of the parent company	34,000.00 to 38,000.00	30,000.00 to 34,000.00	increase
Net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses	18,000.00 to 22,000.00	18,000.00 to 22,000.00	nil

The Proposed Listing still requires, among other things, the approval for the registration from CSRC, which remains uncertain. 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, expected results of Kunshan QT China for the period from January to September 2022 and the whole year of 2022 are preliminary estimates made by the management of Kunshan QT China based on the current available information of Kunshan QT China, which has not been reviewed or audited by independent auditors; and orders on hand at 19 September 2022, the breakdown of products delivered but not yet recognised as revenue at 31 August 2022 and the shipment volume of camera modules for the period from July to September 2022 have not been reviewed or audited by independent auditors. The above Updated Financial Information have not been reviewed or audited by the Audit Committee of the Company, and do not constitute profit forecasts or performance commitments made by Kunshan QT China, nor constitute profit forecasts or performance commitments made by the Company. The actual performance of Kunshan QT China may be different from the above data and the above data does not represent the final actual performance of the Group for the period from January to September 2022 and the whole year of 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. Accordingly, there is no assurance as to whether and when the Proposed Listing will proceed. Shareholders and potential investors of the Company 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, 29 September 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. Chu Chia-Hsiang, Mr. Ko Ping Keung and Mr. Ng Sui Yin.