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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, 17 August 2022, 29 September 2022 and 2 December 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).

ACCEPTANCE OF REGISTRATION APPLICATION

Kunshan QT China has submitted its application for registration of the Proposed Listing to the CSRC in August 2022, which was officially accepted by the CSRC on 30 December 2022.

UPDATE ON FINANCIAL DATA

In accordance with the relevant provisions of the Review Rules for the Issuance and Listing of Shares on the ChiNext Market 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 financial data for the nine months ended 30 September 2022 which was reviewed by auditors (the “**Supplemental Financial Information**”). On 30 December 2022, the updated draft prospectus for the Listing Application submitted by Kunshan QT China was disclosed on the website of the Shenzhen Stock Exchange, and the key Supplemental Financial Information is disclosed as follows:

1. Key data of consolidated balance sheet

Unit: RMB0'000

Items	30 September 2022	31 December 2021	Changes year-on-year
Total assets	1,128,175.37	1,191,728.64	-5.33%
Total liabilities	653,371.87	734,224.22	-11.01%
Owners' equity	474,803.50	457,504.41	3.78%
Equity attributable to the owners of the parent company (<i>note</i>)	474,270.26	456,917.40	3.80%

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

As of 30 September 2022, the total assets of Kunshan QT China decreased by approximately 5.33% compared with that of the end of 2021, which was mainly attributable to: (1) a decrease in the carrying amount of accounts receivable from approximately RMB4,074,151,700 to RMB2,775,766,100 as at the end of September 2022, representing a year-on-year decrease in the total accounts receivable, bills receivable and financing receivable of approximately 27.88%, which was mainly due to a decrease in accounts receivable as result of a decrease in revenue. From January to June 2022, the revenue recorded a year-on-year decrease of approximately 22.61%, which was basically in line with the proportion of the year-on-year decrease in the total accounts receivable, bills receivable and financing receivable; (2) a decrease in the carrying amount of inventories from approximately RMB2,051,910,500 to RMB1,195,107,800 as at the end of September 2022, representing a year-on-year decrease of approximately 41.76%, which was mainly due to a decrease in corresponding inventories and raw materials as a result of a decrease in revenue.

As of 30 September 2022, the total liabilities of Kunshan QT China decreased by approximately 11.01% compared with that of the end of 2021, which was mainly attributable to: (1) a decrease in accounts payable and bills payable from approximately RMB4,116,396,700 and RMB1,000,830,000 to approximately RMB2,814,572,900 and RMB789,063,900 as at the end of September 2022, respectively, representing a year-on-year decrease of approximately 29.58% in total, which was mainly due to a year-on-year decrease in the purchase amounts of Kunshan QT China in line with a decrease in revenue; (2) a year-on-year decrease in other payables of approximately 56.64% as at the end of September 2022, which was mainly due to a decrease in customer payables for material preparation due to the decrease in customer demand for material preparation. The shareholders' equity of Kunshan QT China increased by approximately 3.78% year on year, mainly due to an increase in undistributed profits.

2. Key data of consolidated income statement

Unit: RMB0'000

Items	January to September 2022	January to September 2021	Changes year-on-year
Revenue	976,354.61	1,261,544.58	-22.61%
Operating profit	27,868.66	82,322.09	-66.15%
Total profit	27,920.96	82,395.27	-66.11%
Net profit	29,060.06	74,618.11	-61.05%
Net profit attributable to shareholders of the parent company	29,113.84	74,618.11	-60.98%
Net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses	14,161.71	69,975.22	-79.76%
Items	July to September 2022	July to September 2021	Changes year-on-year
Revenue	312,152.66	413,214.30	-24.46%
Operating profit	9,363.04	18,861.02	-50.36%
Total profit	9,359.53	18,926.50	-50.55%
Net profit	9,245.96	17,741.71	-47.89%
Net profit attributable to shareholders of the parent company	9,236.44	17,741.71	-47.94%
Net profit attributable to the shareholders of the parent company after deducting non-recurring gains or losses	4,522.68	15,197.74	-70.24%

From January to September 2022, Kunshan QT China's revenue decreased by approximately 22.61% compared with the corresponding period of last year, operating profit decreased by approximately 66.15% compared with the corresponding period of last year, total profit decreased by approximately 66.11% compared with the corresponding period of last year, net profit decreased by approximately 61.05% compared with the corresponding period of last year, and net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses decreased by approximately 79.76% compared with the corresponding period of last year.

In the third quarter of 2022, Kunshan QT China's revenue decreased by approximately 24.46% compared with the corresponding period of last year, operating profit decreased by approximately 50.36% compared with the corresponding period of last year, total profit decreased by approximately 50.55% compared with the corresponding period of last year, net profit decreased by approximately 47.89% compared with the corresponding period of last year, and net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses decreased by approximately 70.24% compared with the corresponding period of last year.

The main reasons for the above changes are:

- (1) Intensified competition in the smartphone camera module market due to factors such as the resurgence of the pandemic, slowdown in global economic growth, declining demand for smartphones, especially high-end models, and temporary slowdown in the pace of innovation by smartphone brands; Kunshan QT China's sales revenue to Samsung increased significantly. Generally speaking, for the purpose of acquire new business in specific strategic customers such as Samsung, the products offering is started from low-end in initial stage and selling at more competitive prices; the price transmission of upstream key raw materials had not yet been in place, and the purchase costs had not yet decreased year-on-year; affected by the decline in downstream demand and multiple outbreaks of the COVID-19 epidemic, the capacity utilization rate of Kunshan QT China has decreased while the unit product manufacturing cost has increased; the gross profit level of Kunshan QT China has a downward pressure and declined for a certain degree;
- (2) Kunshan QT China strategically increased customer development efforts for businesses such as IoT and automotive camera module, but the loss was continued since the product was in the initial stage of development and had not yet formed economy of scale;
- (3) In 2022, the labor shortage before and after the Lunar New Year, and the increase in local minimum wage standards and the minimum social security payment ratio in Suzhou, led to an increase in unit labor costs of Kunshan QT China.

3. Key data of consolidated cash flow statement

Unit: RMB0'000

Items	January to September 2022	January to September 2021	Changes year-on-year
Net cash flow generated from operating activities	59,278.20	147,548.83	-59.82%
Net cash flow generated from investing activities	-145,624.88	-59,255.07	-145.76%
Net cash flow generated from financing activities	75,790.86	-58,867.86	228.75%

Items	July to September 2022	July to September 2021	Changes year-on-year
Net cash flow generated from operating activities	12,717.89	109,511.61	-88.39%
Net cash flow generated from investing activities	-40,396.36	-32,162.26	-25.60%
Net cash flow generated from financing activities	32,092.37	-16,540.58	294.02%

From January to September 2022, the net cash flow generated from operating activities of Kunshan QT China decreased by approximately 59.82% compared with the same period of last year, mainly due to the year-on-year decrease of approximately 15.28% in cash inflows from sales of goods and rendering of services resulted from the year-on-year decline in revenue from January to September 2021, and the year-on-year decrease of approximately 77.94% in tax refunds received from January to September 2021.

From January to September 2022, the net cash outflow generated from investment activities of Kunshan QT China increased compared with the same period of last year, mainly due to Kunshan QT China fully utilized spare funds to purchase bank wealth management products to enhance the efficiency of the use of capital.

From January to September 2022, the net cash inflow generated from financing activities of Kunshan QT China increased compared with the same period of last year, mainly due to (1) a relatively high cash outflow for distribution of profits as a result of the dividends payment of RMB500 million by Kunshan QT China from January to September 2021, while Kunshan QT China did not make any dividends payment from January to September 2022; (2) the increase in bank borrowings of Kunshan QT China.

4. Key data of non-recurring profit or loss statement

Unit: RMB0'000

Items	January to September 2022	January to September 2021	Changes year-on-year
Loss on disposal of non-current assets	-599.72	-641.46	6.51%
Loss on retirement of non-current assets	-15.60	-1.68	-827.62%
Government grants included in the current profit or loss (except for the government grants that are closely related to the business of the enterprise, and are fixed or quantified according to the unified national standards)	11,643.87	7,604.10	53.13%
Except for the effective hedging business related to the normal operation of the company, profit or loss from changes in fair value arising from the holding of trading financial assets and trading financial liabilities, and investment profit or loss from the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	6,494.29	-1,573.59	512.70%
Other non-operating income and expenses other than the above	67.90	74.86	-9.30%
Subtotal	17,590.74	5,462.22	222.04%
Effect of income tax	-2,638.61	-819.33	-222.04%
Impact on minority interests (after tax)	-	-	-
Total	14,952.13	4,642.89	222.04%

Unit: RMB0'000

Items	July to September 2022	July to September 2021	Changes year-on-year
Loss on disposal of non-current assets	-20.02	-592.78	96.62%
Loss on retirement of non-current assets	-	-0.83	-100.00%
Government grants included in the current profit or loss (except for the government grants that are closely related to the business of the enterprise, and are fixed or quantified according to the unified national standards)	2,744.88	4,363.87	-37.10%
Except for the effective hedging business related to the normal operation of the company, profit or loss from changes in fair value arising from the holding of trading financial assets and trading financial liabilities, and investment profit or loss from the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	2,824.25	-843.66	434.76%
Other non-operating income and expenses other than the above	-3.51	66.30	-105.29%
Subtotal	5,545.60	2,992.91	85.29%
Effect of income tax	-831.84	-448.94	-85.29%
Impact on minority interests (after tax)	-	-	-
Total	4,713.76	2,543.97	85.29%

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, the supplemental financial data has been reviewed but not audited by the auditors of Kunshan QT China, which has not been reviewed or audited by the Audit Committee of the Company, and does not constitute profit forecasts or performance commitments made by the Company. The above data does not represent the final actual performance of the Group from January to September 2022, either due to the difference between the accounting standards applicable to Kunshan QT China and those applicable to the Company.

Shareholders of the Company and potential investors should note that, 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 of the Company 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, 30 December 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.