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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, 2 December 2022 and 30 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(2)(a) 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 Market of the Shenzhen Stock Exchange and the further requirement of the CSRC, Kunshan QT China (together with its subsidiaries collectively referred to as “**Kunshan QT China Group**”) had updated the disclosure of its profit forecast for the year ending 31 December 2023 (the “**Profit Forecast**”) in the prospectus for the Listing Application. On 11 September 2023, the updated draft prospectus for the Listing Application and other relevant documents submitted by Kunshan QT China were disclosed on the website of the Shenzhen Stock Exchange, and the main content of the Profit Forecast is disclosed as follows:

Based on the results of operation of Kunshan QT China as reflected in the actual financial data for the six months ended 30 June 2023, which have not been audited by the auditor of the application of A share listing of Kunshan QT China (the “**Auditor of Kunshan QT China**”), Kunshan QT China has prepared a report on the Profit Forecast (the “**Profit Forecast Report**”) on the premise of giving full consideration to the business plan, investment plan and financial budget in 2023 as well as basic assumptions and conditions in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (“**MOF**”) of the People’s Republic of China. The Profit Forecast has been examined by the Auditor of Kunshan QT China in accordance with the rules of the China Standard on Other Assurance Engagements No. 3111 – The Examination of Prospective Financial Information. The Auditor of Kunshan QT China has issued an assurance report on the Profit Forecast (KPMG Huazhen Zhuan Zi No. 2301513).

Set out below are the key financial information extracted from the Profit Forecast Report and the year-on-year changes thereon:

Unit: RMB0'000

Items	2022	2023			Total	Changes year-on-year
	Audited actual data	January to March Unaudited actual data	April to June Unaudited actual data	July to December Forecast		
Revenue	1,290,253.67	240,620.59	276,529.08	579,619.29	1,096,768.96	-15.00%
Cost	1,232,174.36	229,738.18	264,644.64	548,791.27	1,043,174.09	-15.34%
Net profit attributable to equity shareholders	21,596.80	802.05	5,936.22	14,659.62	21,397.89	-0.92%

Note: The equity shareholders refer to Kunshan Q Technology (Hong Kong) Limited and Kunshan QTech Ever Capital Limited (昆山丘鈇致遠投資有限公司), which are indirectly wholly-owned subsidiaries of the Company.

Kunshan QT China forecasts that its revenue for 2023 will be RMB10,967,689,600, representing a year-on-year decrease of 15.00%, mainly due to the downturn in the macro-economy, reduction in spending due to weakening consumer confidence, and weak shipment of smartphones; cost for 2023 will be RMB10,431,740,900, representing a year-on-year decrease of 15.34%, which is nearly the same proportion as the decrease in revenue; net profit attributable to equity shareholders for 2023 will be RMB213,978,900, which will remain stable as compared with that of 2022.

The bases for changes in the net profit attributable to equity shareholders for 2023 of Kunshan QT China mainly include:

- (i) a good trend of quarterly improvement has been shown in results of Kunshan QT China, and the performance in the second quarter of 2023 has gradually achieved stable growth as compared to that of the first quarter;
- (ii) according to the information from third party research firms and information available to the management of Kunshan QT China, the inventory of the smartphone industry chain has been fully adjusted gradually, the shipment of smartphones is expected to pick up, the overall competitive environment of the industry has improved, and the proportion of Kunshan QT China's mid-to-high-end products of 32 mega pixels and above camera modules, especially the high-end products such as optical image stabilization (OIS) and periscope camera modules products, has increased;
- (iii) the sales volume of Kunshan QT China's automotive and Internet-of-Things (IoT) camera modules with high unit price shows a significant increase since the second quarter of 2023, which leads to an increase in the unit selling price of the products and a reduction in the unit fixed costs of the corresponding products; and
- (iv) Kunshan QT China has strengthened its cost control measures and gradually optimized its manufacturing costs such as direct and indirect labor costs, depreciation and utilities.

The Proposed Listing still requires, among other things, the approval for the registration from the 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.

COMPLIANCE WITH THE LISTING RULES

The Profit Forecast prepared by Kunshan QT China in relation to its Listing Application, an extract of which is set forth under the section headed “UPDATE ON FINANCIAL DATA” of this announcement, constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is also made in compliance with Rules 14.60A and 14.62 of the Listing Rules.

Assumptions of the Profit Forecast

Details of the key assumptions (including business assumptions) on which the Profit Forecast of Kunshan QT China Group has been prepared are set out below:

1. During the forecast period, there will be no material changes in the political, legal, regulatory, financial and macroeconomic conditions and national macro-control policies prevailing in the countries where members of the Kunshan QT China Group are located.
2. During the forecast period, there will be no material changes in the tax system followed by Kunshan QT China Group and the relevant tax basis and tax rates.
3. During the forecast period, there will be no material changes in the inflation rate, interest rate and exchange rate of the countries in which members of the Kunshan QT China Group are located. The exchange rate used during the forecast period is the exchange rate as at 30 June 2023 issued by the State Administration of Foreign Exchange.
4. During the forecast period, there will be no material changes in the fair value of Kunshan QT China Group’s trading financial assets and derivative financial instruments.
5. During the forecast period, Kunshan QT China Group will not be adversely affected by military operations, major natural disasters or other events.
6. There will be no material change in the nature and scope of business of Kunshan QT China Group during the forecast period.
7. During the forecast period, the business plan of Kunshan QT China Group will be achieved as scheduled and will not be materially affected by governmental actions, industry or labor disputes.
8. During the forecast period, the operating activities of Kunshan QT China Group will not be adversely affected by any lack of manpower, shortage of resources or significant changes in costs.
9. During the forecast period, Kunshan QT China Group will not be affected by material contingent liabilities or material unforeseen extraordinary expenses.

10. During the forecast period, the utilization of fixed assets owned and leased by Kunshan QT China Group will be maintained at the current level and the business plan of Kunshan QT China Group will not be materially affected by any instability in the operation of fixed assets.
11. During the forecast period, the main revenue, purchases, expenses and the purchase and construction of long-term assets will be received or paid by Kunshan QT China Group in the same currency as in the previous years.
12. During the forecast period, Kunshan QT China Group does not have any debt defaults, and in the event of defaults, Kunshan QT China Group expects to be able to obtain waiver letters from its creditors, and there will be no material adverse effect on Kunshan QT China Group as a result of debt defaults.
13. During the forecast period, Kunshan QT China Group will not adopt any new equity incentive scheme.
14. During the forecast period, there will be no material changes to the organizational structure of Kunshan QT China Group and no changes to the shareholding percentage in subsidiaries.
15. During the forecast period, there will be no other force majeure and unforeseeable factors that will have a material adverse effect on Kunshan QT China Group.

Acknowledgment

KPMG Huazhen LLP has been engaged by the Company to review the accounting policies and calculations of the Profit Forecast prepared by Kunshan QT China. KPMG Huazhen LLP has reported, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions as set out in this announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by Kunshan QT China Group. The relevant letter from KPMG Huazhen LLP is set out in Appendix I to this announcement for the purpose of Rule 14.62 of the Listing Rules.

The Board has reviewed the bases and assumptions of the Profit Forecast, and the Board has considered the letter issued by KPMG Huazhen LLP on the Profit Forecast in accordance with the “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” under the Hong Kong Standard on Investment Circular Reporting Engagements 500 issued by the Hong Kong Institute of Certified Public Accountants. The Directors confirm that the Profit Forecast has been arrived at after due and careful enquiry on their part and the full text of the relevant letter from the Board is set out in Appendix II to this announcement.

Expert and Consent

The qualification of the expert who has given its opinion and/or advice in this announcement is set out below:

KPMG Huazhen LLP

Certified Public Accountants

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, KPMG Huazhen LLP is a third party independent of the Group and its connected persons. As at the date of this announcement, KPMG Huazhen LLP does not have any shareholding in any member of the Group and does not have any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

KPMG Huazhen LLP has given and has not withdrawn its written consent to the issue of this announcement with the inclusion therein of its letter and references to its name in the form and context in which they appear.

Shareholders and potential investors of the Company should note that, the Profit Forecast has been prepared by the management of Kunshan QT China based on the currently available information and assumptions and conditions, and has been examined by the Auditor of Kunshan QT China, and does not constitute performance commitments made by Kunshan QT China, nor is equivalent to the profit forecast or performance commitments made by the Company. The above data does not represent the final actual performance of the Group for the year ending 31 December 2023 due to the difference between the accounting standards applicable to Kunshan QT China and those applicable to the Company and also due to the difference in consolidation scope.

The Profit Forecast contains forward-looking financial estimates or forecasts relating to Kunshan QT China which were prepared in accordance with the disclosure requirements in the PRC in relation to the Proposed Listing. Kunshan QT China has full and independent discretion as to the determination of such forward-looking information by considering factors which Kunshan QT China considers appropriate and relevant for its reporting and disclosure purposes. Forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, the Company's financial results may differ from those expressed in any forward-looking statements made by Kunshan QT China. In light of the risks and uncertainties, the inclusion of forward-looking information in the Profit Forecast and other disclosures made by Kunshan QT China from time to time in relation to the Proposed Listing should not be regarded as representation by the board of directors of the Company or the Company that the plans and objectives will be achieved.

Shareholders and potential investors of the Company 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 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, 11 September 2023

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.

APPENDIX I – LETTER FROM KPMG HUAZHEN LLP RELATING TO THE PROFIT FORECAST

The following is the text of a letter received from the Company’s reporting accountants, KPMG Huazhen LLP, for the purpose of inclusion in this announcement.



The Board of Directors
Q Technology (Group) Company Limited

Dear Sirs,

Q Technology (Group) Company Limited (“**the Company**”)

Profit Forecast for the Year Ending 31 December 2023

We refer to the forecast of the total net profit attributable to equity shareholders of Kunshan QTech Microelectronics Co., Ltd. (“**Kunshan QT China**”) for the year ending 31 December 2023 (the “**Profit Forecast**”) set forth in the announcement of the Company dated 11 September 2023 (the “**Announcement**”).

Responsibilities of Kunshan QT China’s Directors

The Profit Forecast has been prepared by the directors of Kunshan QT China based on the unaudited consolidated results of operations of Kunshan QT China and its subsidiaries (collectively referred to as the “**Kunshan QT China Group**”) for the six months ended 30 June 2023 and a forecast of the consolidated results of operations of Kunshan QT China Group for the six months ending 31 December 2023.

The directors of Kunshan QT China are solely responsible for the Profit Forecast.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, Kunshan QT China's directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors of Kunshan QT China and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by Kunshan QT China Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors of Kunshan QT China as set out in the section headed "Assumptions of the Profit Forecast" in the Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by Kunshan QT China Group.

Yours faithfully,

KPMG Huazhen LLP

Beijing, the People's Republic of China

APPENDIX II – LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST

The following is the text of a letter from the Board for the purpose of inclusion in this announcement.



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)

The Stock Exchange of Hong Kong Limited
The Listing Division
12/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Dear Sirs/Madams,

CONFIRMATION PURSUANT TO RULE 14.62(3) OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Reference is made to the announcement of Q Technology (Group) Company Limited (the “**Company**”) dated 11 September 2023 (the “**Announcement**”) regarding the updated disclosure of the Profit Forecast of Kunshan QTech Microelectronics Co., Ltd. (“**Kunshan QT China**”, a wholly-owned subsidiary of the Company) for the year ending 31 December 2023 in the draft prospectus for the Listing Application 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 and the further requirements of the China Securities Regulatory Commission. The updated draft prospectus for the Listing Application and other relevant documents submitted by Kunshan QT China were disclosed on the website of the Shenzhen Stock Exchange on 11 September 2023. Unless otherwise indicated, capitalized terms used in this letter shall have the same meanings as defined in the Announcement.

A report on the Profit Forecast of Kunshan QT China for the year ending 31 December 2023 (the “**Profit Forecast Report**”) has been prepared by Kunshan QT China in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the People’s Republic of China based on the operating results as reflected in the actual financial data for the six months ended 30 June 2023, which have not been audited by KPMG Huazhen LLP, an independent auditor in the PRC for proposed application for A-share listing of Kunshan QT China (the “**Auditor of Kunshan QT China**”), and on the premise of giving full consideration to the business plan, investment plan and financial budget of Kunshan QT China in 2023 as well as various basic assumptions and conditions. The Profit Forecast has been examined by the Auditor of Kunshan QT China in accordance with the rules of the China Standard on Other Assurance Engagements No. 3111 – The Examination of Prospective Financial Information, and an assurance report on the Profit Forecast has been issued (KPMG Huazhen Zhuan Zi No. 2301513) (the “**Profit Forecast Assurance Report**”). The Profit Forecast of Kunshan QT China constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The board of directors of the Company (the “**Board**”) has reviewed the bases and assumptions of the Profit Forecast, and has considered the letter issued by KPMG Huazhen LLP on the Profit Forecast in accordance with “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” under the Hong Kong Standard on Investment Circular Reporting Engagements 500 issued by the Hong Kong Institute of Certified Public Accountants.

In accordance with Rule 14.62(3) of the Listing Rules, the Board of the Company confirms that the Profit Forecast adopted in the Announcement has been made after due and careful enquiry.

Yours faithfully
For and on behalf of the Board
Q Technology (Group) Company Limited

11 September 2023