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Q Tech

Q TECHNOLOGY (GROUP) COMPANY LIMITED

丘鈇科技(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

This announcement is made by Q Technology (Group) Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong). Reference is also made to the announcement of the Company dated 15 December 2020 (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as used in the Announcement.

PROPOSED SPIN-OFF

The board of directors of the Company (the “**Board**”) is pleased to announce that, on 23 April 2021, the Company received the confirmation from the Stock Exchange for the proposed spin-off and a separate listing of the shares of 昆山丘鈇微電子科技股份有限公司(Kunshan QTech Microelectronics Co., Ltd., formerly known as 昆山丘鈇微電子科技有限公司(Kunshan Q Technology Limited)) (“**Kunshan QT China**”, together with its subsidiaries, the “**Spin-off Group**”) on a stock exchange in the PRC (the “**Proposed Spin-off**”) pursuant to Practice 15 of the Listing Rules.

Kunshan QT China will file a listing application with the Shenzhen Stock Exchange for the proposed separate listing. As at the date of this announcement, Kunshan QT China has submitted an application to the Jiangsu Regulatory Bureau of the China Securities Regulatory Commission (the “CSRC”) for filling of the pre-listing tutoring in accordance with the laws of the PRC and has been accepted by the Jiangsu Regulatory Bureau of the CSRC.

The Proposed Spin-off, if materialised, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. 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.

WAIVER FROM STRICT COMPLIANCE WITH PARAGRAPH 3(F) OF PRACTICE NOTE 15 OF THE LISTING RULES

Practice Note 15 of the Listing Rules requires the Company to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares of Kunshan QT China (the “**Assured Entitlement**”) when contemplating the Proposed Spin-off.

As advised by the PRC legal counsel of Kunshan QT China, Jingtian & Gongcheng, according to the relevant laws and regulations of the PRC, only the following categories of investors (the “**PRC Qualified Investors**”) may open securities account and invest in shares listed on the stock exchanges in the PRC (the “**PRC Stock Exchange**”):

- (a) Domestic investors: PRC citizens who are 18 years of age or older (including PRC citizens who are 16 years of age or older but under 18 years of age and use their own labour as their main source of income for living), foreigners who have obtained permanent residence status in the PRC, and ordinary institutional investments (refers to special institutions and corporate legal persons other than products established according to law, including corporate societies, legal persons such as institutional entities, and non-corporate institutions such as partnerships and unincorporated venture capital enterprises); and
- (b) Foreign investors: residents of Hong Kong, the Macao Special Administrative Region and Taiwan and foreigners, who work and live on the mainland, provided that the securities regulator of his or her home country (region) has already formed the collaborative regulation mechanism with the CSRC, and foreign strategic investors, qualified foreign institutional investors (QFII), RMB qualified foreign institutional investors (RQFII), and foreigners.

Save for the above, other foreign investors, natural persons in Hong Kong, Macao Special Administrative Region and Taiwan, foreign institutions and institutions in Hong Kong, Macao Special Administrative Region and Taiwan are restricted from opening A-share securities accounts.

Given the majority of the Company’s shareholders are not PRC Qualified Investors, the Company is not expected to be able to provide the majority of its shareholders with any assured entitlement to the shares of Kunshan QT China upon completion of the Proposed Spin-off, other than through the continuing shareholding in the Company.

Given the above PRC legal impediments, it is not feasible for the Company to comply with Paragraph 3(f) of Practice Note 15 of the Listing Rules in connection with the Proposed Spin-off. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Paragraph 3(f) of Practice Note 15 of the Listing Rules. After taking the above reasons into account, the Board is of the view that the Proposed Spin-off and the non-provision of an assured entitlement in relation to the Proposed Spin-off are fair and reasonable, and in the interest of the Company and its shareholders as a whole. Kunshan QT China will remain as a subsidiary of the Company after the Proposed Spin-off. The Board views that the Proposed Spin-off is expected to create greater value for the Company and its shareholders as a whole and Kunshan QT China for the following reasons:

- (a) the Proposed Spin-off will unlock value of the Spin-off Group and provide the Company and its shareholders an opportunity to realise the value of their investment in the Spin-off Group under a separate standalone platform for the business of design, research and development, manufacture and sales of camera modules used for intelligent mobile terminals, such as mobile phone, vehicle, Internet of Things (IoT), etc engaged by the Spin-off Group (the “**Spin-off Business**”);
- (b) the Proposed Spin-off will separate the Spin-off Business from the business of the design, research and development, manufacture and sales of biological recognition modules (including but not limited to, fingerprint recognition module) (the “**Remaining Business**”). Such separation will enable shareholders and investors to appraise the strategies, success factors, functional exposure, risks and returns of the Spin-off Group and the Group (excluding the Spin-off Group) separately and to make or refine their investment decisions accordingly. Investors will have the choice to invest in either one or all of the business of the Group;
- (c) the Proposed Spin-off will enable the Spin-off Group to build its identity as a separately listed group, to have a separate fund-raising platform and to broaden its investor base;
- (d) the Spin-off Group will be able to use the proceeds from the Proposed Spin-off for the purposes of facilitating the production capacity expansion and the research and development of camera modules used in intelligent mobile terminals, such vehicle, mobile communication terminals and IoT;
- (e) the Proposed Spin-off will enable the Spin-off Group to enhance its corporate profile, thereby increasing its ability to attract investors for making investments in the Spin-off Group, which could provide synergy for the Spin-off Group, and the Group (excluding the Spin-off Group) will also benefit from such investments without further capital commitment; and
- (f) the Proposed Spin-off will increase the operational and financial transparency of and improve the corporate governance of the Spin-off Group and provide shareholders and investors with greater clarity on the businesses and financial status of the Spin-off Group on a standalone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of the Spin-off Group.

Shareholders of the Company and potential investors should note that, the Proposed Spin-off 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 Spin-off 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 April 2021

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.