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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)**

### **RENEWAL OF CONNECTED TRANSACTION**

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As the term of the Existing Property Lease Agreement will expire on 31 December 2022, on 8 November 2022, QT Biological Recognition entered into a property lease agreement with Van Telecom PRC for a term commencing from 1 January 2023 to 31 December 2025, further extending the term for three years.

#### **LISTING RULES IMPLICATIONS**

Van Telecom PRC is wholly-owned by CK Telecom, which in turn is wholly-owned by Mr. He. Accordingly, Van Telecom PRC is a connected person of the Company under the Listing Rules.

The Van Telecom PRC Property Lease Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with IFRS 16 “Leases”, the Company will recognise the value of the right-of-use asset for the lease of the Leased Properties under the Van Telecom PRC Property Lease Agreement on its consolidated statement of financial position. Accordingly, the transaction under the Van Telecom PRC Property Lease Agreement will be regarded as an acquisition of right-of-use asset by QT Biological Recognition from Van Telecom PRC and therefore a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio calculated based on the value of the right-of-use asset to be recognised by the Group in respect of the Van Telecom PRC Property Lease Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Van Telecom PRC Property Lease Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

## RENEWED CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 27 November 2020 in relation to the entering into of the Existing Property Lease Agreement between QT Biological Recognition, an indirect wholly-owned subsidiary of the Company, and Van Telecom PRC, which constitutes a connected transaction. As the lease term under the Existing Property Lease Agreement will expire on 31 December 2022, the Group hereby enters into the Van Telecom PRC Property Lease Agreement for the renewal of the term of such agreement as follows:

- Date: 8 November 2022
- Parties:
- (i) Van Telecom PRC (as landlord)
  - (ii) QT Biological Recognition (an indirect wholly-owned subsidiary of the Company) (as tenant)
- Term of the lease: 1 January 2023 to 31 December 2025
- Leased Properties: The Factories with a total gross floor area of approximately 22,780 sq.m. and the Dormitories (i.e. a maximum of 180 units of worker's dormitories and 10 units of officer's dormitories).
- Rent and management fees: The monthly rent and management fees of the Factories during the lease term shall be RMB25 per sq.m. (in which the rent is RMB20 and the management fee is RMB5, inclusive of tax).
- The monthly rent and management fees of the Dormitories during the lease term regarding: (i) the 180 units of worker's dormitories shall be RMB500 per month per unit (inclusive of tax); and (ii) the 10 units of officer's dormitories shall be RMB600 per month per unit (inclusive of tax).
- The maximum amount of rent and management fees in aggregate for the Leased Properties for each of the three years ending 31 December 2025 shall be RMB7,986,000. In particular, the rent and management fees of the Factories shall be settled by QT Biological Recognition on a quarterly basis, the rent and management fees of the Dormitories shall be settled on a monthly basis, and will be funded by internal financial resources of the Group.
- Usage:
- (i) the Factories shall be used as production base of the Group; and
  - (ii) the Dormitories shall be used as dormitories for employees of the Group.

- Early termination: QT Biological Recognition has the right to early terminate the Van Telecom PRC Property Lease Agreement by giving one month's prior written notice to Van Telecom PRC.
- Other terms:
- (i) the parties agreed that the actual amount of rent payable in relation to the Dormitories shall be calculated based on the actual number of units occupied by the Group's employees; and
  - (ii) the utilities fees for the Factories and the Dormitories (including water and telecommunications) will be paid by QT Biological Recognition separately to Van Telecom PRC according to the reading of the separate water and telecommunications meters installed, the prices of which are regulated by the relevant water supply and telecommunications authorities, and such utilities fees shall be directed to the relevant utility authorities by Van Telecom PRC. The electricity charges will be paid directly by QT Biological Recognition to the electricity supply authorities according to the reading of the separately installed electricity meters, the prices of which are regulated by the relevant electricity supply authorities.

The terms of the Van Telecom PRC Property Lease Agreement were negotiated and agreed by the parties on an arm's length basis and were on normal commercial terms. The monthly rent and management fees were agreed by the parties having considered, among others, the gross floor area of the Leased Properties and a specific cost per square metre taking into account the prevailing market rent of other premises within proximity with conditions comparable to those of the Leased Properties and the historical transaction amounts. The maximum rent and management fees for the Leased Properties during the lease term under the Van Telecom PRC Property Lease Agreement in aggregate shall be approximately RMB23,958,000. In accordance with IFRS 16 "Leases", the Company estimated that it will recognise the value of the right-of-use asset of approximately RMB16,823,000 on its consolidated statement of financial position in connection with the lease of the Leased Properties under the Van Telecom PRC Property Lease Agreement. Shareholders should note that the above figures have not been reviewed or audited by the independent auditor and/or audit committee of the Company and may be subject to adjustment in the future.

## **REASONS FOR ENTERING INTO THE VAN TELECOM PRC PROPERTY LEASE AGREEMENT**

As mentioned above, as the lease term under the Existing Property Lease Agreement will expire on 31 December 2022, QT Biological Recognition needs to continue to take up the lease of the Leased Properties for the Group's fingerprint recognition modules business development. The Directors (including the independent non-executive Directors) consider that the entering into of the Van Telecom PRC Property Lease Agreement is in the interests of the Group and the Shareholders as a whole.

## **OPINION OF THE BOARD**

The monthly rent and management fees under the Van Telecom PRC Property Lease Agreement were agreed between the parties after taking into account, among other things, the location of the Leased Properties, the prevailing market rent of other premises in the vicinity of the Leased Properties with similar conditions and the terms of the agreement were negotiated on an arm's length basis and the transaction contemplated thereunder is on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Van Telecom PRC Property Lease Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole and the transaction contemplated under the Van Telecom PRC Property Lease Agreement is in the ordinary and usual course of business of the Group.

## **LISTING RULES IMPLICATIONS**

Van Telecom PRC is wholly-owned by CK Telecom, which in turn is wholly-owned by Mr. He. Accordingly, Van Telecom PRC is a connected person of the Company under the Listing Rules.

The Van Telecom PRC Property Lease Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with IFRS 16 "Leases", the Company will recognise the value of the right-of-use asset for the lease of the Leased Properties under the Van Telecom PRC Property Lease Agreement on its consolidated statement of financial position. Accordingly, the transaction under the Van Telecom PRC Property Lease Agreement will be regarded as an acquisition of right-of-use asset by QT Biological Recognition from Van Telecom PRC and therefore a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio calculated based on the value of the right-of-use asset to be recognised by the Group in respect of the Van Telecom PRC Property Lease Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Van Telecom PRC Property Lease Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. He is interested in the Van Telecom PRC Property Lease Agreement by virtue of his interest in Van Telecom PRC, and is required to abstain from voting on the Board resolution to approve the Van Telecom PRC Property Lease Agreement and the transaction contemplated thereunder.

Save as disclosed above, none of the other Directors has a material interest in the Van Telecom PRC Property Lease Agreement or is required to abstain from voting on the Board resolutions in relation to the Van Telecom PRC Property Lease Agreement and the transaction contemplated thereunder.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the design, research and development, manufacture and sales of camera modules and fingerprint recognition modules, with a focus on mid-to-high end camera modules and fingerprint recognition modules markets for intelligent mobile terminals such as global smartphone and tablet brands, Internet of Things (IoT) and smart vehicles.

QT Biological Recognition is an indirect wholly-owned subsidiary of the Company and is principally engaged in the design, research and development, manufacture and sale of fingerprint recognition modules.

## INFORMATION ON RELATED PARTY

### Van Telecom PRC

Van Telecom PRC is principally engaged in the production of mobile communications (including GSM, CDMA, DSC1800, ECT, IMT2000) handsets, base stations, exchange facilities and digital trunking communication system, development and production of high-end router, network switch of one gigabit or above, parts, auxiliary products and other electronic products and sales of self-produced products.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors of the Company
“CK Telecom”	CK Telecom Inc., a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. He, and accordingly a connected person of the Company
“Company”	Q Technology (Group) Company Limited (stock code: 1478), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dormitories”	not more than 180 units of the worker’s dormitories and 10 units of officer’s dormitories located at No. 1999 Hanpu Road, Kunshan, Jiangsu Province, the PRC (中國江蘇省昆山市漢浦路1999號), at the Group’s option based on the actual requirements of the Group
“Existing Property Lease Agreement”	the property lease agreement dated 27 November 2020 entered into between QT Biological Recognition and Van Telecom PRC for a term from 1 December 2020 to 31 December 2022

“Factories”	the second floor, the third floor and the fourth floor of a factory building situated on No. 1999 Hanpu Road, Kunshan, Jiangsu Province, the PRC (中國江蘇省昆山市漢浦路1999號), and the second floor, the third floor and part of the fourth floor of a factory building situated on Building No. 3, 1999 Hanpu Road, Kunshan, Jiangsu Province, the PRC (中國江蘇省昆山市漢浦路1999號3號廠房) with a total gross area of approximately 22,780 sq.m. in aggregate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	The International Financial Reporting Standards issued by the International Accounting Standards Board
“Leased Properties”	the Factories and the Dormitories
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. He”	Mr. He Ningning, the chairman, an executive Director and the controlling shareholder of the Company interested in approximately 63.63% of the issued Shares of the Company as at the date of this announcement
“PRC”	The People’s Republic of China
“QT Biological Recognition”	昆山丘鈦生物識別科技有限公司 (Kunshan QTech Biological Recognition Technology Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the Share(s)
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules

“Van Telecom PRC”	唯安科技有限公司 (transliteration “Van Telecom Limited”), a wholly foreign-owned enterprise established in the PRC and is wholly-owned by CK Telecom
“Van Telecom PRC Property Lease Agreement”	the property lease agreement dated 8 November 2022 entered into between QT Biological Recognition and Van Telecom PRC for a term from 1 January 2023 to 31 December 2025
“%”	per cent

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

Hong Kong, 8 November 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.*