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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)

**REVISED ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the prospectus of the Company dated 20 November 2014 in relation to the Master Supply Agreement.

On 29 December 2014, the Company and Heyuan CK entered into the Supplemental Master Supply Agreement to revise the annual caps for the Camera Modules Sales Transactions under the Master Supply Agreement for the years ending 31 December 2014, 2015 and 2016, respectively.

As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on the revised annual caps under the Supplemental Master Supply Agreement is more than 0.1% but less than 5% on an annual basis for the three years ending 31 December 2014, 2015 and 2016, respectively, the revision of the annual caps for the Revised Camera Modules Sales Transactions is subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the prospectus of the Company dated 20 November 2014 in relation to the Master Supply Agreement.

MASTER SUPPLY AGREEMENT

On 13 November 2014, the Company and Heyuan CK entered into the Master Supply Agreement pursuant to which, the Company has agreed to sell, and procure its subsidiaries to sell, the camera modules to Heyuan CK.

Set out below is a summary of the principal terms of the Master Supply Agreement:

- Date : 13 November 2014
- Parties : the Company
Heyuan CK
- Subject : Pursuant to the Master Supply Agreement, the Company has agreed to sell, and procure its subsidiaries to sell, the camera modules to Heyuan CK (the “**Camera Modules Sales Transactions**”).
- Term : The Master Supply Agreement has a fixed term of three years commencing from 1 January 2014 to 31 December 2016 (both days inclusive).
- Price : The basis of determining the prices for the Camera Modules Sales Transactions was/will be with reference to the raw material costs and production costs to be incurred by the Group and the profit margin, which is expected to be comparable with the level of profits derived from the Group’s sales to independent customers, subject to adjustments arising from the expected quantity, quality, delivery schedule, specifications and market competition.
- Payment : Payment for the Camera Modules Sales Transactions was/will be settled by way of telegraphic transfer within 60 days upon the acceptance of the camera modules delivered.

REVISION OF ANNUAL CAPS

The Master Supply Agreement has a term of three financial years ending 31 December 2016, subject to, among other things, the cap amounts of the Camera Modules Sales Transactions for each of the financial years ending 31 December 2014, 2015 and 2016 not exceeding RMB55.0 million, RMB60.0 million and RMB65.0 million, respectively.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the total purchases of camera modules by Heyuan CK from the Group amounted to approximately RMB61.3 million, RMB32.4 million, RMB52.1 million and RMB21.7 million, respectively. The total transaction amount for the Camera Modules Sales Transactions for the period from 1 January 2014 to 30 November 2014 amounted to approximately RMB52 million. The Directors confirm that the annual caps for the Camera Modules Sales Transactions under the Master Supply Agreement for the year ending 31 December 2014 have not been exceeded up to the date of this announcement.

Reasons for the revision of annual caps

The Company is an investment holding company and its subsidiaries are principally engaged in design, research, development, manufacture and sale of the mid-to-high end camera modules. As part of its ordinary course of business, the Company will sell, and will procure its subsidiaries to sell, camera modules to different customers, including Heyuan CK.

Heyuan CK made a successful bid for a new order from a new customer in respect of the manufacture of the cell phones in late November 2014, resulting in the unexpected increase in its production volume. In light of such unexpected increase in the purchase orders after November 2014, the purchases of camera modules would be correspondingly increased.

Based on the foregoing, the Directors expect that the transaction amounts for the Camera Modules Sales Transactions under the Master Supply Agreement will exceed the annual caps provided under the Master Supply Agreement for the years ending 31 December 2014, 2015 and 2016.

Revised annual caps

On 29 December 2014, the Company and Heyuan CK entered into the Supplemental Master Supply Agreement to revise the annual caps for the Camera Modules Sales Transactions under the Master Supply Agreement (the “**Revised Camera Modules Sales Transactions**” or “**Continuing Connected Transactions**”) for the three years ending 31 December 2014, 2015 and 2016 as follows:

Year ending 31 December	Revised annual caps for the Revised Camera Modules Sales Transactions <i>RMB' million</i>
2014	70.5
2015	70.5
2016	70.5

The prices for the Revised Camera Modules Sales Transactions under the Supplemental Master Supply Agreement for the years ending 31 December 2014, 2015 and 2016 will be determined after arm’s length negotiation between the Company and Heyuan CK with reference to the raw material costs and production costs to be incurred by the Group and the profit margin, which is expected to be comparable with the level of profits derived from the Group’s sales to independent customers, subject to adjustments arising from the expected quantity, quality, delivery schedule, specifications and market competition.

The increase of the annual caps for the Revised Camera Modules Sales Transactions was determined by reference to (a) the projected purchases of camera modules that Heyuan CK would purchase from our Group for the production of its products based on preliminary discussion with Heyuan CK and taking into account the increase in demand due to the successful bid made by Heyuan CK in late November 2014; (b) the prevailing market price for the camera modules in the open market in the PRC; and (c) the historical transaction amounts during the three years ended 31 December 2011, 2012 and 2013 and the eleven months ended 30 November 2014. Payment for the Revised Camera Modules Sales Transactions will be settled by way of telegraphic transfer within 60 days upon the acceptance of the camera modules delivered.

The Directors (including the independent non-executive Directors) consider that the Camera Modules Sales Transactions under the Supplemental Master Supply

Agreement are entered into in the usual and ordinary course of business of the Group and are conducted on an arm's length basis and on normal commercial terms between the Company and Heyuan CK, the increase of the annual caps for the Revised Camera Modules Sales Transactions under the Supplemental Master Supply Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on the revised annual caps under the Supplemental Master Supply Agreement is more than 0.1% but less than 5% on an annual basis for the three years ending 31 December 2014, 2015 and 2016, respectively, the revision of the annual caps for the Revised Camera Modules Sales Transactions are subject to the reporting, annual review and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in design, research, development, manufacture and sale of the mid-to-high end camera modules.

Heyuan CK is principally engaged in the sales and manufacturing of complete handsets and handset components and modules.

As at the date of this announcement, Heyuan CK is wholly owned by CK Telecom, which is in turn wholly owned by Mr. He Ningning, the executive Director and the controlling shareholder of the Company. As Mr. He Ningning has a material interest in the Supplemental Master Supply Agreement, he has abstained from attending the board meeting and/or voting on the board resolution to approve the Supplemental Master Supply Agreement.

DEFINITIONS

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

“Board”	the board of Directors
“CK Telecom”	CK Telecom Inc., a company incorporated under the laws of the BVI with limited liability on 9 November 2004 and is wholly-owned by an executive Director and a controlling shareholder, Mr. He Ningning, and a connected person of the Company
“Company”	Q Technology (Group) Company Limited, an exempted 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 same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Heyuan CK”	CK Telecom Limited (西可通信技術設備(河源)有限公司), an enterprise established under the laws of the PRC with limited liability on 1 December 2004 and is wholly-owned by CK Telecom, and a connected person of our Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 13 November 2014 entered into between the Company and Heyuan CK in relation to the sale of camera modules by the Group to Heyuan CK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Master Supply Agreement”	the supplemental master supply agreement dated 29 December 2014 entered into between the Company and Heyuan CK in relation to the revision of the annual caps for the three years ending 31 December 2014, 2015 and 2016 for the Camera Modules Sales Transactions contemplated under the Master Supply Agreement
“%”	per cent.

By Order of the Board
Q Technology (Group) Company Limited
He Ningning
Chairman

Hong Kong, 29 December 2014

As at the date of this announcement, the executive Directors are Mr. He Ningning, Mr. Wang Jianqiang and Mr. Yang Peikun and the independent non-executive Directors are Mr. Chu Chia-Hsiang, Ms. Chen Jun and Mr. Ng Sui Yin.