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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)**

**(1) TERMINATION OF CONNECTED TRANSACTION;  
AND  
(2) NEW CONNECTED TRANSACTION**

**TERMINATION OF CONNECTED TRANSACTION**

Reference is made to the Announcements regarding the leasing of the Leased Properties pursuant to the Supplemental Van Telecom PRC Property Lease Agreement II entered into between Kunshan QT China and Van Telecom PRC on 13 July 2020 for a term from 1 January 2020 to 30 June 2021.

As a result of the Business Site Adjustments, on 27 November 2020, Kunshan QT China and Van Telecom PRC entered into the Van Telecom PRC Property Lease Termination Agreement, pursuant to which both parties agreed to terminate the Supplemental Van Telecom PRC Property Lease Agreement II on 30 November 2020.

**NEW CONNECTED TRANSACTION**

On 27 November 2020, QT Biological Recognition, an indirect wholly-owned subsidiary of the Company, entered into the Property Lease Agreement with Van Telecom PRC, pursuant to which QT Biological Recognition will lease the Leased Properties from Van Telecom PRC for a term from 1 December 2020 to 31 December 2022.

## **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 Termination Agreement and the Property Lease Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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

As the highest percentage ratio applicable to the Van Telecom PRC Property Lease Termination Agreement is less than 0.1%, the transaction contemplated under the Van Telecom PRC Property Lease Termination Agreement is fully exempt from the requirements 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 relation to the Property Lease Agreement is more than 0.1% but less than 5%, the transaction contemplated under the 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.

### **(1) TERMINATION OF CONNECTED TRANSACTION**

References is made to the Announcements regarding the leasing of the Leased Properties pursuant to the Supplemental Van Telecom PRC Property Lease Agreement II entered into between Kunshan QT China and Van Telecom PRC on 13 July 2020 for a term from 1 January 2020 to 30 June 2021.

Kunshan QT China has been using the Leased Properties for the Group’s camera modules and fingerprint recognition modules business. In order to increase the overall operational efficiency between the camera modules and fingerprint recognition modules business, the Board has decided to use the Leased Properties solely for its fingerprint recognition modules business (the “**Business Site Adjustments**”). As such, Kunshan QT China will terminate the Supplemental Van Telecom PRC Property Lease Agreement II, and QT Biological Recognition, a wholly-owned subsidiary of the Company, which is responsible for conducting the fingerprint recognition modules business, will continue to lease the Leased Properties from Van Telecom PRC under the Property Lease Agreement (as detailed below) for the fingerprint recognition modules business.

On 27 November 2020, Kunshan QT China and Van Telecom PRC entered into the Van Telecom PRC Property Lease Termination Agreement, pursuant to which both parties agreed to terminate the Supplemental Van Telecom PRC Property Lease Agreement II on 30 November 2020. Under the Van Telecom PRC Property Lease Termination Agreement, the parties agreed that with effect from 1 December 2020, Kunshan QT China shall cease to lease the Leased Properties from Van Telecom PRC under the Supplemental Van Telecom PRC Property Lease Agreement II and neither party shall have any claim against the other party in respect of such termination. The Directors confirm that no penalty and/or compensation is payable by either parties in relation to the termination of the Supplemental Van Telecom PRC Property Lease Agreement II.

As at the date of this announcement, the carrying amount of the value of the right-of-use asset regarding the Leased Properties under the Supplemental Van Telecom PRC Property Lease Agreement II amounted to approximately RMB4,131,000 on the Company’s unaudited consolidated statement of financial position.

**(2) NEW CONNECTED TRANSACTION**

As a result of the Business Site Adjustments, on 27 November 2020, QT Biological Recognition, an indirect wholly-owned subsidiary of the Company, entered into the Property Lease Agreement with Van Telecom PRC, pursuant to which QT Biological Recognition will lease the Leased Properties from Van Telecom PRC for a term from 1 December 2020 to 31 December 2022.

The principal terms of the Property Lease Agreement are set out below:

- Date: 27 November 2020
  
- 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 December 2020 to 31 December 2022
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:	<p>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)</p> <p>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).</p> <p>The maximum amounts of rent and management fees in aggregate for the Leased Properties for the three years ending 31 December 2022 shall be RMB665,500, RMB7,986,000 and RMB7,986,000, respectively. The rent and management fees of the Leased Properties shall be settled by QT Biological Recognition on a quarterly basis, and will be funded by internal financial resources of the Group.</p>
Usage:	<p>(i) the Factories shall be used as production base of the Group; and</p> <p>(ii) the Dormitories shall be used as dormitories for employees of the Group.</p>
Early termination:	QT Biological Recognition has the right to early terminate the 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 electricity, water and telecommunications) will be paid by QT Biological Recognition separately to Van Telecom PRC according to the reading of the separate electricity, water and telecommunications meters installed which prices are regulated by the relevant electricity, water and telecommunications authorities, and such utilities fees shall be directed to the relevant utility authorities by Van Telecom PRC.

The terms of the Property Lease Agreement were negotiated and agreed by the parties on an arm's length basis and are 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. The maximum rent and management fees for the Leased Properties during the lease term under the Property Lease Agreement in aggregate shall be approximately RMB16,637,000. In accordance with IFRS 16 "Leases", the Company estimated that it will recognise the value of the right-of-use asset of approximately RMB11,929,000 on its consolidated statement of financial position in connection with the lease of the Leased Properties under the Property Lease Agreement. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

## **REASONS FOR ENTERING INTO THE PROPERTY LEASE AGREEMENT**

As mentioned above, due to the Business Site Adjustments, QT Biological Recognition will take up the lease of the Leased Properties from Kunshan QT China for the Group's fingerprint recognition modules business development. The Directors (including the independent non-executive Directors) consider that the entering into of the 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 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 Van Telecom PRC Property Lease Termination Agreement and the Property Lease Agreement were negotiated on an arm's length basis and the transactions contemplated thereunder are 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 Termination Agreement and the 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 transactions contemplated under the Van Telecom PRC Property Lease Termination Agreement and the Property Lease Agreement are 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 Termination Agreement and the Property Lease Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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

As the highest percentage ratio applicable to the Van Telecom PRC Property Lease Termination Agreement is less than 0.1%, the transaction contemplated under the Van Telecom PRC Property Lease Termination Agreement is fully exempt from the requirements 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 relation to the Property Lease Agreement is more than 0.1% but less than 5%, the transaction contemplated under the 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.

By virtue of his interest in Van Telecom PRC, Mr. He is interested in the Van Telecom PRC Property Lease Termination Agreement and the Property Lease Agreement and therefore is required to abstain from voting on the Board resolutions to approve the Van Telecom PRC Property Lease Termination Agreement and the Property Lease Agreement and the transactions contemplated thereunder.

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

## **INFORMATION ABOUT THE PARTIES**

The Group is primarily engaged in the design, research, development, manufacture and sales of camera modules and fingerprint recognition modules with focus on mid-to-high end camera and fingerprint recognition module market for global branded smart phone and tablet PC manufacturers.

Kunshan QT China is an indirect wholly-owned subsidiary of the Company and is principally engaged in the design, research and development, manufacture and sale of camera modules.

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.

## **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:

“Announcements”	the renewal of continuing connected transactions announcement of the Company dated 13 July 2020 and the supplemental announcement dated 17 July 2020
“Board”	the board of Directors
“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

“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
“Kunshan QT China”	昆山丘鈇微電子科技有限公司 (Kunshan Q Technology Limited), an enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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 64.28% of the Shares as at the date of this announcement
“PRC”	The People’s Republic of China
“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
“QT Biological Recognition”	昆山丘鈇生物識別科技有限公司 (Kunshan QTech Biological Recognition Technology Limited), an enterprise 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
“Supplemental Van Telecom PRC Property Lease Agreement II”	the supplemental property lease agreement dated 13 July 2020 entered into between Kunshan QT China and Van Telecom PRC for a term from 1 January 2020 to 30 June 2021, details of which are set out in the Announcements
“Van Telecom PRC”	唯安科技有限公司 (transliteration “ <b>Van Telecom Limited</b> ”), a wholly foreign-owned enterprise established in the PRC and is wholly-owned by CK Telecom
“Van Telecom PRC Property Lease Termination Agreement”	the property lease termination agreement dated 27 November 2020 entered into between Kunshan QT China and Van Telecom PRC to terminate the Supplemental Van Telecom PRC Property Lease Agreement II
“%”	per cent.

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

Hong Kong, 27 November 2020

*As at the date of this announcement, the executive Directors are Mr. He Ningning (Chairman), Mr. Wang Jianqiang (Chief Executive Officer) and Mr. Hu Sanmu; and the independent non-executive Directors are Mr. Ko Ping Keung, Mr. Chu Chia-Hsiang and Mr. Ng Sui Yin.*