On 13 July 2018, Kunshan QT China and Van Telecom PRC entered into the Existing Van Telecom PRC Property Lease Agreement. The contract term is three years from 1 January 2018 to 31 December 2020. As the business of the Group continues to develop, it is still necessary to continue to lease the Leased Properties to meet the future demand for production capacity, and the property rental standards in the local market have increased significantly, therefore, the original lease term and the original annual transaction caps have not been able to meet the actual demand.

On 13 July 2020, Kunshan QT China and Van Telecom PRC entered into the Supplemental Van Telecom PRC Property Lease Agreement II to renew and revise the proposed annual caps in the Existing Van Telecom PRC Property Lease Agreement.

LISTING RULES IMPLICATIONS AND AGGREGATION OF ANNUAL CAPS

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 transactions contemplated under the Supplemental Van Telecom PRC Property Lease Agreement II constitute continuing connected transactions of the Company (the “Continuing Connected Transactions”) under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the annual caps of all of the transactions contemplated under the CCT Agreements on an aggregate basis exceed 0.1% but all are less than 5%, the transactions contemplated under the CCT Agreements 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.
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

On 13 July 2020, Kunshan QT China (an indirect wholly-owned subsidiary of the Company) and Van Telecom PRC entered into the Supplemental Van Telecom PRC Property Lease Agreement II to renew and revise the proposed annual caps in the Existing Van Telecom PRC Property Lease Agreement.

Date: 13 July 2020

Parties:
(i) Van Telecom PRC (as landlord)
(ii) Kunshan QT China (an indirect wholly-owned subsidiary of the Company) (as tenant)

Term of Lease: from 1 January 2020 to 30 June 2021

Property:
(i) the lease of 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號房) with a total gross area of approximately 22,780 sq.m. in aggregate (the “Factories”);

(ii) the option to lease all or any part or parts of 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) (the “Dormitories”) which rent will be paid in accordance with the actual amount of occupation of such dormitories,

(all of the above leased properties are collectively referred to as the “Leased Properties”).

Rent:
(i) for the Factories, a monthly rent of RMB10 per sq.m. for the six-month period from 1 January 2020 to 30 June 2020, and a monthly rent of RMB25 per sq.m. from 1 July 2020 onwards (inclusive of property management fees and tax); and

(ii) for the total of the 180 units of worker’s dormitories, a monthly rent of RMB350 each for the six-month period from 1 January 2020 to 30 June 2020, and a monthly rent of RMB500 each from 1 July 2020 onwards (inclusive of property management fees and tax); and for the total of the 10 units of officer’s dormitories, a monthly rent of RMB500 each for the six-month period from 1 January 2020 to 30 June 2020, and a monthly rent of RMB600 each from 1 July 2020 onwards (inclusive of property management fees and tax).

The rent shall be payable quarterly by Kunshan QT China to Van Telecom PRC.
Usage:

(i) usage for the Factories shall be production base of the Group; and 

(ii) usage for the Dormitories shall be dormitories for employees of the Group.

Early termination: Kunshan QT China has the right to early termination of the Supplemental Van Telecom PRC Property Lease Agreement II by giving one-month 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 in accordance with the actual amount of occupation of such dormitories;

(ii) the utilities fees for the Factories and the Dormitories (including electricity, water and telecommunications) will be paid by Kunshan QT China separately to Van Telecom PRC according to the reading of the separate electricity, water and telecommunications meters installed monthly 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.

Existing annual caps

It is expected that the maximum amount of the annual rent payable by Kunshan QT China to Van Telecom PRC under the Existing Van Telecom PRC Property Lease Agreement for each of the years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not exceed RMB3,549,600.

Historical transaction amounts

The historical transaction amounts for each of the three years ended 31 December 2019 and the unaudited historical transaction amount for the six-month period from 1 January 2020 to 30 June 2020 were set out as follow:

<table>
<thead>
<tr>
<th>Historical transaction amounts</th>
<th>1 January 2017 to 31 December 2017 (RMB)</th>
<th>1 January 2018 to 31 December 2018 (RMB)</th>
<th>1 January 2019 to 31 December 2019 (RMB)</th>
<th>1 January 2020 to 30 June 2020 (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical transaction amounts</td>
<td>2,452,000</td>
<td>2,847,000</td>
<td>3,191,000</td>
<td>1,595,714</td>
</tr>
</tbody>
</table>
Proposed annual caps

The proposed revised annual caps of the transactions contemplated under the Supplemental Van Telecom PRC Property Lease Agreement II for the relevant contract periods are set out below:

<table>
<thead>
<tr>
<th></th>
<th>1 January 2020 to 31 December 2020 (RMB)</th>
<th>1 January 2021 to 30 June 2021 (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual caps</td>
<td>5,767,800</td>
<td>3,993,000</td>
</tr>
</tbody>
</table>

The annual caps for the transactions under the Supplemental Van Telecom PRC Property Lease Agreement II for the year ending 31 December 2020 and for the six-month period from 1 January 2021 to 30 June 2021 were determined with reference to:

(i) demand for Leased Properties in the coming years to meet the production capacity needs of the Group;

(ii) historical transaction amounts; and

(iii) a significant increase of the current market rental of similar properties in the vicinity.

Reasons for entering into the Supplemental Van Telecom PRC Property Lease Agreement II

The self-constructed factories and dormitories of the Group are expected to be put into use in the first half of the next year. Prior to the completion of the construction and relocation of the new factories, the Group still needs to continue to lease the Leased Properties from Van Telecom PRC to meet the production capacity needs of the Group and the housing needs of its staff. Meanwhile, the current market rental of similar properties in the vicinity of the Leased Properties has been significantly increased. Based on the principle of fair commercial cooperation conditions in compliance with market regulatory requirements, Van Telecom PRC intends to raise the rental standard. To continue with the existing leases and concentrate the employees in the same residential areas, the Directors (including the independent non-executive Directors) are of the view that the entering into the Supplemental Van Telecom PRC Property Lease Agreement II is in the interests of the Group and the Shareholders as a whole.

OPINION OF THE BOARD

Given that the terms of the Supplemental Van Telecom PRC Property Lease Agreement II have been negotiated on arm’s length basis and the Continuing Connected Transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Supplemental Van Telecom PRC Property Lease Agreement II, the Continuing Connected Transactions contemplated under the agreement and the annual caps of the Continuing Connected Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.
As Mr. He is interested in the Continuing Connected Transactions contemplated under the Supplemental Van Telecom PRC Property Lease Agreement II due to his interests in Van Telecom PRC, Mr. He had abstained from voting on the resolutions passed by the Board to approve the aforesaid agreement, the transactions contemplated thereunder and the respective annual caps. Save as disclosed, none of the other Directors has a material interest in the Continuing Connected Transactions or is required to abstain from voting on the Board resolutions in relation to the Supplemental Van Telecom PRC Property Lease Agreement II, the transactions contemplated under the agreement and the respective annual caps.

LISTING RULES IMPLICATIONS AND AGGREGATION OF ANNUAL CAPS

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 transactions contemplated under the Supplemental Van Telecom PRC Property Lease Agreement II constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the annual caps of all of the transactions contemplated under the CCT Agreements on an aggregate basis exceed 0.1% but all are less than 5%, the transactions contemplated under the CCT Agreements 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.

INTERNAL CONTROL

The Group will continue to adopt the internal control policies and procedures described in the section headed “Internal Control” in the announcement of the Company dated 16 December 2016 in relation to certain continuing connected transactions entered into by the Group to ensure that the continuing connected transactions contemplated under the CCT Agreements are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

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, development, manufacture and sales of camera modules and fingerprint recognition modules.
INFORMATION OF THE CONNECTED PARTIES

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. 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

“CCT Agreements” the Existing Heyuan CK Supply Agreement, the Existing Heyuan Youhua Purchase Agreement, the Existing Huangshi C-Flex Electronic Purchase Agreement, the Existing Kunshan KEIRAKU Purchase Agreement, the Existing Van Telecom PRC Purchase Agreement and the Supplemental Van Telecom PRC Property Lease Agreement II

“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

“Existing Heyuan CK Supply Agreement” the supplemental supply agreement dated 31 October 2019 entered into between the Company (for itself and on behalf of its subsidiaries) and 西可通信技術設備(河源)有限公司 (transliteration “CK Telecom Limited”) for a term from 1 January 2019 to 31 December 2021, details of which are set out in the announcement of the Company dated 31 October 2019
“Existing Heyuan Youhua Purchase Agreement”

the supplemental purchase agreement dated 31 October 2019 entered into between the Company (for itself and on behalf of its subsidiaries) and 河源友華微機電科技有限公司 (transliteration “Heyuan Youhua Micro Electronic Technology Company Limited”) (for itself and on behalf of its subsidiaries) for a term from 1 January 2019 to 31 December 2021, details of which are set out in the announcements of the Company dated 31 October 2019 and 11 November 2019.

“Existing Huangshi C-Flex Electronic Purchase Agreement”

the supplemental purchase agreement dated 31 October 2019 entered into between the Company (for itself and on behalf of its subsidiaries) and 黃石西普電子科技有限公司 (transliteration “C-Flex Electronic (Huangshi) Ltd.”) (for itself and on behalf of its subsidiaries) for a term from 1 January 2019 to 31 December 2021, details of which are set out in the announcements of the Company dated 31 October 2019 and 11 November 2019.

“Existing Kunshan KEIRAKU Purchase Agreement”

the purchase agreement dated 13 July 2018 entered into between the Company (for itself and on behalf of its subsidiaries) and 昆山惠樂精密工業有限公司 (transliteration “Kunshan KEIRAKU Precision Co., Ltd.”) for a term from 1 July 2018 to 31 December 2020, details of which are set out in the announcement of the Company dated 13 July 2018.

“Existing Van Telecom PRC Property Lease Agreement”

the supplemental property lease agreement dated 13 July 2018 entered into between Kunshan QT China and Van Telecom PRC for a term from 1 January 2018 to 31 December 2020, details of which are set out in the announcement of the Company dated 13 July 2018.

“Existing Van Telecom PRC Purchase Agreement”

the supplemental purchase agreement dated 13 July 2018 entered into between the Company (for itself and on behalf of its subsidiaries) and Van Telecom PRC for a term from 1 January 2018 to 31 December 2020, details of which are set out in the announcement of the Company dated 13 July 2018.

“Group”

the Company and its subsidiaries.

“HKS”

Hong Kong dollars, the lawful currency of Hong Kong.

“Hong Kong”

the Hong Kong Special Administrative Region of the PRC.
"Kunshan QT China" 昆山丘鈺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

"Listing Rules" The Rules Governing the Listing of Securities on The Stock Exchange

"Mr. He" Mr. He Ningning, the chairman, an executive Director and the Controlling Shareholder of the Company interested in approximately 64.28% of the issued shares of the Company as at the date of this announcement

"PRC" the People’s Republic of China

"RMB" Renminbi, the lawful currency of the PRC

"Share(s)" ordinary share(s) of HK$0.01 each in the share capital of the Company

"Shareholder(s)" holder(s) of the Share(s)

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"subsidiaries" has the same meaning ascribed to it 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 to renew and revise the Existing Van Telecom PRC Property Lease Agreement

"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

“%” per cent.

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

Hong Kong, 13 July 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.