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Q Tech

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)

UPDATE ANNOUNCEMENT ON THE CONNECTED TRANSACTION

References are made to the announcement of Q Technology (Group) Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 8 November 2022 (the “**Announcement**”) in relation to the entering into of the Van Telecom PRC Property Lease Agreement between QT Biological Recognition, an indirect wholly-owned subsidiary of the Company, and Van Telecom PRC, which constituted a connected transaction. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as used in the Announcement.

ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT

On 24 April 2023, QT Biological Recognition entered into a supplemental agreement (the “**Supplemental Agreement**”) with Van Telecom PRC to amend the Van Telecom PRC Property Lease Agreement due to a decrease in the rent of similar industrial factories in the location of the Leased Properties as affected by the macroeconomic factors and a decrease in the rental demand for industrial factories due to production process optimization of QT Biological Recognition.

In accordance with the Supplemental Agreement, the parties agree to reduce the rent and the area of the Leased Property as agreed upon in the Van Telecom PRC Property Lease Agreement from 1 May 2023, namely: (i) the total gross floor area of the leased Factories will be reduced by 3,000 sq.m. from approximately 22,780 sq.m. to approximately 19,780 sq.m. for the period from 1 May 2023 to 31 December 2025; and (ii) the monthly rent and management fees of the Factories will be reduced from RMB25 per sq.m. (in which the rent is RMB20 and the management fee is RMB5, inclusive of tax) to RMB20 per sq.m. (in which the rent is RMB15 and the management fee is RMB5, inclusive of tax) during the above period. The revised maximum amount of rent and management fees under the Van Telecom PRC Property Lease Agreement and the Supplemental Agreement in aggregate for each of the three years ending 31 December 2025 shall be approximately RMB6,594,800, RMB5,899,200 and RMB5,899,200, respectively.

Saved for the above amendments, all other terms of the Van Telecom PRC Property Lease Agreement remain unchanged.

The terms of the Supplemental Agreement were negotiated and agreed by the parties on an arm's length basis and were on normal commercial terms. The revised 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 and the Supplemental Agreement in aggregate shall be approximately RMB18,393,200. In accordance with IFRS 16 "Leases", the Company estimated that it will recognise the value of the right-of-use asset of approximately RMB12,370,000 on its consolidated statement of financial position in connection with the lease of the Leased Properties under the Van Telecom PRC Property Lease Agreement and the Supplemental 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 SUPPLEMENTAL AGREEMENT

As mentioned above, due to a decrease in the rent of similar industrial factories in the location of the Leased Properties as affected by the macroeconomic factors and a decrease in the rental demand for industrial factories due to production process optimization of QT Biological Recognition, the parties agree to reduce the rent and the area of Leased Property as agreed upon in the Van Telecom PRC Property Lease Agreement from 1 May 2023. The Directors (including the independent non-executive Directors) consider that the entering into of the Supplemental Agreement is in the interests of the Group and the Shareholders as a whole.

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 Supplemental 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 and the Supplemental Agreement on its consolidated statement of financial position. Accordingly, the transaction under the Van Telecom PRC Property Lease Agreement and the Supplemental 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 and the Supplemental Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Van Telecom PRC Property Lease Agreement and the Supplemental 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 and the Supplemental 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 Supplemental 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 and the Supplemental Agreement or is required to abstain from voting on the Board resolutions in relation to the Van Telecom PRC Property Lease Agreement and the Supplemental Agreement and the transaction contemplated thereunder.

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

Hong Kong, 24 April 2023

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.