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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) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS; AND
(2) NEW CONTINUING CONNECTED TRANSACTION**

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the Announcements in relation to, among other things, the entering into of the Existing Continuing Connected Transaction Agreements, namely (a) the Existing Heyuan CK Supply Agreement; (b) the Existing Heyuan Youhua Purchase Agreement; and (c) the Existing Huangshi C-Flex Electronic Purchase Agreement by the Group.

As the Existing Continuing Connected Transaction Agreements are due to expire on 31 December 2023 and since it is anticipated that the Group will continue to enter into the continuing connected transactions contemplated thereunder, the Company entered into the Renewed Continuing Connected Transaction Agreements on 18 December 2023 to renew the framework regulating such continuing connected transactions for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

(2) NEW CONTINUING CONNECTED TRANSACTION

On 18 December 2023, the Company and Xiamen Zhonghui entered into the Xiamen Zhonghui Supply Agreement, pursuant to which, from 1 January 2024 to 31 December 2026 (both days inclusive), the Company agreed to supply or procure its subsidiaries to supply, and Xiamen Zhonghui and/or its subsidiaries/or designated agents (if any) agreed to purchase from the Company and/or its subsidiaries semi-automated and automated equipment and its software, algorithms and after-sales services for its own production and operations.

LISTING RULES IMPLICATIONS

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

Heyuan Youhua is owned as to approximately 0.25% and approximately 0.99% by Mr. Hu and Mr. Fan, respectively, both of whom are executive Directors of the Company, and as to approximately 66.11% by Westalgo Great China (a wholly-owned subsidiary of QT Investment, the controlling shareholder of the Company, which in turn is owned as to 100% by Mr. He) and as to approximately 18.01% by Shenzhen Handi (a company wholly-owned by Shenzhen CK, which in turn is owned as to 90% by Mr. He and 10% by Mr. Wang). Accordingly, Heyuan Youhua is a connected person of the Company under the Listing Rules.

Huangshi C-Flex Electronic is wholly-owned by Shenzhen Handi, a wholly-owned subsidiary of Shenzhen CK, which in turn is owned as to 90% by Mr. He and as to 10% by Mr. Wang. Accordingly, Shenzhen CK, Shenzhen Handi and Huangshi C-Flex Electronic are connected persons of the Company under the Listing Rules.

Xiamen Zhonghui is owned as to 65.50% by Hangzhou CK, which in turn is wholly-owned by CK Telecom Asia. CK Telecom Asia is wholly-owned by Mr. He. Accordingly, Xiamen Zhonghui is a connected person of the Company under the Listing Rules.

The Continuing Connected Transaction Agreements and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps of all of the transactions contemplated under the Continuing Connected Transaction Agreements on an aggregated basis exceeds 0.1% but is less than 5%, the transactions contemplated under the Continuing Connected Transaction 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.

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the Announcements in relation to, among other things, the entering into of the Existing Continuing Connected Transaction Agreements, namely (a) the Existing Heyuan CK Supply Agreement; (b) the Existing Heyuan Youhua Purchase Agreement; and (c) the Existing Huangshi C-Flex Electronic Purchase Agreement by the Group. As the Existing Continuing Connected Transaction Agreements are due to expire on 31 December 2023 and since it is anticipated that the Group will continue to enter into the continuing connected transactions contemplated thereunder, the Company entered into the Renewed Continuing Connected Transaction Agreements on 18 December 2023 to renew the framework regulating such continuing connected transactions for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

The principal terms of the Renewed Continuing Connected Transaction Agreements are set out below.

(a) The Renewed Heyuan CK Supply Agreement

Date:	18 December 2023
Parties:	(i) the Company (for itself and on behalf of its subsidiaries) (as supplier) (ii) Heyuan CK (for itself and on behalf of its designated agents) (as purchaser)
Contract period:	From 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter:	During the contract period, the Company will from time to time supply or procure its subsidiaries to supply, and Heyuan CK will from time to time purchase from the Company and/or its subsidiaries, camera modules and fingerprint recognition modules. The parties agreed that Heyuan CK may appoint a designated agent in writing to conduct the transactions contemplated under the Renewed Heyuan CK Supply Agreement on behalf of Heyuan CK and Heyuan CK shall be fully responsible for all matters and acts carried out by such designated agent.
Pricing:	The price of camera modules and fingerprint recognition modules to be supplied by the Group will be determined with reference to the cost of raw materials and production costs of the Group as well as the profit margin, which is expected to be comparable to the level of profit derived from sales to customers who are Independent Third Parties, subject to adjustments based on the expected quantity, quality, delivery schedule, specifications and market competition.

Existing Annual Caps

The existing annual caps agreed for the transactions contemplated under the Existing Heyuan CK Supply Agreement for each of the years ended/ending 31 December 2021, 31 December 2022 and 31 December 2023 are RMB20,000,000.

Historical Transaction Amounts

The historical transaction amounts for the transactions contemplated under the Existing Heyuan CK Supply Agreement for the relevant periods are set out below:

		(Unaudited)
From 1 January 2021 to 31 December 2021	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 30 September 2023
<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
4,080,000	92,000	Nil

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Renewed Heyuan CK Supply Agreement for each of the years ending 31 December 2024, 31 December 2025 and 31 December 2026 are RMB5,000,000.

The proposed annual caps for the transactions contemplated under the Renewed Heyuan CK Supply Agreement for the three years ending 31 December 2026 are determined with reference to the following:

- (i) based on a preliminary discussion with Heyuan CK, as Heyuan CK will continue to be engaged in consumer electronics business such as smartphones, commercial drones, video education devices, etc., the projected amount of camera modules and fingerprint recognition modules that Heyuan CK would purchase from the Group for the production of its products is therefore estimated on the basis of camera modules and fingerprint recognition modules required to be used in the production and delivery;
- (ii) Heyuan CK's estimate of the possible quantities of camera modules and fingerprint recognition modules required to be procured and the possible distribution of suppliers' shares in such procurement quantities, taking into account the prevailing market price for camera modules and fingerprint recognition modules in the open market of the PRC and based on Heyuan CK's business operation plans, etc.; and
- (iii) the historical transaction amounts for each of the years ended 31 December 2021 and 2022 and the unaudited historical transaction amounts for the nine months ended 30 September 2023 under the Existing Heyuan CK Supply Agreement.

Reasons for the Renewed Heyuan CK Supply Agreement and Pricing Policy

Given that the Group has maintained a stable and amicable business relationship with Heyuan CK in the past, the Directors expected that there would be continuing sales of camera modules and fingerprint recognition modules by the Group to Heyuan CK. The Directors (including the independent non-executive Directors) are of the view that entering into the Renewed Heyuan CK Supply Agreement would enable the Group to continue to supply camera modules and fingerprint recognition modules to Heyuan CK in the ordinary and usual course of business of the Group and broaden the revenue source of the Group.

The price of camera modules and fingerprint recognition modules to be supplied by the Group will be determined with reference to the cost of raw materials and production costs of the Group as well as the profit margin, which is expected to be comparable to the level of profit derived from sales to customers who are Independent Third Parties, subject to adjustments based on the expected quantity, quality, delivery schedule, specifications and market competition.

It is envisaged that from time to time and as required, the Group will provide quotation of specific products to Heyuan CK according to factors such as the specification and delivery schedule of the specific products required to be purchased by Heyuan CK by comprehensively considering the factors such as cost of raw materials, production time, the comparable price of the same or similar products selling to two or more Independent Third Parties, the expected gross profit margin of the same or similar products selling to Independent Third Parties, settlement period, scale of order of specific products. After acceptance of the quotation, Heyuan CK will place order(s) to the Group, and then the Group will fulfill the order and the contract. For orders with no comparable price from an Independent Third Party, the Group will provide quotations by considering the average gross profit margin of the Group comprehensively.

The Directors (including the independent non-executive Directors) consider that such pricing policies are in line with the actual situation of the industry and the Company.

In light of the above, the Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Renewed Heyuan CK Supply Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms between the Group and Heyuan CK, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and (ii) the proposed annual caps for the three years ending 31 December 2026 for those transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) The Renewed Heyuan Youhua Purchase Agreement

Date:	18 December 2023
Parties:	(i) the Company (for itself and on behalf of its subsidiaries) (as purchaser) (ii) Heyuan Youhua (for itself and on behalf of its subsidiaries) (as supplier)
Contract period:	From 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter:	During the contract period, the Company will from time to time purchase, or procure its subsidiaries to purchase, and Heyuan Youhua and/or its subsidiaries will from time to time supply to the Company and/or its subsidiaries electronic components, such as open-loop motors, closed-loop motors, bi-directional voice coil motors, motors for periscope camera modules, optical image stabilisation motors, variable aperture motors, etc. (collectively, the “VCM Components”).
Pricing:	The price of the VCM Components will be determined with reference to the price at which comparable types of electronic components are sold to the Group by suppliers which are Independent Third Parties on normal commercial terms and in the ordinary and usual course of business and such price shall be no less favourable to the Group than is available from suppliers which are Independent Third Parties.

Existing Annual Caps

The existing annual caps for the transactions contemplated under the Existing Heyuan Youhua Purchase Agreement for the relevant periods are set out below:

From 1 January 2021 to 31 December 2021 (RMB)	From 1 January 2022 to 31 December 2022 (RMB)	From 1 January 2023 to 31 December 2023 (RMB)
200,000,000	250,000,000	250,000,000

Historical Transaction Amounts

The historical transaction amounts for the transactions contemplated under the Existing Heyuan Youhua Purchase Agreement for the relevant periods are set out below:

From 1 January 2021 to 31 December 2021 (RMB)	From 1 January 2022 to 31 December 2022 (RMB)	(Unaudited) From 1 January 2023 to 30 September 2023 (RMB)
79,911,000	39,379,000	108,246,000

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Renewed Heyuan Youhua Purchase Agreement for the relevant periods are set out below:

From 1 January 2024 to 31 December 2024 (RMB)	From 1 January 2025 to 31 December 2025 (RMB)	From 1 January 2026 to 31 December 2026 (RMB)
120,000,000	120,000,000	120,000,000

The annual caps for the transactions contemplated under the Renewed Heyuan Youhua Purchase Agreement for the three years ending 31 December 2026 are determined with reference to the following:

- (i) the Group's projected demand for VCM Components required for its production based on a prudent analysis of the macro-environment, such as the prospects of global economic growth, the trend of demand for smartphones and the estimated inflation rate and in conjunction with the Group's future business operation and cost control expectations. In addition, based on the track record, the VCM Components supplied by Heyuan Yohua are of good quality, reasonable price, with good service and relatively good competitiveness in the market. Therefore, the Group expects that the quantity of VCM Components to be purchased from Heyuan Youhua for each of the years ending 31 December 2024, 31 December 2025 and 31 December 2026 will be comparable to the average demand for the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively;
- (ii) the prevailing market rates and historical price fluctuations of such VCM Components; and
- (iii) the historical transaction amounts for each of the years ended 31 December 2021 and 31 December 2022 and the unaudited historical transaction amounts for the nine months ended 30 September 2023.

Reasons for the Renewed Heyuan Youhua Purchase Agreement and Pricing Policy

The Directors (including the independent non-executive Directors) are of the view that entering into the Renewed Heyuan Youhua Purchase Agreement and the transactions contemplated thereunder are in the interests of the Group for the following reasons:

- (i) the purchases from Heyuan Youhua will be at competitive prices not less favourable than those that the Group can obtain from suppliers which are Independent Third Parties;
- (ii) Heyuan Youhua accumulated extensive experience in the industry of VCM Components, and is familiar with the Group's product specifications, standards and requirements and the Group has confidence in Heyuan Youhua for its delivery capacity of the VCM Components; and

- (iii) the Directors consider that maintaining the quality of the VCM Components by the Group is crucial to the Group's current and future production needs. In view of the Group's past purchasing experience with Heyuan Youhua, the Directors are of the view that Heyuan Youhua can effectively fulfill the Group's requirements in product quality.

In considering whether to purchase from Heyuan Youhua, the Group will seek quotations from at least two suppliers which are Independent Third Parties offering the same or comparable products. The Group will purchase the VCM Components from Heyuan Youhua if the price and quality of the products offered are comparable to or more favourable to the Group than those offered by such Independent Third Parties for the same or comparable products. Accordingly, the Renewed Heyuan Youhua Purchase Agreement will continue to provide the Group with the flexibility to purchase the VCM Components it requires from Heyuan Youhua if it so wishes at competitive market prices.

In light of the above, the Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Renewed Heyuan Youhua Purchase Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms between the Group and Heyuan Youhua, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and (ii) the proposed annual caps for the three years ending 31 December 2026 for those transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) The Renewed Huangshi C-Flex Electronic Purchase Agreement

- Date: 18 December 2023
- Parties: (i) the Company (for itself and on behalf of its subsidiaries) (as purchaser)
- (ii) Huangshi C-Flex Electronic (for itself and on behalf of its subsidiaries) (as supplier)
- Contract period: From 1 January 2024 to 31 December 2026 (both days inclusive)
- Subject matter: During the contract period, the Company will from time to time purchase or procure its subsidiaries to purchase, and Huangshi C-Flex Electronic will from time to time supply to the Company and/or its subsidiaries, flexible printed circuit boards and rigid-flex printed circuit boards (collectively, the "PCBs").
- Pricing: The prices of the PCBs will be determined with reference to the prices at which comparable types of the PCBs sold by suppliers who are Independent Third Parties to the Group under normal commercial terms in the ordinary and usual course of business and such prices shall be no less favourable to the Group than is available from suppliers who are Independent Third Parties.

Existing Annual Caps

The existing annual caps for the transactions contemplated under the Existing Huangshi C-Flex Electronic Purchase Agreement for the relevant periods are set out below:

From 1 January 2021 to 31 December 2021 (RMB)	From 1 January 2022 to 31 December 2022 (RMB)	From 1 January 2023 to 31 December 2023 (RMB)
200,000,000	250,000,000	250,000,000

Historical Transaction Amounts

The historical transaction amounts for the transactions contemplated under the Existing Huangshi C-Flex Electronic Purchase Agreement for the relevant periods are set out below:

From 1 January 2021 to 31 December 2021 (RMB)	From 1 January 2022 to 31 December 2022 (RMB)	(Unaudited) From 1 January 2023 to 30 September 2023 (RMB)
142,010,000	120,379,000	87,796,000

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Renewed Huangshi C-Flex Electronic Purchase Agreement for the relevant periods are set out below:

From 1 January 2024 to 31 December 2024 (RMB)	From 1 January 2025 to 31 December 2025 (RMB)	From 1 January 2026 to 31 December 2026 (RMB)
90,000,000	90,000,000	90,000,000

The annual caps for the transactions under the Renewed Huangshi C-Flex Electronic Purchase Agreement for the three years ending 31 December 2026 are determined with reference to the following:

- (i) the Group's projected demand for PCBs required for its production is based on a prudent analysis of the macro-environment, such as the prospects of global economic growth, the trend of demand for smartphones and the estimated inflation rate and in conjunction with the Group's future business operation and cost control expectation. In addition, based on the track record, the PCBs supplied by Huangshi C-Flex Electronic are of good quality, reasonable price, with good service and relatively good competitiveness in the market. Therefore, the Group expects that the quantity of PCBs to be purchased from Huangshi C-Flex Electronic for each of the years ending 31 December 2024, 31 December 2025 and 31 December 2026 will be comparable to the average demand for the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively;

- (ii) the prevailing market rates and historical price fluctuations of the PCBs commonly used by the Group; and
- (iii) the historical transaction amounts for each of the years ended 31 December 2021 and 2022 and the unaudited historical transaction amounts for the nine months ended 30 September 2023.

Reasons for Entering into the Renewed Huangshi C-Flex Electronic Purchase Agreement

The Directors (including the independent non-executive Directors) are of the view that entering into the Renewed Huangshi C-Flex Electronic Purchase Agreement and the transactions contemplated thereunder are in the interest of the Group for the following reasons:

- (i) the purchases from Huangshi C-Flex Electronic will be at competitive prices not less favourable than those that the Group can purchase from Independent Third Parties;
- (ii) Huangshi C-Flex Electronic accumulated extensive experience in the industry of PCBs for camera modules and fingerprint recognition modules, and is familiar with the Group's product specifications, standards and requirements and the Group has confidence in Huangshi C-Flex Electronic for its delivery capacity of the PCBs; and
- (iii) the Directors consider that maintaining the quality of the PCBs by the Group is crucial to the Group's current and future production needs. In view of the Group's past purchasing experience with Huangshi C-Flex Electronic, the Directors are of the view that Huangshi C-Flex Electronic can effectively fulfill the Group's requirements in product quality.

In considering whether to purchase the PCBs from Huangshi C-Flex Electronic, the Group will seek quotations from at least two suppliers which are Independent Third Parties offering the same or comparable products. The Group will purchase the PCBs from Huangshi C-Flex Electronic if the price and quality of the products offered are comparable to or more favourable to the Group than those offered by such Independent Third Parties for the same or comparable products. Accordingly, the Renewed Huangshi C-Flex Electronic Purchase Agreement will continue to provide the Group with the flexibility to purchase the PCBs it requires from Huangshi C-Flex Electronic if it so wishes at competitive market prices.

In light of the above, the Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Renewed Huangshi C-Flex Electronic Purchase Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms between the Group and Huangshi C-Flex, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and (ii) the proposed annual caps for the three years ending 31 December 2026 for those transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) NEW CONTINUING CONNECTED TRANSACTION

On 18 December 2023, the Company and Xiamen Zhonghui entered into the Xiamen Zhonghui Supply Agreement, the principal terms of which are set out below:

Date:	18 December 2023
Parties:	(i) the Company (for itself and on behalf of its subsidiaries) (as supplier) (ii) Xiamen Zhonghui (for itself and on behalf of its subsidiaries) (as purchaser)
Contract period:	From 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter:	During the contract period, the Company will from time to time supply or procure its subsidiaries to supply, and Xiamen Zhonghui and/or its subsidiaries/or designated agents (if any) will from time to time purchase from the Company and/or its subsidiaries semi-automated and automated equipment and its software, algorithms and after-sales services for its own production and operations (collectively, the “ Automated Equipment and Software ”).
Pricing:	The Group will supply the Automated Equipment and Software to Xiamen Zhonghui in the ordinary and usual course of business on normal commercial terms at a price to be determined with reference to the cost of raw materials and production costs of the Group’s Automated Equipment and Software and profit margin, and with reference to the cost of materials and manpower required in the after-sale services and profit margin, which is expected to be comparable to the level of profit to be derived from the sales to the customers who are Independent Third Parties, subject to adjustments based on the expected quantity, quality, delivery schedule, specifications and market competition.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Xiamen Zhonghui Supply Agreement for the relevant periods are set out below:

From 1 January 2024 to 31 December 2024 (RMB)	From 1 January 2025 to 31 December 2025 (RMB)	From 1 January 2026 to 31 December 2026 (RMB)
20,000,000	20,000,000	20,000,000

The proposed annual caps for the transactions contemplated under the Xiamen Zhonghui Supply Agreement are determined with reference to the following:

- (i) the projected amount of purchases of Automated Equipment and Software by Xiamen Zhonghui from the Group for the production of its products based on the preliminary discussion with Xiamen Zhonghui, its own study on the future macro-environment and industry trends and its own development plan;
- (ii) the prevailing market price in the open market in the PRC for the Automated Equipment and Software that the Group intends to supply to Xiamen Zhonghui; and
- (iii) the Group's cycle for the development and sale of such Automated Equipment and Software and its delivery capability to meet such demands.

Reasons for Entering into the Xiamen Zhonghui Supply Agreement and Pricing Policy

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Xiamen Zhonghui Supply Agreement and the transactions contemplated thereunder is in the interests of the Group for the following reasons:

- (i) Xiamen Zhonghui is principally engaged in the research and development, manufacturing, sale and after-sale services of voice coil motors, periscope motors and other motors, and intends to expand its operation and increase investment in equipment. The Automated Equipment and Software Xiamen Zhonghui intends to purchase requires strong automated optical inspection and algorithm integration capabilities. The Group possesses such capabilities, along with good design of automated and semi-automated production line and development capabilities, given the Group has set up subsidiaries specialising in semi-automated and automated equipment design, development, manufacturing and sale, with core competencies in automated optical inspection and algorithm integration.

As such, the Group is strong in the design and development of automated and semi-automated production lines, optical automated inspection and algorithm integration, and could meet the requirements of Xiamen Zhonghui in relation to the equipment procurement and after-sale services. The supply of Automated Equipment and Software to Xiamen Zhonghui will be beneficial to the expansion of the Group's business. Moreover, the transaction prices and terms under the Xiamen Zhonghui Supply Agreement shall be no less favourable than those for the supply of similar products to Independent Third Parties, which is conducive to broadening the source of the Group's revenue from the equipment business.

- (ii) Xiamen Zhonghui is a leading smart terminal brand in the industry, which is engaged in providing periscope motors and optical image stabilisation motors and other relevant motors, and is in good business development. The cooperation with Xiamen Zhonghui would strengthen the Group's understanding and practice in semi-automated and automated equipment production lines with optical automated inspection, algorithm integration as the focus, which would in turn further enhance the Group's ability to design, develop and manufacture automated equipment with optical automated inspection, algorithm integration as the focus.

The price of the Automation Equipment and Software to be supplied by the Group to Xiamen Zhonghui will be determined with reference to the Group's raw material costs, production costs, development costs as well as the profit margin for the design, development and manufacturing of such Automated Equipment and Software, while the profit margin is expected to be comparable to the level of profit derived from the sales to the customers, who are Independent Third Parties, subject to adjustments based on the expected quantity, quality, delivery schedule, specifications and market competition. It is envisaged that from time to time and as required, the Group will provide quotation and estimated delivery time of the specific products to Xiamen Zhonghui according to factors such as the specification and delivery schedule of the Automation Equipment and Software required to be purchased by Xiamen Zhonghui by comprehensively considering the factors such as cost of raw materials, production time, development time, the comparable price of the same or similar products selling to two or more Independent Third Parties, the expected gross profit margin of the same or similar products selling to Independent Third Parties, settlement period, scale of order of specific products. After acceptance of the quotation and estimated delivery time, Xiamen Zhonghui will place order(s) to the Group or sign specific contract(s) for the purchase of the Automated Equipment and Software, and then the Group will fulfill the order and the contract. For orders with no comparable price from an Independent Third Party, the Group will provide quotations by considering the average gross profit margin of the Group comprehensively. The Directors (including the independent non-executive Directors) consider that such pricing policies are in line with the actual situation of the industry and the Company.

In light of the above, the Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Xiamen Zhonghui Supply Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms between the Group and Xiamen Zhonghui, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and (ii) the proposed annual caps for the three years ending 31 December 2026 for those transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

Heyuan Youhua is owned as to approximately 0.25% and approximately 0.99% by Mr. Hu and Mr. Fan, respectively, both of whom are executive Directors of the Company, and as to approximately 66.11% by Westalgo Great China (a wholly-owned subsidiary of QT Investment, the controlling shareholder of the Company, which in turn is owned as to 100% by Mr. He) and as to approximately 18.01% by Shenzhen Handi (a company wholly-owned by Shenzhen CK, which in turn is owned as to 90% by Mr. He and 10% by Mr. Wang). Accordingly, Heyuan Youhua is a connected person of the Company under the Listing Rules. In addition, as at the date of this announcement, the remaining 14.64% interests of Heyuan Youhua are owned by the following parties respectively (Mr. Liu Zhiyong (劉智勇) is interested in approximately 8.50%, Mr. Li Jingsong (李勁松) is interested in approximately 5.00%, Mr. Zhang Xuyao (張需要) is interested in approximately 0.62% and Mr. Wen Tingwei (溫廷偉) is interested in approximately 0.52%), who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are Independent Third Parties of the Company.

Huangshi C-Flex Electronic is wholly-owned by Shenzhen Handi, a wholly-owned subsidiary of Shenzhen CK, which in turn is owned as to 90% by Mr. He and as to 10% by Mr. Wang. Accordingly, Shenzhen CK, Shenzhen Handi and Huangshi C-Flex Electronic are connected persons of the Company under the Listing Rules.

Xiamen Zhonghui is owned as to 65.50% by Hangzhou CK, which in turn is wholly-owned by CK Telecom Asia. CK Telecom Asia is wholly-owned by Mr. He. Accordingly, Xiamen Zhonghui is a connected person of the Company under the Listing Rules. In addition, as at the date of this announcement, the remaining 34.50% interests of Xiamen Zhonghui are owned by the following parties respectively (Xiamen Castec Electronic Industry Co., Ltd. is interested in approximately 15.75%, Yunxiao Huhui Optoelectronic Technology Co., Ltd. is interested in approximately 9.75%, Dongguan Li Yin Technology Limited is interested in approximately 2.70%, Ms. Wong Sau Kuen (王秀娟) is interested in approximately 2.70%, Mr. Chen Guihua (陳貴華) is interested in approximately 1.86%, Mr. Shu Xueliang (束學良) is interested in approximately 0.81%, Mr. Zhu Laijin (朱來金) is interested in approximately 0.66% and Mr. Hu Yulin (胡玉林) is interested in approximately 0.27%), who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are Independent Third Parties of the Company.

The Continuing Connected Transaction Agreements and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps of all of the transactions contemplated under the Continuing Connected Transaction Agreements on an aggregated basis exceeds 0.1% but is less than 5%, the transactions contemplated under the Continuing Connected Transaction 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.

As Mr. He is interested in Heyuan CK, Huangshi C-Flex Electronic, Heyuan Youhua and Xiamen Zhonghui, he is interested in the Continuing Connected Transaction Agreements and is required to abstain from voting on the Board resolutions approving the Continuing Connected Transaction Agreements and the transactions contemplated thereunder. As Mr. Hu and Mr. Fan are interested in Heyuan Youhua, they are interested in the Renewed Heyuan Youhua Purchase Agreement and are required to abstain from voting on the Board resolutions approving the Renewed Heyuan Youhua Purchase Agreement and the transactions contemplated thereunder.

Save as disclosed above, none of the other Directors has a material interest in the Continuing Connected Transaction Agreements or is required to abstain from voting on the Board resolutions in relation to the Continuing Connected Transaction Agreements and the transactions 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. At the same time, the Group is also engaged in the research and development, production, sales and after-sales service of automated equipment and software.

Shenzhen QT is an indirect wholly-owned subsidiary of the Company and is principally engaged in the research and development and sales of camera modules.

INFORMATION ON RELATED PARTIES

Heyuan CK

Heyuan CK is principally engaged in the production, development and sales of self-produced handsets, mobile communications systems, communications terminals, digital electronic systems, portable micro calculators, precision moulds, new electronic components, third generation mobile communications systems handsets and relevant parts, auxiliary products; provision of financial management, production management human resources services, information technology systems management services to related companies in the PRC.

Heyuan Youhua

Heyuan Youhua is principally engaged in the development, production and sales of auto-focusing voice coil motors, linear motors, precise electronic products, domestic trade, import and export of goods and technologies.

Huangshi C-Flex Electronic

Huangshi C-Flex Electronic is principally engaged in the production, development and sales of self-produced mobile phones, mobile communications systems, communications terminals, digital electronic systems, portable micro calculators, precision moulds, new electronic components, third generation mobile communications systems mobile phones, flexible printed circuit boards and relevant parts, auxiliary products.

Xiamen Zhonghui

Xiamen Zhonghui is principally engaged in the research and development, manufacture and sales of optoelectronic components such as periscope motors and optical image stabilisation motors.

DEFINITIONS

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

“Announcements”	the announcements of the Company dated 31 May 2021 and 7 June 2021 in relation to, among other matters, the Existing Continuing Connected Transaction Agreements and the transactions contemplated thereunder
“Board”	the board of Directors
“CK Telecom”	CK Telecom Inc., a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. He as at the date of this announcement
“CK Telecom Asia”	CK Telecom Asia Pacific Ltd., a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. He as at the date of this announcement
“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(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction Agreements”	the Renewed Heyuan CK Supply Agreement, Renewed Heyuan Youhua Purchase Agreement, Renewed Huangshi C-Flex Electronic Purchase Agreement and Xiamen Zhonghui Supply Agreement
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Continuing Connected Transaction Agreements”	the Existing Heyuan CK Supply Agreement, Existing Heyuan Youhua Purchase Agreement and Existing Huangshi C-Flex Electronic Purchase Agreement
“Existing Heyuan CK Supply Agreement”	the supply agreement dated 31 May 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Heyuan CK, details of which are set out in the Announcements

“Existing Heyuan Youhua Purchase Agreement”	the purchase agreement dated 31 May 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Heyuan Youhua, details of which are set out in the Announcements
“Existing Huangshi C-Flex Electronic Purchase Agreement”	the purchase agreement dated 31 May 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Huangshi C-Flex Electronic, details of which are set out in the Announcements
“Group”	the Company and its subsidiaries
“Hangzhou CK”	西可通信技術設備(杭州)有限公司 (transliteration “CK Telecom (Hangzhou) Limited”), an enterprise established in the PRC and wholly-owned by CK Telecom as at the date of this announcement
“Heyuan CK”	西可通信技術設備(河源)有限公司 (transliteration “CK Telecom Limited”), an enterprise established in the PRC and wholly-owned by CK Telecom as at the date of this announcement
“Heyuan Youhua”	河源友華微機電科技有限公司 (transliteration “Heyuan Youhua Micro Electronic Technology Company Limited”), a limited liability company established in the PRC, which is owned as to approximately 0.25% by Mr. Hu, 0.99% by Mr. Fan, 66.11% by Westalgo Great China and 18.01% by Shenzhen Handi as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huangshi C-Flex Electronic”	黃石西普電子科技有限公司 (transliteration “C-Flex Electronic (Huangshi) Ltd.”), an enterprise established in the PRC with limited liability and wholly-owned by Shenzhen Handi
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mr. Fan”	Mr. Fan Fuqiang, an executive Director of the Company, who is interested in approximately 0.22% of the issued Shares as at the date of this announcement
“Mr. He”	Mr. He Ningning, the chairman, an executive Director and a controlling shareholder of the Company, who is interested in approximately 63.63% of the issued Shares as at the date of this announcement

“Mr. Hu”	Mr. Hu Sanmu, an executive Director and the chief executive officer of the Company, who is interested in approximately 0.25% of the issued Shares as at the date of this announcement
“Mr. Wang”	Mr. Wang Jianqiang, a director and a general manager of an indirect wholly-owned subsidiary of the Company, who is interested in approximately 1.01% of the issued Shares as at the date of this announcement, and a step-brother of Mr. He
“PRC”	the People’s Republic of China
“QT Investment”	Q Technology Investment Inc., a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company and wholly-owned by Mr. He as at the date of this announcement
“Renewed Continuing Connected Transaction Agreements”	the Renewed Heyuan CK Supply Agreement, the Renewed Heyuan Youhua Purchase Agreement and the Renewed Huangshi C-Flex Electronic Purchase Agreement
“Renewed Heyuan CK Supply Agreement”	the supply agreement dated 18 December 2023 entered into between the Company (for itself and on behalf of its subsidiaries) and Heyuan CK for a term from 1 January 2024 to 31 December 2026 (both days inclusive)
“Renewed Heyuan Youhua Purchase Agreement”	the purchase agreement dated 18 December 2023 entered into between the Company (for itself and on behalf of its subsidiaries) and Heyuan Youhua for a term from 1 January 2024 to 31 December 2026 (both days inclusive)
“Renewed Huangshi C-Flex Electronic Purchase Agreement”	the purchase agreement dated 18 December 2023 entered into between the Company (for itself and on behalf of its subsidiaries) and Huangshi C-Flex Electronic for a term from 1 January 2024 to 31 December 2026 (both days inclusive)
“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)
“Shenzhen CK”	深圳市西可德信通信技術設備有限公司 (transliteration “Shenzhen Xike Dexin Telecom Equipment Co., Ltd.”), an enterprise established in the PRC with limited liability and is owned as to 90% by Mr. He, and accordingly a connected person of the Company

“Shenzhen Handi”	深圳市漢迪創業投資有限公司 (transliteration “Shenzhen Handi Venture Capital Investment Co., Ltd.”), an enterprise established in the PRC with limited liability and is wholly-owned by Shenzhen CK as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Westalgo Great China”	Westalgo (Great China) Inc., an enterprise established in the British Virgin Islands with limited liability and is wholly-owned by QT Investment, the controlling shareholder of the Company, as at the date of this announcement
“Xiamen Zhonghui”	廈門市眾惠微電子有限公司 (transliteration “Xiamen Zhonghui Microelectronics Co., Ltd.”), a company established in the PRC with limited liability, which is owned as to 65.50% by Hangzhou CK as at the date of this announcement
“Xiamen Zhonghui Supply Agreement”	the supply agreement dated 18 December 2023 entered into between the Company (for itself and on behalf of its subsidiaries) and Xiamen Zhonghui for a term from 1 January 2024 to 31 December 2026 (both days inclusive)
“%”	per cent.

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

Hong Kong, 18 December 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. Ko Ping Keung, Mr. Chu Chia-Hsiang and Mr. Ng Sui Yin.