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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)**

**(1) REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
AND**

**(2) PROPOSED ADOPTION OF THE NEW SHARE SCHEME  
AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**Gram Capital Limited**  
**嘉林資本有限公司**

**REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED  
TRANSACTIONS**

Reference is made to the Announcement in relation to, among other matters, the transactions contemplated under the Continuing Connected Transaction Agreements.

Based on the latest information available to the Company, including the Group's projected demand for the VCM Components and the PCBs supplied by Heyuan Youhua and Huangshi C-Flex Electronic, respectively and Xiamen Zhonghui's projected demand for the Automated Equipment and Software supplied by the Group, it is expected that the existing annual caps in respect of the transactions contemplated under the Heyuan Youhua Purchase Agreement, the Huangshi C-Flex Electronic Purchase Agreement and the Xiamen Zhonghui Supply Agreement for the three years ending 31 December 2026 will not be sufficient.

On 20 May 2024, the Company entered into the Supplemental Agreements to revise the respective annual caps for the transactions contemplated under the Continuing Connected Transaction Agreements for the three years ending 31 December 2026, subject to approval by the Independent Shareholders at the EGM. Save for the adoption of the Revised Annual Caps in respect of the transactions contemplated under the Continuing Connected Transaction Agreements, the terms and conditions of the Continuing Connected Transaction Agreements have not been amended by the Supplemental Agreements.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps, on an aggregated basis, exceeds 5%, the adoption of the Revised Annual Caps pursuant to the Supplemental Agreements is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Chu Chia-Hsiang, Mr. Ko Ping Keung and Ms. Hui Hiu Ching, who are independent non-executive Directors, has been formed to advise the Independent Shareholders on the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) and the Revised Annual Caps. In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) and the Revised Annual Caps.

### **PROPOSED ADOPTION OF THE NEW SHARE SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME**

As the Existing Share Option Scheme will expire on 12 November 2024, the Board proposes to adopt the New Share Scheme to enable the Company to grant share options and/or share awards to selected eligible persons as incentives or rewards for their contribution or potential contribution to the development and long-term growth of the Group, as well as to attract and retain talents.

In view of the amendments of Chapter 17 of the Listing Rules which took effect on 1 January 2023 and as the scheme mandate limit is required to apply to all share schemes of the Company, the Company proposes to terminate the Existing Share Option Scheme upon the adoption of the New Share Scheme.

The adoption of the New Share Scheme is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be allotted and issued by the Company in respect of the share options and share awards that may be granted pursuant to the New Share Scheme.

The Existing Share Option Scheme will, prior to the adoption of the New Share Scheme, remain in full force and effect, and the Board may grant new share options under the Existing Share Option Scheme prior to the adoption of the New Share Scheme. As at the date of this announcement, the number of share options available for grant under the Existing Share Option Scheme is 78,350,130 (representing approximately 6.61% of the existing issued share capital of the Company).

## **GENERAL**

A circular containing, among other things, (i) details of the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) and the proposed adoption of the Revised Annual Caps, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the proposed adoption of the Revised Annual Caps, (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the proposed adoption of the Revised Annual Caps, (iv) details of the New Share Scheme, (v) a notice convening the EGM, together with the related proxy form and any other information as may be required under the Listing Rules, is expected to be despatched to the Shareholders as soon as practicable. It is currently expected that the circular will be despatched to the Shareholders on or about 12 June 2024 which is more than 15 business days after the publication of this announcement as additional time is required to finalize the contents of the circular.

### **1. REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Announcement in relation to, among other matters, the transactions contemplated under the Continuing Connected Transaction Agreements.

Based on the latest information available to the Company, including the Group's projected demand for the VCM Components and the PCBs supplied by Heyuan Youhua and Huangshi C-Flex Electronic, respectively and Xiamen Zhonghui's projected demand for the Automated Equipment and Software supplied by the Group, it is expected that the existing annual caps in respect of the transactions contemplated under the Continuing Connected Transaction Agreements for the three years ending 31 December 2026 will not be sufficient.

On 20 May 2024, the Company entered into the Supplemental Agreements to revise the respective annual caps for the transactions contemplated under the Continuing Connected Transaction Agreements for the three years ending 31 December 2026, subject to approval by the Independent Shareholders at the EGM. Save for the adoption of the Revised Annual Caps in respect of the transactions contemplated under the Continuing Connected Transaction Agreements, the terms and conditions of the Continuing Connected Transaction Agreements have not been amended by the Supplemental Agreements.

#### **1.1 The Heyuan Youhua Supplemental Agreement**

**Date**

20 May 2024

**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

## Subject matter

Pursuant to the Heyuan Youhua Purchase Agreement which has a contract period from 1 January 2024 to 31 December 2026 (both days inclusive), the Group will from time to time purchase, and Heyuan Youhua and/or its subsidiaries will from time to time supply to the Group electronic components, such as open-loop motors, closed-loop motors, bi-directional voice coil motors, motors for periscope camera modules, optical image stabilization motors, variable aperture motors, etc. (collectively, the “**VCM Components**”) in the ordinary and usual course of business.

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 that available from suppliers which are Independent Third Parties. 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.

Pursuant to the Heyuan Youhua Supplemental Agreement, the annual caps for the transactions contemplated under the Heyuan Youhua Purchase Agreement for the years ending 31 December 2024, 2025 and 2026 will be revised as follows:

	(in RMB)		
	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
Existing annual caps	120,000,000	120,000,000	120,000,000
Revised annual caps	280,000,000	280,000,000	280,000,000

The adoption of the revised annual caps pursuant to the Heyuan Youhua Supplemental Agreement will be subject to approval by the Independent Shareholders at the EGM.

Save for the adoption of the revised annual caps in respect of the transactions contemplated under the Heyuan Youhua Purchase Agreement, the terms and conditions of the Heyuan Youhua Purchase Agreement have not been amended by the Heyuan Youhua Supplemental Agreement.

## **Basis of determination of the revised annual caps**

The above revised annual caps are determined with reference to the following:

- (i) the Group's projected demand for the VCM Components required for its production based on: (a) an analysis of the macro-environment and industry trends, including the increase in demand for high-end camera modules for use in mid to high-end smartphones, (b) the recent breakthrough in terms of cooperation with the Group's customers, including a significant increase in the projected demand for the Group's optical image stabilization (OIS) camera modules and periscope camera modules, (c) the Group's customer orders on hand and successful tenders on customers' projects as of 30 April 2024, and (d) the Group's business development plan and cost control expectations;
- (ii) the prevailing market prices and historical price fluctuations of the VCM Components;
- (iii) the historical transaction amounts for the purchases of the VCM Components by the Group from Heyuan Youhua and its subsidiaries for each of the years ended 31 December 2022 and 2023 and the four months ended 30 April 2024 of RMB39,379,000, RMB163,864,000 and RMB70,934,000, respectively; and
- (iv) the Group's expectation regarding the future market supply of the VCM Components and the available suppliers of the VCM Components.

## **1.2 The Huangshi C-Flex Electronic Supplemental Agreement**

### **Date**

20 May 2024

### **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

### **Subject matter**

Pursuant to the Huangshi C-Flex Electronic Purchase Agreement which has a contract period from 1 January 2024 to 31 December 2026 (both days inclusive), the Group will from time to time purchase, and Huangshi C-Flex Electronic and/or its subsidiaries will from time to time supply to the Group flexible printed circuit boards and rigid-flex printed circuit boards (collectively, the "PCBs") in the ordinary and usual course of business.

The price of the PCBs will be determined with reference to the price at which comparable types of the PCBs 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 that available from suppliers which are Independent Third Parties. 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.

Pursuant to the Huangshi C-Flex Electronic Supplemental Agreement, the annual caps for the transactions contemplated under the Huangshi C-Flex Electronic Purchase Agreement for the years ending 31 December 2024, 2025 and 2026 will be revised as follows:

	(in RMB)		
	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
Existing annual caps	90,000,000	90,000,000	90,000,000
Revised annual caps	200,000,000	200,000,000	200,000,000

The adoption of the revised annual caps pursuant to the Huangshi C-Flex Electronic Supplemental Agreement will be subject to approval by the Independent Shareholders at the EGM.

Save for the adoption of the revised annual caps in respect of the transactions contemplated under the Huangshi C-Flex Electronic Purchase Agreement, the terms and conditions of the Huangshi C-Flex Electronic Purchase Agreement have not been amended by the Huangshi C-Flex Electronic Supplemental Agreement.

#### **Basis of determination of the revised annual caps**

The above revised annual caps are determined with reference to the following:

- (i) the Group's projected demand for the PCBs required for its production based on: (a) an analysis of the macro-environment and industry trends, including the increase in demand for high-end camera modules for use in mid to high-end smartphones, (b) the recent breakthrough in terms of cooperation with the Group's customers, including a significant increase in the projected demand for the Group's optical image stabilization (OIS) camera modules and periscope camera modules, (c) the Group's customer orders on hand and successful tenders on customers' projects as of 30 April 2024, and (d) the Group's business development plan and cost control expectations;
- (ii) the prevailing market prices and historical price fluctuations of the PCBs;

- (iii) the historical transaction amounts for the purchases of the PCBs by the Group from Huangshi C-Flex Electronic and its subsidiaries for each of the years ended 31 December 2022 and 2023 and the four months ended 30 April 2024 of RMB120,379,000, RMB136,673,000 and RMB58,910,000, respectively; and
- (iv) the Group's expectation regarding the future market supply of the PCBs and available suppliers of the PCBs.

### **1.3 The Xiamen Zhonghui Supplemental Agreement**

#### **Date**

20 May 2024

#### **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

#### **Subject matter**

Pursuant to the Xiamen Zhonghui Supply Agreement which has a contract period from 1 January 2024 to 31 December 2026 (both days inclusive), the Group will from time to time supply, and Xiamen Zhonghui and/or its subsidiaries will from time to time purchase from the Group semi-automated and automated equipment and related software, algorithms and after-sales services (collectively, the “**Automated Equipment and Software**”) in the ordinary and usual course of business.

The price of the Automated Equipment and Software will be determined with reference to the cost of raw materials, 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. 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, and 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.



Pursuant to the Xiamen Zhonghui Supplemental Agreement, the annual caps for the transactions contemplated under the Xiamen Zhonghui Supply Agreement for the years ending 31 December 2024, 2025 and 2026 will be revised as follows:

	(in RMB)		
	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
Existing annual caps	20,000,000	20,000,000	20,000,000
Revised annual caps	80,000,000	40,000,000	40,000,000

The adoption of the revised annual caps pursuant to the Xiamen Zhonghui Supplemental Agreement will be subject to approval by the Independent Shareholders at the EGM.

Save for the adoption of the revised annual caps in respect of the transactions contemplated under the Xiamen Zhonghui Supply Agreement, the terms and conditions of the Xiamen Zhonghui Supply Agreement have not been amended by the Xiamen Zhonghui Supplemental Agreement.

#### **Basis of determination of the revised annual caps**

The above revised annual caps are determined with reference to the following:

- (i) the projected amount of purchases of Automated Equipment and Software by Xiamen Zhonghui from the Group based on the preliminary discussion with Xiamen Zhonghui, taking into account: (a) Xiamen Zhonghui's own study on the future macro-environment and industry trends and its own development plan, and (b) the orders secured by Xiamen Zhonghui from an overseas multinational electronics corporation and other customers for the production of motors;
- (ii) the amount of orders that have been delivered but subject to inspection and acceptance according to the terms of the contract for the supply of Automated Equipment and Software by the Group to Xiamen Zhonghui and its subsidiaries for the four months ended 30 April 2024 of approximately RMB14,708,000;
- (iii) 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
- (iv) the Group's cycle for the development and sale of such Automated Equipment and Software and its delivery capability to meet such demands.



#### **1.4 Reasons for and benefits of entering into the Supplemental Agreements and adoption of the Revised Annual Caps**

The transactions contemplated under the Continuing Connected Transaction Agreements are beneficial to the business development of the Group.

In particular, maintaining the quality of the VCM Components and PCBs supplied to 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 and Huangshi C-Flex Electronic, the Board takes the view that Heyuan Youhua and Huangshi C-Flex Electronic can effectively fulfill the Group's requirements in product quality. Given the latest industry trends, orders on hand and business plan of the Group, the Board expects that the existing annual caps for the transactions contemplated under the Heyuan Youhua Purchase Agreement and the Huangshi C-Flex Electronic Purchase Agreement will be insufficient. The revised annual caps for the transactions contemplated under the Heyuan Youhua Purchase Agreement and the Huangshi C-Flex Electronic Purchase Agreement will provide the Group with flexibility to purchase the VCM Components and PCBs that it may require from Heyuan Youhua and Huangshi C-Flex Electronic, respectively, at competitive market price to meet the Group's production needs from time to time during the three years ending 31 December 2026.

Xiamen Zhonghui is a leading intelligent manufacturing company in the industry, which is engaged in the research and development, manufacture and sales of periscope motors and optical image stabilization 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. Given the latest industry trends, orders on hand of Xiamen Zhonghui and business plan of the Group, the Board expects that the existing annual caps for the transactions contemplated under the Xiamen Zhonghui Supply Agreement will be insufficient. The revised annual caps for transactions contemplated under the Xiamen Zhonghui Supply Agreement will provide the Group with the flexibility to supply the Automated Equipment and Software to Xiamen Zhonghui during the three years ending 31 December 2026.

In light of the above, the Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular to be issued by the Company in relation to, among other matters, the adoption of the Revised Annual Caps) considers that: (i) the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) are conducted on normal commercial terms which are no less favourable to the Group than those available from Independent Third Parties, are entered into in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **1.5 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.

## **1.6 Information on the related parties**

### **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.

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.

### **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.

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, Huangshi C-Flex Electronic is a connected person of the Company under the Listing Rules.

## **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 stabilization motors.

Xiamen Zhonghui is owned as to 86.65% 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 13.35% interests of Xiamen Zhonghui are owned by the following parties respectively (Yunxiao Huhui Optoelectronic Technology Co., Ltd. is interested in approximately 9.75%, 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.

### **1.7 Listing Rules implications**

As each of Heyuan Youhua, Huangshi C-Flex Electronic and Xiamen Zhonghui is a connected person of the Company, the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps, on an aggregated basis, exceeds 5%, the adoption of the Revised Annual Caps pursuant to the Supplemental Agreements is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

The Independent Board Committee comprising Mr. Chu Chia-Hsiang, Mr. Ko Ping Keung and Ms. Hui Hiu Ching, who are independent non-executive Directors, has been formed to advise the Independent Shareholders on the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) and the adoption of the Revised Annual Caps. In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) and the adoption of the Revised Annual Caps.

## 1.8 Internal Control

The following internal control policies and procedures are adopted by the Company to ensure that the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) (the “**Continuing Connected Transactions**”) are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as whole:

- (i) the finance department and the legal compliance department of the Company will review all execution contracts under the Continuing Connected Transactions in order to ensure that (a) the terms and conditions of the Continuing Connected Transactions are fair and reasonable; (b) the terms and conditions of the Continuing Connected Transactions are in the interests of the Company and the Shareholders as whole; (c) the terms and conditions of the Continuing Connected Transactions are comparable with terms and conditions of transactions with Independent Third Parties and; (d) the terms and conditions of the Continuing Connected Transactions are capable of being executed. The finance department and the legal compliance department of the Company will regularly review the implementation of the Continuing Connected Transaction Agreements;
- (ii) in considering whether to purchase products from the related parties, the purchase department of the Company will seek quotations from at least two suppliers which are Independent Third Parties offering the same or comparable products and compare them with the quotations provided by the related parties. The Group will purchase from the related parties if the price and quality of the products offered by them are comparable to or more favourable to the Group than those offered by such Independent Third Parties for the same or comparable products;
- (iii) the price of the products produced by the Group selling to the related parties will be determined by the sales and finance departments of the Company with reference to the cost of raw materials and production costs of the Group as well as profit margin, which is expected to be comparable to the level of profit to be derived from the same or similar products selling to the customers who are Independent Third Parties, subject to adjustments based on the delivery schedule, specifications and market competition. If the Group did not provide similar or comparable products to any Independent Third Party, the price will be determined by the Group with reference to the selling price of the same or comparable products in market;

- (iv) the finance department will maintain monthly statistics on the transaction amounts of the Continuing Connected Transactions, and will communicate with the sales and purchase department of the Group in time for possible future changes in the maximum amount of each Continuing Connected Transaction and reasons for such changes. In order to ensure that the transaction amounts of the Continuing Connected Transactions will not exceed the relevant annual caps, the Company will set up the annual caps in its Enterprise Resource Planning System. A buffer will be maintained for each Continuing Connected Transaction to allow the management to monitor and control the actual transaction amount of each Continuing Connected Transaction. If the cumulative actual transaction amount of the Continuing Connected Transactions reaches 80% of the annual caps, the finance department will maintain weekly statistics on the actual transaction amounts instead and will give risk warnings to the sales and purchase departments of the Group and the senior management in time. In the event of the need to revise the annual caps of the Continuing Connected Transactions due to market environment and business development needs, the finance department will report to the Board immediately for the Board to consider and arrange the relevant Listing Rules compliance procedures in time. In the event that any terms or conditions of the Continuing Connected Transactions (including but not limited to pricing) is discovered to be unfair or not in accordance with normal commercial terms, the finance department will immediately report to the Board and the audit committee of the Company for amendment and rectification;
- (v) the independent non-executive Directors of the Company and the external auditor of the Company will conduct annual review of the Continuing Connected Transactions to ensure compliance with the Listing Rules;
- (vi) the audit committee, which comprised of all the independent non-executive Directors of the Company, and the external auditor of the Company will review and analyze the implementation of the Continuing Connected Transactions in the annual reports of the Company to ensure that the Continuing Connected Transactions are fair and reasonable; and
- (vii) the Company will arrange compliance trainings by its legal adviser, external auditor or other external consultants for the Directors, senior management and staff from the relevant departments of the Company from time to time, primarily focusing on the rules relating to connected transactions under Chapter 14A of the Listing Rules.

## **2. PROPOSED ADOPTION OF THE NEW SHARE SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME**

As the Existing Share Option Scheme will expire on 12 November 2024, the Board proposes to adopt the New Share Scheme to enable the Company to grant share options and/or share awards to selected eligible persons as incentives or rewards for their contribution or potential contribution to the development and long-term growth of the Group, as well as to attract and retain talents.

In view of the amendments of Chapter 17 of the Listing Rules which took effect on 1 January 2023 and as the scheme mandate limit is required to apply to all share schemes of the Company, the Company proposes to terminate the Existing Share Option Scheme upon the adoption of the New Share Scheme.

The adoption of the New Share Scheme is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be allotted and issued by the Company in respect of the share options and share awards that may be granted pursuant to the New Share Scheme.

The Existing Share Option Scheme will, prior to the adoption of the New Share Scheme, remain in full force and effect, and the Board may grant new share options under the Existing Share Option Scheme prior to the adoption of the New Share Scheme. As at the date of this announcement, the number of share options available for grant under the Existing Share Option Scheme is 78,350,130 (representing approximately 6.61% of the existing issued share capital of the Company).

**3. GENERAL**

A circular containing, amongst other things, (i) details of the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) and the proposed adoption of the Revised Annual Caps, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the proposed adoption of the Revised Annual Caps, (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the proposed adoption of the Revised Annual Caps, (iv) details of the New Share Scheme, (v) a notice convening the EGM, together with the related proxy form and any other information as may be required under the Listing Rules, is expected to be despatched to the Shareholders as soon as practicable. It is currently expected that the circular will be despatched to the Shareholders on or about 12 June 2024 which is more than 15 business days after the publication of this announcement as additional time is required to finalize the contents of the circular.

**4. DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires.

“Announcement”	the announcement of the Company dated 18 December 2023 in relation to the Continuing Connected Transaction Agreements and the transactions contemplated thereunder
“Automated Equipment and Software”	has the meaning ascribed to it under the section headed “1.3 The Xiamen Zhonghui Supplemental Agreement – Subject matter” of this announcement
“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, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1478)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction Agreements”	the Heyuan Youhua Purchase Agreement, the Huangshi C-Flex Electronic Purchase Agreement and the Xiamen Zhonghui Supply Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Revised Annual Caps and the adoption of the New Share Scheme
“Existing Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 13 November 2014
“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”), a company established in the PRC with limited liability which is 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 company established in the PRC with limited liability 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



“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 itself and on behalf of its subsidiaries) for a term from 1 January 2024 to 31 December 2026 (both days inclusive)
“Heyuan Youhua Supplemental Agreement”	the supplemental agreement dated 20 May 2024 entered into between the Company (for itself and on behalf of its subsidiaries) and Heyuan Youhua (for itself and on behalf of its subsidiaries) to amend and supplement the Heyuan Youhua Purchase Agreement
“HK\$”	Hong Kong dollar, 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.”), a company established in the PRC with limited liability which is wholly-owned by Shenzhen Handi
“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 itself and on behalf of its subsidiaries) for a term from 1 January 2024 to 31 December 2026 (both days inclusive)
“Huangshi C-Flex Electronic Supplemental Agreement”	the supplemental agreement dated 20 May 2024 entered into between the Company (for itself and on behalf of its subsidiaries) and Huangshi C-Flex Electronic (for itself and on behalf of its subsidiaries) to amend and supplement the Huangshi C-Flex Electronic Purchase Agreement
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chu Chia-Hsiang, Mr. Ko Ping Keung and Ms. Hui Hiu Ching, to advise the Independent Shareholders on the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) and the adoption of the Revised Annual Caps

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements) and the adoption of the Revised Annual Caps
“Independent Shareholders”	all Shareholders other than the Shareholders with a material interest in the transactions contemplated under the Continuing Connected Transaction Agreements (as supplemented by the Supplemental Agreements)
“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, as amended, supplemented or otherwise modified from time to time
“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
“New Share Scheme”	the share scheme proposed to be adopted by the Company at the EGM

“PCBs”	has the meaning ascribed to it under the section headed “1.2 The Huangshi C-Flex Electronic Supplemental Agreement – Subject matter” of this announcement
“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 a controlling shareholder of the Company and wholly-owned by Mr. He as at the date of this announcement
“Revised Annual Caps”	the revised annual caps for the three years ending 31 December 2026 for the transactions contemplated under the Continuing Connected Transaction Agreements, details of which are set out under the sections headed “1.1 The Heyuan Youhua Supplemental Agreement”, “1.2 The Huangshi C-Flex Electronic Supplemental Agreement” and “1.3 The Xiamen Zhonghui Supplemental Agreement” of this announcement
“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
“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.”), a company established in the PRC with limited liability which is owned as to 90% by Mr. He
“Shenzhen Handi”	深圳市漢迪創業投資有限公司 (transliteration “Shenzhen Handi Venture Capital Investment Co., Ltd.”), a company established in the PRC with limited liability which 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 to it under the Listing Rules
“Supplemental Agreements”	the Heyuan Youhua Supplemental Agreement, the Huangshi C-Flex Electronic Supplemental Agreement and the Xiamen Zhonghui Supplemental Agreement

“VCM Components”	has the meaning ascribed to it under the section headed “1.1 The Heyuan Youhua Supplemental Agreement – Subject matter” of this announcement
“Westalgo Great China”	Westalgo (Great China) Inc., a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by QT Investment 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 86.65% by Hangzhou CK as at the date of this announcement
“Xiamen Zhonghui Supplemental Agreement”	the supplemental agreement dated 20 May 2024 entered into between the Company (for itself and on behalf of its subsidiaries) and Xiamen Zhonghui (for itself and on behalf of its subsidiaries) to amend and supplement the Xiamen Zhonghui Supply Agreement
“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, 20 May 2024

*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 Ms. Hui Hiu Ching.*