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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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Q Technology (Group) Company Limited (the “**Company**”) dated 15 July 2025 in relation to the Proposed Transaction (the “**Announcement**”). Unless otherwise specified, capitalised terms used in this announcement have the same meanings as those defined in the Announcement.

The Company would like to provide the following supplemental information regarding the Proposed Transaction.

Selection of Comparable Companies

The Valuer is Pensar Advisors Private Limited, a registered valuer under section 247 of the Companies Act 2013 of India. The Valuer has considered the business profile of Q Tech India, including its sector (being electronics manufacturing – mobile components), products (being camera and fingerprint recognition modules – single components in the smartphone value chain), business model (being contract manufacturing or original equipment manufacturing (“**OEM**”) supply), and revenue source (being sale of camera modules to device manufacturers). As disclosed in the Announcement, a total of five comparable listed companies (the “**Comparable Companies**”) are selected by the Valuer. Such Comparable Companies were selected based on quantitative and qualitative filters including, among others, (i) business relevance, as determined by having 50% or more of revenue attributable to electronics hardware/component manufacturing; (ii) product and tech alignment, as determined by their involvement in electronics manufacturing services (“**EMS**”), printed circuit boards (“**PCBs**”) assemblies, and optical or electronic modules; (iii) size, as determined by recording revenue of more than INR800 million; and (iv) their listing status on Indian stock exchanges, namely National Stock Exchange of India Ltd. (“**NSE**”) and/or Bombay Stock Exchange (“**BSE**”), with at least 1 year of trading data. The Valuer considers that the selection criteria ensure the selected peers (a) are focused on hardware and embedded systems, not diversified into unrelated sectors; (b) reflect integrated operations from engineering and design to volume production, aligning with Q Tech India’s end-to-end model; (c) cater to similar end-use categories, being smartphones, surveillance, automotive and security; (d) reflect a mix of OEM and original design manufacturing (ODM) models and mid-sized EMS firms; (e) are a set of companies with sufficient operating history and comparable enterprise value; and (f) reflect appropriate comparability of financial and operational risks including customer concentration, product focus and capex-led growth. Based on the above, the Valuer considers that the selected five Comparable Companies represent an exhaustive list of comparable listed peers to Q Tech India after having excluded three outliers (the “**Outliers**”) due to their significantly larger or smaller scale than, or deviation from the principal businesses of, Q Tech India.

The details of the Comparable Companies and the Outliers considered by the Valuer are as follows:

No.	Company name	Stock code/Exchange	Principal business	Percentage of revenue attributable to electronics hardware/component manufacturing (approximate)	Location	EV/Profit multiple ^{(3) (4)}	Market capitalisation (approximate INR million) ⁽⁵⁾
<i>The Comparable Companies</i>							
1.	Cellecor Gadgets Limited ("Cellecor Gadgets")	NSE SME ⁽¹⁾ : CELLECOR	EMS with importing, design and assembly of mobile hardware, including camera modules and fingerprint module related peripherals	>80%	India	41.4x	7,250
2.	DCX Systems Ltd. ("DCX Systems")	NSE: DCXINDIA	EMS with defense and embedded systems manufacturing including imaging modules and PCBs	>80%	India	46.1x	29,030
3.	Genus Power Infrastructures Ltd. ("Genus Power")	NSE: GENUSPOWER	EMS with embedded electronics for smart metering and power infrastructure electronics, including sensors and communication modules	>70%	India	29.2x	116,550
4.	Kaynes Technology India Ltd ("Kaynes Technology")	NSE: KAYNES	EMS with embedded system and subsystem manufacturing, including assembly for camera and fingerprint devices in consumer segment	>80%	India	52.0x	408,870
5.	Sahasra Electronics Solutions Limited ("Sahasra Electronics")	NSE SME ⁽¹⁾ : SAHASRA	EMS and PCBs manufacturing, including camera module assembly	>80%	India	32.0x	6,700

No.	Company name	Stock code/Exchange	Principal business	Percentage of revenue attributable to electronics hardware/component manufacturing (approximate)	Location	EV/Profit multiple ^{(3) (4)}	Market capitalisation (approximate INR million) ⁽⁵⁾
<i>The Outliers</i>							
6.	Amber Enterprises India Ltd (“Amber Enterprises”)	BSE: 540902 NSE: AMBER	EMS with manufacturing of air conditioner products and components ⁽⁶⁾	>80%	India	111.6x	261,190
7.	Dixon	BSE: 540699 NSE: DIXON	EMS across diverse product lines ⁽⁷⁾	>70%	India	24.5x	1,001,240
8.	Panache Digilife Limited (“Panache Digilife”)	NSE: PANACHE.NS	EMS with information and communications technology (ICT) and Internet of Things (IoT) devices design, manufacturing, distribution and services ⁽⁸⁾	>50%	India	15.0x	3,039

Notes:

- (1) NSE SME stands for National Stock Exchange for Small and Medium Enterprises.
- (2) All sources of data for calculation are from the annual reports of the relevant companies available on the relevant stock exchange website.
- (3) Adjusted for size/segment relevance. “Profit” refers to profit after tax.
- (4) The median, mean and lower quartile of the EV/Profit multiple of the five Comparable Companies are 41.4x, 40.1x and 32.0x respectively.
- (5) As at the last trading day prior to the date of this announcement, i.e. 6 August 2025.
- (6) Amber Enterprises is considered by the Valuer as an Outlier primarily because (among others) it has a significantly larger scale as compared to Q Tech India (i.e. approximately 5 times in terms of revenue), its revenue is skewed towards manufacturing of heating, ventilation and air conditioning (HVAC) and components which are not core mobile componentry, and it is not a component specialist for mobile phones.
- (7) Dixon is considered by the Valuer as an Outlier primarily because (among others) it has a significantly larger scale as compared to Q Tech India (i.e. approximately 20 times in terms of revenue), and it has diverse product lines (including mobile phones, home appliances, telecom equipment, lighting solutions and computing devices).
- (8) Panache Digilife is considered by the Valuer as an Outlier primarily because (among others) it has a significantly smaller scale as compared to Q Tech India, its historical profitability has been erratic with inconsistent margins, and also because of its valuation volatility due to thin trading volumes.

The financial information of the Comparable Companies and the Outliers considered by the Valuer are as follows:

No.	Company name	Revenue (INR million)	Profit after tax (INR million)	Enterprise value* (INR million)
<i>The Comparable Companies</i>				
1.	Cellecor Gadgets	10,259.8	304.3	12,610.8
2.	DCX Systems	11,796.3	355.4	16,382.9
3.	Genus Power	25,217.4	2,926.8	85,463.7
4.	Sahasra Electronics	1,272.6	71.05	2,271.6
5.	Kaynes Technology	35,909.5	2,884.2	149,927.3
<i>The Outliers</i>				
6.	Amber Enterprises	100,465.8	2,511.5	280,240.1
7.	Dixon	388,803.3	12,325.8	301,905.2
8.	Panache Digilife	1,168	58.6	880.2

* Adjusted for debt, cash and preference shares

As the cost or asset-based approach was not considered applicable for the valuation of Q Tech India (please refer to the paragraph headed “Valuation Approach and Methodology” below for details), the respective net assets value of the Comparable Companies and the Outliers have not been considered by the Valuer.

Valuation Approach and Methodology

The Valuer has selected the market comparable approach for the valuation of Q Tech India. Q Tech India operates in the electronic component manufacturing space (specifically in high-volume, contract-based supply of camera modules) where market valuations are typically driven by observed trading multiples of comparable public companies. On the other hand, having considered Q Tech India has a history of losses and is in the early stages of scaling operations despite the profit recorded during the financial year ended 31 March 2025, the Valuer considers that the adoption of the income approach would involve significant forecasting assumptions and may not reflect real-world investor pricing behavior. In contrast, the market approach allows for valuation benchmarking against peers with similar business models, capital structures, and industry dynamics, and thus provides a more grounded and investor-aligned perspective on fair value.

The Valuer has also considered the cost or asset-based approach, which is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the subject company is to be liquidated i.e. it does not meet the “going concern” criteria or in case where the assets base dominates earnings capability. The Valuer considers that the cost or asset-based approach is not appropriate for Q Tech India as it is a going concern, and its core value lies in its earnings capacity, customer relationships, and scalable manufacturing platform rather than in the standalone value of its physical assets.

Selection of Multiples

In arriving at the valuation of Q Tech India, the Valuer adopted the EV/Profit multiple. The Valuer is of the opinion that the EV/Profit multiple has the following advantages: (i) it reflects the true operating performance of Q Tech India as it considers both the enterprise value and the bottom-line profitability, making it a comprehensive indicator of a company's value relative to the earnings available to shareholders after all expenses; (ii) it captures capital structure impact and is appropriate when comparing companies with varying capital structures, as enterprise value ("EV") includes debt and equity, while profit reflects post-interest, post-tax performance; (iii) it is neutral to accounting differences in depreciation because as compared to earnings before interest and tax ("EBIT") or earnings before interest, taxes, depreciation and amortization ("EBITDA"), net profit captures the actual impact of depreciation or amortization and financing costs, which are relevant for Q Tech India given its asset-heavy manufacturing business and expected significant capital expenditure over the next five years; (iv) it aligns with investor focus as profit-based multiples are often used by equity investors and acquirers who focus on returns on equity or shareholder earnings; and (v) it provides a better relative comparison as opposed to other margin-based metrics such as EBITDA or EBIT which may present distorted pictures due to inconsistent cost absorption given the loss history of Q Tech India, and with the recent turnaround from loss to profitability of Q Tech India, the EV/Profit multiple provides a cleaner anchor for fair value assessment.

The other multiples are excluded for the following reasons: (i) EV/sales multiple ignores profitability and is not suitable for companies with fluctuating or negative margins like Q Tech India in recent years; (ii) EV/EBITDA multiple excludes impact of depreciation and interest, but such impact is significant in capital-intensive, leveraged businesses like electronics manufacturing, being the principal business of Q Tech India; (iii) EV/EBIT multiple does not capture interest and tax impacts and is less aligned with shareholder-level profitability; and (iv) price/earnings multiple ("**P/E multiple**") becomes unreliable with negative or low profits, and is generally preferred when comparing across capital structures.

Valuation Adjustments

As disclosed in the Announcement, the enterprise value of Q Tech India was arrived at after applying the lower quartile EV/Profit multiple of the Comparable Companies, a size discount of 27.5% and a marketability (unlisted) discount of 25.0% (for a total effective discount of 45.625%). The adopted size discount is based on recognized valuation studies such as Duff & Phelps, Damodaran and Mergerstat, which concluded that smaller companies often trade at lower valuation multiples, and the fact that the scale of production of Q Tech India is less than 50% of the average production output of comparable companies in terms of production bases, labour size, quantities, etc. The adopted marketability (unlisted) discount is based on recognized valuation studies such as Duff & Phelps which observed that private companies have no accessible market for their equity, inherently carry higher illiquidity risk leading to a 15% to 25% discount, and the fact that Indian stock exchanges are some of the highest valuation exchanges globally, and therefore the Valuer has taken the higher side of the range. The lower quartile is adopted to reflect Q Tech India's relatively weaker positioning compared to its listed peers, taking into account customer concentration risk, scale of operations and lack of patent technology of Q Tech India. The Valuer is of the view that adopting the lower quartile multiple ensures that the valuation remains anchored in market evidence, yet conservatively reflects Q Tech India's transitional stage and business constraints without overstating its worth, and is therefore fair and reasonable. As for the valuation discounts, they were applied in determining the final equity of Q Tech India in order to reflect key business limitations. In this regard, the Valuer considers that a size discount of 27.5% could account for Q Tech India's modest scale of operations and limited product diversification relative to the Comparable Companies. Other comparable companies such as Kaynes Technology and Cellegor Gadgets established more than 10 manufacturing hubs across India and has a wide product range of mechanical components, firmware design capabilities and relevant patents. As for the marketability discount of 25%, the Valuer considers that it could reflect Q Tech India's unlisted status, which entails reduced liquidity and a longer time horizon for potential exit. These discounts, although quantitative in nature, are grounded in qualitative considerations around risk, investor accessibility and operational maturity. The Valuer is of the view that they together could ensure the derived valuation appropriately reflects Q Tech India's relatively constrained position while remaining anchored to observable market data.

The Adopted Valuation

Based on the above, the valuation amount of Q Tech India arrived at by the Valuer was INR10,946 million (rounded) (equivalent to approximately RMB913.06 million). Such amount is calculated based on (i) a net profit after tax of Q Tech India for the year ended 31 March 2025 of approximately INR705.53 million, multiplied by (ii) the EV/Profit multiple of 32.0x (being the lower quartile EV/Profit multiple of the Comparable Companies), multiplied by (iii) the effective discount of 45.6%, deducted by (iv) debt of Q Tech India as of 31 March 2025 of approximately INR2,396.28 million, and added by (v) cash of Q Tech India as of 31 March 2025 of approximately INR1,066.38 million.

The Total Consideration of INR5,530 million payable by Dixon (subject to final valuation and agreement to be set out in the Transaction Documents) for a total of 51% equity interest in Q Tech India would imply a post-investment valuation of Q Tech India of approximately INR10,850 million. The difference between the implied post-investment valuation of INR10,850 million and the adopted valuation of the Valuer of INR10,946 million is INR96 million (or approximately 0.9%).

The Board's View

In view of the above, the Board agrees with the Valuer and considers that (i) the selection criteria of the Comparable Companies is fair and reasonable; and (ii) the selection of the market comparable approach and EV/Profit multiple are appropriate. Accordingly, the valuation of Q Tech India and the consideration (which does not materially deviate from the adopted valuation) are fair and reasonable.

Other information

As at the date of the Binding Term Sheet and this announcement, Q Tech India is owned as to 90% by Q Tech Singapore and 10% by Q Tech International. The Share Purchase and the Share Subscription are intended to be inter-conditional and completed simultaneously.

As at the date of this announcement, save for the Proposed Transaction, the Company has no intention, understanding, negotiation or arrangement to downsize, discontinue or dispose of its existing businesses. The Company may, depending on the Group's business, financial and other conditions and the prevailing market circumstances from time to time, acquire or dispose of assets or businesses.

Warning: Shareholders and potential investors of the Company should note that, the Proposed Transaction is subject to, inter alia, the execution of the Transaction Documents and fulfillment (or waiver, where applicable) of the Conditions. Accordingly, there is no assurance as to whether the Proposed Transaction can be consummated. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 7 August 2025

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.