

Q Technology Group Limited
Chairman's Address

Dear Shareholders

On behalf of the Directors I am pleased to welcome shareholders to the Annual General Meeting of Q Technology Group.

The Company's financial results and full year accounts are set out in the annual report. In the year ending 30 June 2016 revenue decreased by 8.0% to \$21.9 million.

On a consolidated basis we reported a net loss after tax of \$3.5 million. As set out in the Directors Report normalised results for the year resulted was a loss of \$1.1 before tax compared to \$1.1 million profit for comparative normalised period in 2015.

The financial result included a range of charges related to provisions for legacy Samsung and Tyco inventory and elimination of intangible assets from the balance sheet which was done in consultation with the Auditor during the year-end review process.

Corporate

During the year changes occurred in the finance function with Andrew Phillips CFO joining the business (15 years' experience at Hills Limited in their security technology business). Edmond Tern (former CFO) moved into a non-executive director role following his departure as CFO from the business.

With an eye to the future the business has embarked on a review of its internal infrastructure and commenced a centralisation process to remove decentralised branch infrastructure and associated costs. Centralisation of procurement and logistics under the guidance and leadership of Andrew Phillips (CFO) has already commenced and a significant layer of costs have been removed as state branches are streamlined into sales offices as inventory and management functions gets consolidated. Rob Rosa CEO will provide more details on this initiative later.

The reduction in operating costs will be important to ensure that QTG remains competitive in future as the margins continue to be pressured from the commoditisation of product and services in the security technology sector.

QRSciences Security Pty Ltd ("QSS")

QRSciences Security Pty Ltd is the operating arm of Q Technology Group trading as Q Security Systems ("QSS"). QSS focuses on importation and distribution of CCTV cameras, digital video recorders, security video management systems and access controls.

The business has rebuilt its revenues since losing Tyco product distribution in 2015 financial year with FLIR/DVTEL, NUUO, Bosch, Dahua brands contributing strongly to the turnaround over the last 12 months previously reported.

The business continues to manage its balance sheet through a period of repair with stock levels being systematically reduced by \$2m since 30 June 2016. In addition, the rights issue undertaken in the September 2016 has raised \$1.1m which has led to further improvement in the overall net asset position.

The board continues to work with several parties in order to place the remaining \$0.898m shortfall available under the rights issue which is required to support the working capital needs of the business during the 2017 financial year.

Rob Rosa our Managing Director will provide more detail on the business in his presentation.

Corporate governance

Our compliance with corporate governance practices at Q Technology Group Limited is included the Annual Report. The Board is confident that our governance structure is in place and is properly administered.

Management has continued to refine our risk management procedures and to implement our business strategies to leverage the capabilities of the company.

Outlook

Balance sheet management and working capital rationalisation has been a feature of the management effort in the business over the last 4 months as we have progressively reduced stock holdings and improved working capital management. This focus has enabled the business to operate notwithstanding small losses and meet all its obligations. Without the remainder of the rights issue funding, working capital will remain tight for the foreseeable future and this together with tightening credit terms from some suppliers is constraining the business from achieving its potential.

We are actively managing a potential dispute with one major supplier who has recently applied payments for new deliveries against outstanding debts which has reduced our access to high moving stock lines and has constrained sales during November and could impact the next few months. Should this potential dispute arise then alternative supply arrangements will be sourced in order to meet our customers' needs, to this end some product substitution has already been successful.

As a listed company we lack the required scale to carry the ASX listing costs and related overheads and deliver satisfactory earnings per share. We will continue to seek opportunities in the coming year to unlock value to shareholders either through merger with similar synergistic businesses or divestment.

On behalf of the Directors we wish to thank the senior management teams and all employees for their hard work, commitment and customer service focus across all segments during the year and also thank our customers and shareholders for their continuing support.

Douglas Potter
Chairman
Q Technology Group Limited
23 November 2016