



Borqs Technologies, Inc.

Ticker: (Nasdaq: BRQS)

UPDATED Research Report

Sector: Technology
Industry: Software - Application
Website: www.Borqs.com

Page 1 of 11

as of Sept 8, 2023

Speculative Buy: 6 Month Target Range \$1.00 - \$1.20

COMPANY

Borqs Technologies, Inc. ("Borqs" or "the Company"), founded in 2007, incorporated in the British Virgin Islands, with a U.S. office in Santa Clara, CA, and operating globally with research and development centers in Asia, is an end-to-end wireless product solutions provider for mobile telecommunications and Internet of Things (IoT) markets. Leveraging its proprietary Android-based cloud-enabled commercial-grade platform software, the Company provides worldwide contracted design, development and manufacturing services for leading chipset manufacturers, including Qualcomm, Intel, Freescale and Marvell, multinational original equipment manufacturers, such as LG Electronics, Micromax, Acer, Dell, Motorola, Vizio and Coolpad, as well as major mobile network operators around the globe, counting AT&T, Sprint, Verizon, China Mobile, Orange, Reliance Jio, Vodafone, Telefonica, Telcel and Claro. With presence in China, India, the U.S., Japan and South Korea, Borqs employs over 330 people and deploys its products on four continents. Trading on NASDAQ under the symbol BRQS since its August 2017 reverse merger transaction with a Special Purpose Acquisition Company (SPAC) formerly known as Pacific Special Acquisition Corp., Borqs is uniquely positioned to exploit the rapidly growing IoT and 5G technology trends as possibly the only independent publicly-listed in the U.S. provider of innovative end-to-end solutions for the ubiquitous Android operating system platform. In October 2021, the Company acquired a 51% interest in Holu Hou Energy LLC (HHE) (today 49%) which is a leading solar energy company based in Hawaii. HHE recently signed a large multi-year contract with Lendlease, a leading real estate and investment group that manages almost 8,000 homes for the U.S. Army on Oahu, to install its solar energy plus storage system on the residential compounds of the military base at Pearl Harbor. HHE also recently entered the California market which is a multi-billion dollar market. The recently signed multi-year agreement is to install HHE systems at 6,000 privatized housing units at Island Palm Communities.

PRODUCTS

Borqs produces a wide variety of connected mobile and IoT devices. Smart devices include smartphones and tablets, devices for vertical segments (ex. rugged smartphones for extreme work conditions, restaurant ordering tablets, and more), wearables such as smart watches, automobile infotainment systems, and more.



In the IoT segment the Company offers complete IVI solutions, M2M computing and communications enabling, and smart city solutions (selected for use by the Chinese government), including road traffic sensors, lighting control, re-routing gates, and digital billboard access. The company also currently provides solar energy plus storage systems through HHE. The Company's products operate on customized integrated BorqsWare platforms utilizing scalable proprietary software elements, including base chipset solutions supporting various radio network and application processors, functionality enhancements of the open source Android software and mobile operator required services. The connected devices business unit assists customers from design and ideation all the way to commercialization of their connected devices. Borqs provides design engineering, software IP development (as IoT devices are highly customized and require special software, Borqs has developed a large number of software libraries that can be used for various products), hardware design, and manufacturing logistics assistance.

Key Statistics

| | | |
|-------------------------------|----------|--------|
| Price | 9/8/2023 | 0.16 |
| 52 Week High | | 1.13 |
| 52 Week Low | | .14 |
| Avg. Vol (30 days)M | | 1.32 |
| Market Cap (Interday)M | | 30.0 |
| Price/Sales (TTM) | | .59 |
| Common Shares Outstanding (M) | | 190.1 |
| Float(M) | | 82.0 |
| EPS(TTM) | | (1.48) |
| Beta | | 1.66 |

Source: Yahoo Finance / Nasdaq

Recent Highlights

- **8/22/23** The Company announced the Committee on Foreign Investment in the United States (CFIUS) has granted the Company an extension from the original deadline of September 15, 2023 to January 1, 2024 to complete the divestment of its subsidiary, Holu Hou Energy LLC (HHE).
- **7/17/23** Borqs Technologies, Inc., today announced its plans to develop an AI-enabled smart watch as part of its expansion strategy into artificial intelligence (AI) for the U.S. market. The AI-enabled smart watch is positioned as an Edge AI device.
- **6/13/23** The Company announced its plans to further expand into artificial intelligence, leveraging its deep IoT expertise across industries. Beyond Borqs' current product line for water and energy reservation for smart city applications, the Company plans to accelerate development of consumer-oriented devices and solutions with artificial intelligence capabilities.
- **6/7/23** The Company announced that The Nasdaq Stock Market LLC ("Nasdaq") has provided written notice dated June 2, 2023, that the Company is eligible for an extension until October 24, 2023, to regain compliance with Nasdaq's minimum \$1 bid price requirement, as set forth in Nasdaq's Listing Rule 5550(a)(2) (the "Bid Price Rule"). The Company has explained to the Nasdaq Panel that the sale of our solar subsidiary, Holu Hou Energy LLC ("HHE") may bring forth a significant liquidity position and can positively affect our stock price.

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Page 2 of 11

UPDATED

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The Company has a history of several industry-leading innovative applications, introducing the first Android video telephony solution at a time when it was not supported on the open source platform, developing the first smartphone for a proprietary TD-SCDMA 3G network of China Mobile Ltd. (HKG: 0941), named the OPhone, which was later adapted as Android+ by Dell Technologies Inc. (NYSE: DELL) for its product line-up in the U.S., and pioneering a pipeline of the world's first 4G Android wearables, including smart and fitness watches for children and adults, based on Snapdragon Wear™ chipsets developed by Qualcomm Incorporated (NASDAQ: QCOM). Notably, the Company also launched an FDD/TDD (frequency division duplex/time division duplex) combined carrier aggregation high-speed 4G Android phone, as well as other device solutions, including POS (point-of-sale) terminals playing a major role in the rapid growth of Reliance Jio, an Indian mobile carrier owned by Reliance Industries Limited (NSE: RELIANCE).

In addition to numerous consumer mobile telecom devices, the Company provides specialized solutions for enterprise applications, such as rugged industrial handsets, including push-to-talk phones for Sonim Technologies (NASDAQ: SONM) and tablets for Juniper Systems in the U.S., and anti-explosion phone for ECOM Instruments in Germany, as well as IoT IVI solutions for Zhejiang Geely Holding Group Co. Ltd (HKG: 0175) in China, restaurant tablets for E la Carte on behalf of Applebee's and personal safety alert trackers for GreatCall, a wholly-owned subsidiary of Best Buy Co., Inc. (NYSE: BBY) in the U.S. The Company is also currently in development of 5G products for phones and hotspots.

Borqs continues to innovate and diversify its product offering. Some recent news include winning a project to manufacture a rugged 5G phone for a North American company to be deployed in industries such as oil & mining, agriculture, etc., announced on March 8, 2023. On March 13th, 2023, Borqs announced the advancement of its 2-wheeler smart cluster dashboard into the Taiwanese motorcycle market. Borqs future vision is to transform the company into a leading AIoT solutions provider. In June 2021, Borqs begun delivery of cellular CTA-2045 EcoPort, which will play an important role in smart cities by optimizing the on/off schedule based on each household's usage pattern, grid prices and carbon emissions, leading to energy savings and carbon emission reductions. On July 17th, 2023, the Company announced its plans to develop an AI-enabled smart watch, initially targeting seniors in the United States.

TECHNOLOGY BACKGROUND

The Company is a veteran contributor to the buildout of the Android open-source operating system (OS) deployed by Google in 2007, which along with Apple's iOS essentially marked the advent of smartphones and shaped global mobile telecommunications until present days. Collaborating with Google's Open Handset Alliance (OHA) members since July 2007, even prior to the group's formal formation later in November that year, the Company is a licensed Google Mobile Services (GMS) partner with access to Google's proprietary set of applications and application program interfaces (APIs) that support functionality across all Android-based devices. As a certified original design manufacturer (ODM) for GMS, the Company offered customized commercial-grade Android platform software design and production management services to original equipment manufacturers (OEMs), continually expanded its network operator relationships and gradually penetrated the mobile device supply chain to integrate diverse hardware components, as well as network solutions required by IoT applications, including cloud services, security protocols and payment processing, for use in a myriad of specialized vertical applications.

Most importantly, Borqs formed strategic ODM partnerships with mobile chipset manufacturers, which provided access to the foundation of the connected device development process and cemented the Company's expertise at the system-on-a-chip (SoC) level. The future vision for Borqs is to evolve the company into the global leader in providing AIoT (Artificial Intelligence of Things) solutions. AIoT is the combination of artificial intelligence technology and the internet of things infrastructure. Borqs is well positioned to take advantage of its years-long experience in IoT solutions and to use artificial intelligence technology to unveil new innovative products. Beyond its current product line for water, energy conservation and smart city applications, the Company plans to accelerate the development of consumer-oriented devices and solutions.

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STRATEGIC ADVANTAGES

In light of the ongoing global expansion of 5G networks and expected transformative IoT proliferation, the Company is positioned to capitalize on its highly competitive end-to-end technological capabilities supported by strategic partnerships with chipset providers and sensible asset-light, project-based business model with a global presence.

Leveraging its broad software intellectual property (IP) portfolio of approximately 130 granted and 35 pending patents covering a wide range of chipset-related software, Android enhancement, domain-specific solutions, application-specific features and system performance optimization, the Company has developed dozens of unique products, shipping over 14 million units across eleven countries on four continents.

The Company's marketing advantage centers on strong relationships with mobile chipset manufacturers, which provided significant product development workload and recurring client referrals in the past, most recently and notably with Qualcomm, whose Snapdragon™ series of semiconductor products are at the forefront of 5G network innovation.

Select Blue Chip Customers



Mobile Operators

Enterprises



Chipset Companies



In addition to instant credibility and shorter time-to-market prospects for Borqs' new products, the Qualcomm relationship has led to direct customer introductions in recent years and contributed material business contracts, which are ongoing.

The Company typically services contracts of 50 thousand to 1 million units, avoiding competition from numerous mass-volume ODMs. Following acceptance of customer-specified engineering designs, the Company produces only contracted made-to-order products for final sales without returns.

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The Company's operations within the area will enjoy government supported supply chain financial assistance, favorable equipment leasing programs and local tax incentives, potentially improving Borqs global resource allocation elasticity and efficiency, especially in R&D and manufacturing.

MARKET

Leading in global smartphone prevalence since 2011, Google's Android continues to dominate the mobile OS environment and hence the mobile application market, including IoT platforms.

- Android is inside more than 3 billion active devices globally. Google I/O '23 Keynote.
• Android has a 70.77% of the worldwide mobile OS market share, over Apple's iOS with 28.52%. "Mobile Operating System Market Share Worldwide (Aug 2022 to Aug 2023)" by StatCounter.
• The global mobile application market size was valued at \$208.5 billion in 2022, and projected to reach \$777.4 billion by 2032, growing at a CAGR of 14.4% from 2023 to 2032. Jul 2023 "Global Mobile Application Market" by Allied Market Research.
• The global IoT market size was valued at \$544.38 Billion in 2022 and is expected to grow at a CAGR of 26.1% by 2023 to 2030. Apr 2023 report by Fortune Business Insights.

The global mobile communications market is dominated by a small number of global brands, with Samsung and Apple leading sales by volume. MediaTek led the smartphone SoC market with a market share of 39% by shipments, leading low-mid tier price segment. Qualcomm maintained its strong position in the premium segment and continues to dominate the AP market in terms of revenue.

- Samsung was the largest smartphone vendor in the world based on shipments in Q2 of 2023, holding 20.2% of the market. Apple was the second largest vendor of smartphones in the same quarter.
• The global 5G chipset market is expected to grow at a CAGR of 19.9% in the period of 2023 to 2028.

Annual unit sales have been leveling off since 2015. The global smartphone penetration rate has continued to climb. Average selling prices have been rising for the past 6 years as consumers upgrade to higher-end models. The market is growing due to investments in new technologies such as 5G mobile networks and market leaders' continuous introductions of new innovative products.

- There are 4.6 billion smartphone users globally in 2023, and expected to grow to 5.1 billion in 2028.
• Mobile phone unit sales dropped 11.9% year-over-year in 2022, due to COVID-19 related supply disruptions and falling demand due to worsening economic conditions and rising inflation. However, average selling prices grew as consumers continue to upgrade to higher priced models.

Borqs has strong firms in it's market and many are strategic partners.



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Page 5 of 11

as of Sept 8th, 2023

- The global smartphone market is expected to grow from 1.45 billion units in 2023 to 1.78 billion units in 2028 according to Mordor Intelligence.
- There are now over 1 billion 5G subscriptions worldwide, with new 5G markets continuously emerging. India is the fastest growing 5G market globally.

Smart wearable device growth is driven predominantly by increased consumer adoption and demand for features such as health monitoring.

- 2022 marked the first-ever contraction for shipments of wearable devices, with 2023 shaping up to be the year of recovery. 2023 worldwide shipments are expected to reach 504.1 million units, with forecasted single digit growth until 2027. Earwear is estimated to comprise over 60% of the market share by volume and smartwatches just over 30%.
- The global wearable technology market was valued at \$61.3 billion in 2022 and is expected to grow at a CAGR of 14.6% from 2023 to 2030. Wristwear has the largest market share (about 50%) by revenue.

COMPETITION

The smart device development and production landscape is extremely competitive and fragmented among large multinational mass-production predominantly-Asian companies and smaller specialized firms with different operating strategies engaged in various stages of the supply chain. A significant share of global electronic product realization, including smart devices, is performed by ODMs in Taiwan, which include Foxconn Technology Co., Ltd. (TPE: 2354), a provider of electronics manufacturing services with over 760,000 employees producing the largest share of all consumer electronics sold worldwide, Compal Electronics, Inc. (TPE: 2324), an ODM with a total workforce of 67,000, and Quanta Computer Inc. (TPE: 2382), a manufacturer of mainly notebook computers and other electronic hardware, which employs 77,000 people. The Company competes particularly directly with several much larger ODMs focusing on smart devices based in China, including Wingtech Technology Co., Ltd. (SSE: 600745), with more than 30,000 employees, which has obtained a controlling stake in Nexperia, a Dutch semiconductor manufacturer, BYD Electronic International Company, a large OEM/ODM whose customers included Nokia and Motorola, as well as Huaqin Telecom Technology Co., Ltd., Shanghai Longcheer Technology Co., Ltd., Tinno Mobile Technology Corp., and extremely large global technology and telecommunications companies such as Huawei and Xiaomi. Many of these companies have the capabilities to develop software for mobile chipsets on top of their manufacturing capabilities.

The Company also competes against cloud services providers like Jasper Technologies Inc., acquired by Cisco Systems, Inc. (NASDAQ: CSCO) for \$1.4 billion in March 2016, and to an extent with global software developers that develop platform software, mobile applications and IoT solutions like Neusoft Corporation (SSE: 600718), the first publicly listed (since 1996) software company in China with 20,000 employees worldwide and leading positions in smart city, healthcare, intelligent vehicle, connectivity, enterprise digital transformation, and international software services, Wipro Limited (NYSE: WIT), an Indian information technology solutions provider with over 250,000 employees across 66 countries, and U.S. based companies, such as CA Technologies, a subsidiary of Broadcom Inc. (NASDAQ: AVGO), Cognizant Corporation (NASDAQ: CTSH), Intellectsoft LLC and even Google LLC, a subsidiary of Alphabet Inc. (NASDAQ: GOOGL) or Microsoft Corporation (NASDAQ MSFT). The company also competes with companies seeking to compete with the Android platform by developing their own operating systems, such as Alibaba.

MANAGEMENT

The Company was founded and is managed by high-caliber international communication technology industry veterans, harmonizing India's software development expertise, China's hardware production proficiency and global sales potential.

Pat Chan, Founder, Chairman, President and CEO, has over 20 years of mobile network communications experience, was named the "2012 Beijing Entrepreneur of the Year" by Silicon Dragon and "2016 CEO of the Year" by International Alternative Investment Review.

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Website: www.Borqs.com

Page 6 of 11

as of Sept 8th, 2023

Prior to founding Borqs in 2007, Mr. Chan served as SVP and GM of the infrastructure unit of UTStarcom Inc., a telecom equipment company, where he was responsible for \$1 billion business and 2,000 engineers from 2000 to 2007. He was also an Engineering Manager at Motorola responsible for the development of the GPRS switching. Mr. Chan has a BSc from the University of Toronto and MSc from the University of British Columbia, both in Computer Science.

Anthony Chan, Executive Director of Finance & U.S. Operations, has more than 30 years of cross-border investments, technology transfer projects and business operations experience between China, the U.S. and Europe. Prior to joining Borqs in 2015, he served as President of Asia Sourcing for Portables Unlimited in New York, a distributor of T-Mobile USA from 2013 to 2015; and previously, from 2009 to 2013, as CFO for Tianjin Tong Guang Digital Broadcasting Co. Ltd, a mobile communications products company. Mr. Chan holds BA and MBA degrees from the University of California at Berkeley.

Henry Sun, Chief Financial Officer since October 2021. Previously Mr. Sun founded Reach China LLC, a cross border consulting firm. Mr. Sun was previously the CFO of High Power International, Inc., a lithium battery company listed on the Nasdaq. Mr. Sun holds an MBA at Thunderbird School of Global Management at Arizona State University and a Bachelor of Engineering degree from the Beijing University of Posts and Telecommunications.

Hareesh Ramanna, Executive Vice President and Co-General Manager, has over 25 years of experience in mobile handset software development. Prior to joining the Company in 2009, he served as Senior Director and Head of Mobile Devices Software in Global Software Group, Motorola India Electronic Limited from 1992 to 2008. Mr. Ramanna has a BA in Electronics and Communication from National Institute of Engineering in India and a Post-Graduation Certification from Indian Institute of Science.

Simon Sun, Executive Vice President and Co-General Manager, has more than 20 years of experience in research and development and product engineering in the mobile industry. Prior to joining the Company in 2013, Mr. Sun was the Co-Founder and CEO of Nollec Wireless, Ltd., a mobile handset design house, from 2007 to 2013, and previously, between 2006 and 2007, VP of Engineering for CEC Wireless, mobile handset design house in China. He has a BA in Industrial Engineering from Tianjin University of China.

George Thangadurai, Executive Vice President and President of International Business, has over 20 years of experience in strategy and marketing. Prior to joining Borqs in 2014, he served as GM of Strategy & Product Management at Intel Corporation for the Mobile PC business and GM of Client Services business. Mr. Thangadurai has an MSEE degree in Computer Engineering from the University of Rhode Island and a BE degree in Electronics and Communication from Madurai University in India.

FINANCIALS

According to the 20-F filing published in June 2023, the Company has grown its Net Revenues from \$26.7 million for 2020, to \$29.56 million in 2021, and to \$52.53 million in 2022. Gross Profit has grown from \$1.59 million to \$2.60 million to \$11.11 million in each of the years, respectively. During these three years, the operating loss has gone from \$40.62 million to \$26.15 million to \$0.787 million, respectively.

The net loss from continuing operations has gone from \$36.08 million to \$55.21 million to \$28.94 million. The overall net loss has gone from \$34.78 million to \$56.60 million to \$38.86 million. The Company's balance sheet at year end 2022 reflected \$30.14 million in Total Assets, Total Liabilities of \$41.29 million, and Total Shareholder's Deficit of \$11.15 million.

The Company's investment in HHE is carried in the financial statements as a "discontinued operation", due to its planned divestment by year end. During the past three years, the breakdown between Software and Hardware of net revenues was 39.5% vs 60.5% in 2020; 36.3% vs. 63.7% in 2021; and 24.9% vs. 75.1% in 2022.

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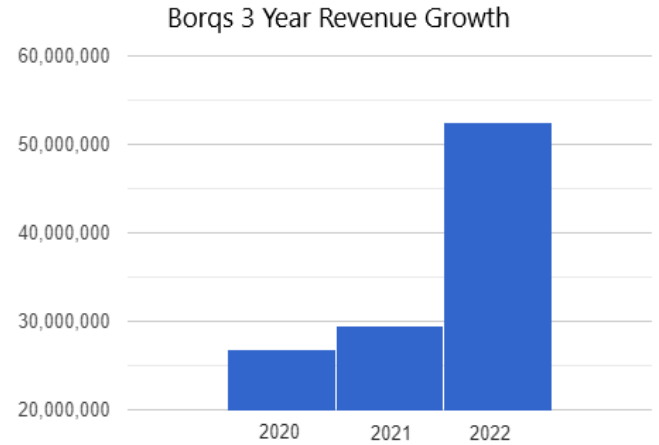
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GROWTH OUTLOOK

Having proven its long-term commitment to sustainable revenue growth from its mobile connected devices for enterprise and consumer applications, the Company's management is determined to continually expand its core business IP with innovative design capabilities and vertical application flexibility, at the same time reaping the shorter-term benefits of rapid growth potential of HHE's innovative clean energy systems. In line with general technology trends, the Company is currently taking steps to supplement its IoT and cloud-enabled product solutions and expand its offering to implement artificial intelligence (AI) technologies by rolling out its "IoT + AI = AIoT" campaign that combines the expertise already found at Borqs with the tremendous growth potential of AI. With global presence and an industry-leading technical competence record, Borqs has the opportunity to grow its AIoT project volume internationally, especially in the U.S., Japan, China, Europe and India, where enhanced connectivity infrastructure of 5G networks and rapid adoption of AI solutions is most prevalent.



Once the divestment of HHE is consummated in the coming months, the management plans to evaluate acquisition opportunities across cloud-based IoT, as well as robotic and AI sectors in North America, Europe and Asia. Leveraging its Qualcomm 5G chip suite licensee status, as well as strong relationships with mobile device OEMs and network operators in these regions, the Company could significantly augment its revenues by capturing a small portion of this huge market, increasingly focusing on high-end connected products. Exploiting growing enterprise digitalization, the Company is also positioned to increase revenue by expanding its customer base for its tested IVI, restaurant, smart home and smart city solutions, and deploying high-value connected IoT devices and cloud-enabled services for vertical applications in various other industries. The Company could also be expected to continually broaden and upgrade its product portfolio of wearables developed on Qualcomm® Snapdragon Wear™, both in terms of smart watches for different segments of the consumer market, as well as various ultra-low-power kid, pet, elderly and fitness trackers based on LTE M1 and NB1 technologies, including medical alert devices already deployed by Best Buy's subsidiary GreatCall (renamed as Lively in 2021), which is a leading provider of connected health and personal emergency response services to the aging population, with more than 900,000 subscribers as of June 2021. Finally, the Company could gradually, at least in a portion of its newly developed products, transition its current work-for-hire designing and contracted manufacturing business model to employing an own-label strategy leading to new recurring service revenue opportunities based on these products and an improved overall profit margin profile for the Company.

In addition to auxiliary revenue streams and higher margins from individual new product solutions designed and owned by the Company, the Borqs-label strategy would also likely improve the longevity of benefits generated from its most successful inventions, alleviating premature termination of client relationships in favor of larger global competitors when a successful product sales volume reaches mass levels, typically beyond 1 million units, which occasionally hindered the Company's growth in the past.

In July this year, the Company announced that in Q3 2023 it will start commercial shipment of next generation CTA-2045 EcoPort smart control products for the smart city market, which will support creation of Grid Interactive Efficient Buildings ("GEBs") that were recently promoted by the Biden administration quoting the "National Roadmap for Grid Interactive Efficient Buildings" report by The Lawrence Berkeley National Lab and The Brattle Group. Developed through a strategic partnership started in 2021 with SkyCentrics, a San Francisco based leader in machine learning, artificial intelligence and CTA-2045 EcoPort connectivity to appliances and large electrical equipment providing building and grid optimization, the product will be provided to utility companies across the U.S. as the platform for smart management of water heaters, pool pumps and other products with EcoPorts.

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Page 8 of 11

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As one of a few companies with a viable solution for the multi-family market, HHE has a significant foothold in Hawaii, one of the largest US markets for behind-the-meter solar, which is rooted in large current and anticipated projects with military affiliated housing. In addition to its flagship engagement with Lendlease to install PV + storage systems on approximately 6,000 privatized military housing units, HHE has continued to secure other significant multi-family residential contracts on various Hawaiian islands this year.

It also holds a significant share of the single-family residential market and is also well known for commercial installations in Hawaii. In the pipeline are thousands of units of multiple dwellings residential solar+storage systems throughout California and Hawaii.



Borqs is leading 5G and smart-phone technology.



Mobile devices embedded with Borqs software

HHE DIVESTITURE

Following a mandate from Committee on Foreign Investment in the United States ("CFIUS"), the Company is on a verge of selling its interest in HHE, its renewable clean energy subsidiary providing design-to-service solar photovoltaic ("PV") plus energy storage systems. In December 2022, CFIUS has notified the Company that it has identified risks to US national security related to foreign proximity to US military personnel and installations arising as a result of Borqs's investment in HHE. Pursuant to a National Security Agreement signed with CFIUS in March 2023, Borqs transferred its ownership in HHE into a Divestment Trust, which is now under the supervision of Donald R. Kendall, Jr., an independent trustee appointed by the Company. Mr. Kendall has an extensive background of over four decades in investment management, including his role as the Chairperson of the Special Committee of the Board of Directors of SolarCity Corporation, supervising the sale of SolarCity to Tesla, Inc. (Nasdaq: TSLA) in 2016 for \$2.6 billion. Borqs has also selected and engaged, with approval from CFIUS, the firm of Cantor Fitzgerald & Company to be the exclusive investment banker for its divestment of HHE.

Since Borqs' financial support of HHE, which began with the acquisition of HHE in October 2021, HHE has signed multiple contracts with customers in Hawaii for the deployment of HHE's solar energy plus storage system and EnergyShare technology for Multi-Dwelling Residential Units (MDUs), such as the Lendlease Island Palm Communities project ("IPC") in Honolulu for large military personnel housing compounds announced in April 2023, which the Company expects to generate well into nine-figures revenues for HHE, when completed. Located on seven Army Installations on Oahu, IPC is made up of twelve communities and 42 neighborhoods, representing the largest residential privatized project awarded by the US Army through a 50 year partnership with Lendlease. Lendlease (www.lendlease.com) is a leading integrated global real estate and investment group with 7,600 employees and a \$124 billion development pipeline in gateway cities across Australia, Asia, Europe and the Americas.

Lendlease and HHE began initial planning in 2021, which culminated in constructing a pilot project in May 2022. Since then, the project has been operating with outstanding results across six residential units, leading to the signed contract for HHE to install 6,000 units with the first installation to begin in 2023.

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Borqs Technologies, Inc.

Ticker: (Nasdaq: BRQS)

UPDATED Research Report

Sector: Technology
Industry: Software - Application
Website: www.Borqs.com

Page 9 of 11

as of Sept 8th, 2023

VALUATION

As of March 31, 2023, significant institutional investors (5% or more of the Company's interests) hold nearly 48.6% of outstanding ordinary shares, while Directors and Executive Officers hold nearly 9.5%, based on a 175,383,130 figure, disclosed in the latest 20-F filing (p.92). Together with other strategic venture funds and institutions, which hold less than 5% each, the Company has a broad base of committed investors, who are not likely to dispose of their holdings at the current price level, even if the shares were registered and free-trading, without subject to customary limitations.



The Company's current depressed valuation of \$30.0 million at \$0.158 per share as of closing on Sep 8, 2023 represents just 0.59 of its annual 2022 revenues of \$52.54 million. The revenue-based valuation of other companies competing for the same market is far more favorable. Based on data provided by Reuters as of market close on September 3, 2023, Wipro Limited (NYSE: WIT), an Indian information technology solutions provider, trades at 2.36 times revenues for the year ended in March 2023, while Wingtech Technology Co., Ltd. (SSE: 600745), a Chinese ODM specializing in smart devices, commands twelve-trailing-months price-to-revenue multiple of 0.97, based on the latest financials from the quarterly report from June 2023.

In comparison to its industry counterparts, the Company appears significantly undervalued on revenue basis. Aligning the valuation of BRQS' legacy business with a price-to-revenue multiple of 1.0, based on net revenues and outstanding shares reported for the year ended on December 31, 2022 in the latest 20-F form filed in May 2023 would translate to a market capitalization of \$52.5 million, or \$0.30 per share.



A HoluPower xP system consisting of 9.6kW of AC power with 16.4kWh of energy storage.

In addition to value assigned to Borqs based on ongoing core business revenues, the BRQS share price should reflect the Company's 49% ownership interest in HHE based on its established project base and short-term orderbook pipeline in Hawaii, as well as an even greater HHE revenue potential in California, the value of which is expected to be realized in cash upon completion of the planned divestiture of HHE in the next few months.

Currently, HHE has secured the flagship/monumental contract with Lendlease at Island Palm Communities for the installation of solar+storage systems for 6,000 units, with the first phase of construction to begin within this year. We estimate that other projects that HHE is pursuing will result in a similar amount of units, with at least one half of the contracts to be secured by the end of this year.

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Currently, HHE has an already-contracted MDU order book that will bring in revenues of well over 9-figures spread over the next several years, and based on our estimate, at least another 50% of the same amount of new contracts are to be secured in the near term in California and Hawaii.

The Californian market, albeit at a much earlier stage of penetration by HHE, represents an even greater long-term opportunity. Conservatively assuming a revenue multiple of 1.0 (not reflecting a valuation premium typical for revenues stemming from novel industry-transforming technologies, such as the HHE EnergyShare and EnergyCluster solutions), the contracted HHE future sales alone could possibly yield HHE, in our estimation, a valuation approaching \$1 billion, or near \$490 million to Borqs for its 49% stake.

Although the pressure from CFIUS to execute the HHE divestment in a timely fashion may ultimately have a damping effect on the HHE sale price, the Company is already in discussions with multiple bidders, which is a positive factor potentially leading to competition between bidders and resulting price escalation. With 175,383,130 outstanding shares reported by Borqs for the year ended on December 31, 2022 and an HHE valuation potentially worth \$1 billion, or near \$490 million for Borqs' stake. BRQS shares could potentially surpass \$1.00 in the next few months in anticipation of the divestiture. Readers should also be aware of the risk factors outlined in the Company's recent 20-F filing with the SEC.

In summary, we believe that the Borqs shares at the current levels offer a great upside potential with relatively limited downside risk.

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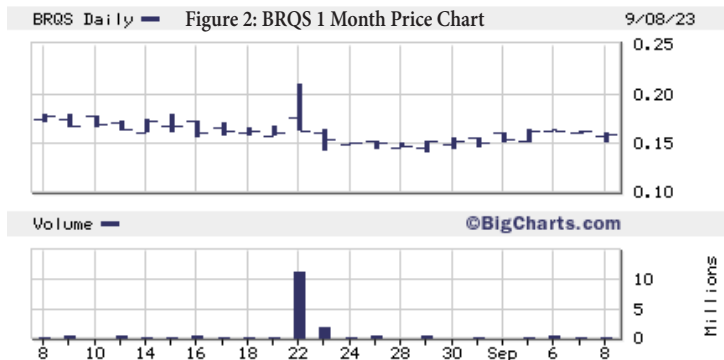


Table with 3 columns for FY 12/31/20, FY 12/31/21, and FY 12/31/22. Rows include Income Statement (Revenue, Gross Profit, Oper Loss/income, Net Loss/Income), Balance Sheet (Current Assets, Total Assets, Total Liabilities, Total Shareholder's Deficit), and Cash Flow Statement (Operating Cash Flow, Investing Cash Flow, Financing Cash Flow, Cash at end of period).

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The author(s) of this report holds a financial interest in the securities of this company and also has a six month agreement for investor relations.

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