

# MQ

TECHNOLOGY BERHAD

200301033383 (635804-H)



Committed to **Growth**

ANNUAL REPORT **2020**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Tong Sian Shyen

*Executive Director / Chief Operating Officer*

### Terence Cheah Eu Lee

*Executive Director*  
(Appointed on 3 July 2020)

### Gerald Nicholas Tan Eng Hoe

*Non-Independent Non-Executive Director*  
(Re-designated on 21 August 2020)

### Dato' Lim Char Boo

*Senior Independent Non-Executive Chairman*  
(Re-designated on 26 August 2019)

### Paulinus Mojiun

*Independent Non-Executive Director*

### Hong Eng Kwee @ Hong Eng Hwe

*Independent Non-Executive Director*  
(Appointed on 16 August 2019)

### Mohd Anuar Bin Mohd Hanadzlah

*Independent Non-Executive Chairman*  
(Retired on 25 June 2019)

### Wong Ken Hong

*Executive Director*  
(Resigned on 29 May 2019)

### Datuk Haw Chin Teck

*Independent Non-Executive Director*  
(Appointed on 20 July 2018 and Resigned on 08 April 2019)

### Dato' Danny Chan Hau Kin

*Independent Non-Executive Director*  
(Vacated on 25 February 2019)

### Bernard Lim Soon Chiang

*Independent Non-Executive Director*  
(Appointed on 12 October 2018 and Resigned on 29 January 2019)

## AUDIT COMMITTEE

### Hong Eng Kwee @ Hong Eng Hwe

*Chairman*  
*Independent Non-Executive Director*  
(Appointed on 16 August 2019)

### Paulinus Mojiun

*Member*  
*Independent Non-Executive Director*  
(Re-designated on 26 August 2020)

### Dato' Lim Char Boo

*Member*  
*Senior Independent Non-Executive Chairman*  
(Appointed on 25 February 2019)

### Mohd Anuar Bin Mohd Hanadzlah

*Member*  
*Independent Non-Executive Chairman*  
(Ceased on 25 June 2019)

### Dato' Danny Chan Hau Kin

*Member*  
*Independent Non-Executive Director*  
(Ceased on 25 February 2019)

### Bernard Lim Soon Chiang

*Member*  
*Independent Non-Executive Director*  
(Appointed on 12 October 2018 & Ceased on 29 January 2019)

## RISK MANAGEMENT COMMITTEE

### Hong Eng Kwee @ Hong Eng Hwe

*Chairman*  
*Independent Non-Executive Director*  
(Appointed on 16 August 2019)

### Dato' Lim Char Boo

*Member*  
*Senior Independent Non-Executive Chairman*  
(Re-designated on 26 August 2019)

### Paulinus Mojiun

*Member*  
*Independent Non-Executive Director*

### Tong Sian Shyen

*Member*  
*Executive Director / Chief Operating Officer*  
(Appointed on 5 March 2019)

### Wong Ken Hong

*Member*  
*Executive Director*  
(Ceased on 5 March 2019)

## CORPORATE INFORMATION (CONT'D)

### REMUNERATION COMMITTEE

**Dato' Lim Char Boo**

*Chairman*

*Senior Independent Non-Executive Chairman*

(Re-designated on 26 August 2019)

**Paulinus Mojiun**

*Member*

*Independent Non-Executive Director*

**Hong Eng Kwee @ Hong Eng Hwe**

*Member*

*Independent Non-Executive Director*

(Appointed on 16 August 2019)

**Tong Sian Shyen**

*Member*

*Executive Director / Chief Operating Officer*

(Appointed on 26 August 2019)

**Mohd Anuar Bin Mohd Hanadzlah**

*Chairman*

*Independent Non-Executive Chairman*

(Ceased on 25 June 2019)

**Dato' Danny Chan Hau Kin**

*Member*

*Independent Non-Executive Director*

(Ceased on 25 February 2019)

**Bernard Lim Soon Chiang**

*Member*

*Independent Non-Executive Director*

(Appointed on 22 November 2018 & Ceased on 29 January 2019)

### NOMINATION COMMITTEE

**Dato' Lim Char Boo**

*Chairman*

*Senior Independent Non-Executive Chairman*

(Re-designated on 26 August 2019)

**Paulinus Mojiun**

*Member*

*Independent Non-Executive Director*

**Hong Eng Kwee @ Hong Eng Hwe**

*Member*

*Independent Non-Executive Director*

(Appointed on 16 August 2019)

**Mohd Anuar Bin Mohd Hanadzlah**

*Chairman*

*Independent Non-Executive Chairman*

(Ceased on 25 June 2019)

**Dato' Danny Chan Hau Kin**

*Member*

*Independent Non-Executive Director*

(Ceased on 25 February 2019)

**Bernard Lim Soon Chiang**

*Member*

*Independent Non-Executive Director*

(Appointed on 22 November 2018 & Ceased on 29 January 2019)

### COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)

SMS Practising Certificate No. 201908000410

### AUDITORS

Jamal, Amin & Partners (AF 1067)

No. 62-2, 1<sup>st</sup> Floor, Jalan 2/23A

Off Jalan Genting Klang

Taman Danau Kota, Setapak

Tel: (603) 4142 1626

Fax: (603) 4142 1601

### REGISTERED OFFICE

Level 2, Tower 1, Avenue 5

Bangsar South City

59200 Kuala Lumpur, Malaysia

Tel: (603) 2241 5800

Fax: (603) 2282 5022

### HEAD OFFICE

506, Block D, Pusat Dagangan Phileo Damansara 1

No. 9, Jalan 16/11

Off Jalan Damansara

46350 Petaling Jaya

Selangor Darul Ehsan

Tel: (603) 7931 5701

### PRINCIPAL PLACE OF BUSINESS

Plot 86-B, Lintang Bayan Lepas 9

Bayan Lepas Industrial Park 4

11900 Bayan Lepas

Penang, Malaysia

Tel: (604) 646 5888

Fax: (604) 644 6888

Web: [www.mqtech.com.my](http://www.mqtech.com.my)

### SOLICITORS

Zaid Ibrahim & Co

Wei Chien & Partners

### PRINCIPAL BANKERS

Hong Leong Bank Berhad

CIMB Bank Berhad

### SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3

Bangsar South, No. 8, Jalan Kerinchi

59200 Kuala Lumpur, Malaysia

Tel: (603) 2783 9299

Fax: (603) 2783 9222

### STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Stock Name: MQTECH

Stock Code: 0070

Warrant Name: MQTECH-WA

Stock Code: 0070WA

Expiry Date: 21 November 2021

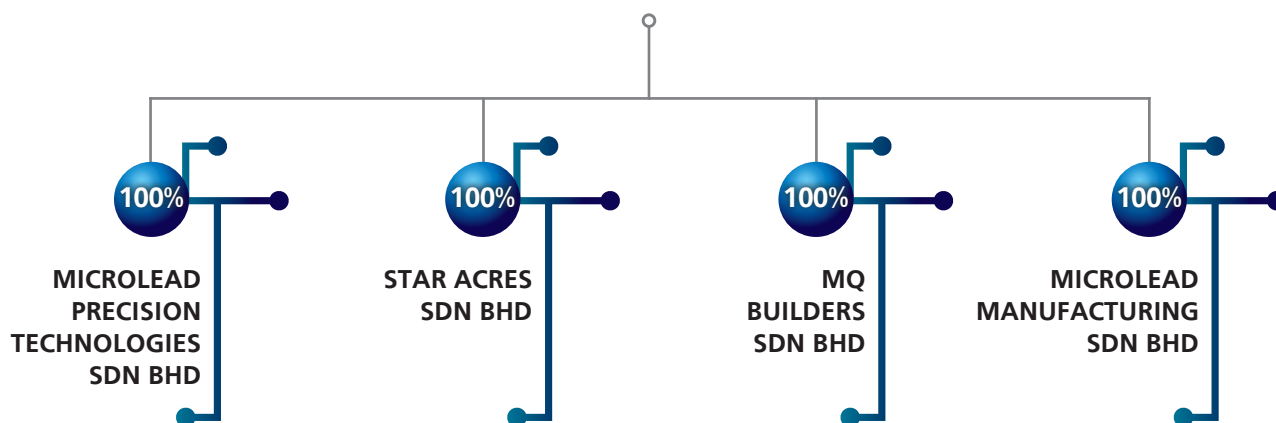
## CORPORATE STRUCTURE

MQ

TECHNOLOGY BERHAD

## MQ TECHNOLOGY BERHAD

200301033383 (635804-H)



MQ Technology Berhad ("MQ") was incorporated in Malaysia on 2 December 2003 as a private limited company under the name of MQ Technology Sdn Bhd. Subsequently, on 13 February 2004, it was converted to a public limited company and since then assumed its present name.

The details of the subsidiaries of MQ as at the date of this Annual Report are summarised below:-

Company	Date / Place of Incorporation	Effective Equity Interest %	Principal Activities
MICROLEAD Precision Technology Sdn Bhd	12.12.1995/ Malaysia	100.00	(i) Manufacture of moulds, tools, dies, jigs and fixtures mainly for use in the manufacture of hard disk drives (ii) Design, development and manufacture of advanced suspension tooling, progressive tooling, semiconductor cavity/encapsulation moulds for application in hard disk drives and semiconductor industries (iii) Design, development and manufacture of advanced automation modules/ assemblies for digital data storage, medical instrument systems/devices and optoelectronics applications and related components
Star Acres Sdn Bhd ("SA")	25.11.2014/ Malaysia	100.00	Investment Holding
MQ Builders Sdn Bhd	06.07.2020/ Malaysia	100.00	Property and project development related activities
Microlead Manufacturing Sdn Bhd ("MM")	16.07.2020/ Malaysia	100.00	Manufacture of car spare parts, plastics moulds, metal moulds and blowing moulds for plastic products, tooling, jig and fixtures for electronic and semiconductor

# MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors of MQ Technology Berhad, it is my pleasure to present to you the Management Discussion and Analysis (“MDA”) on the Group. The objective of this MDA is to provide shareholders with a better understanding and an overview of the Group’s business, operations, financial position in the year 2020 and outlook for the year 2021.

## OVERVIEW

MQ Technology Berhad (MQ) is listed on the ACE Market of Bursa Securities under the Industrial Products category.

The company has an issued share capital of RM 57,642,423 comprising 724,289,484 shares at 07/10/2020.

## GROUP’S BUSINESS AND OPERATIONS

MQ Technology Berhad is an investment holding company which has subsidiaries Microlead Precision Technology Sdn Bhd (“Microlead”), Star Acres Sdn Bhd and MPT Solution Co., Ltd (“MPT”) (incorporated in Thailand, disposed in April 2019), under its group of companies. The Group’s core business is in the tooling fabrication and automation through its subsidiaries Microlead and MPT which together formed the Manufacturing Division. Our subsidiary Star Acres Sdn Bhd had entered into a subscription and shareholders’ agreement (“SSA”) with Cash Support Sdn Bhd to entry into the theme park business. The renamed up of MQ Builders Sdn Bhd (fks MQIM) will diversify the group activity into property development related business.

### Manufacturing Division

The Group’s manufacturing mainly revolves around the manufacture of moulds, tools, dies, jigs and fixtures mainly for use in manufacture of hard disk drives, the design, development and manufacture of advanced suspension tooling, progressive tooling, semiconductor cavity/encapsulating moulds and advanced automation modules/assemblies for application in hard disk drives, semiconductor industries, digital data storage, medical instrument systems/devices and optoelectronics applications and related components.

### Theme Park Division

The Group ventured into the theme park industry via the signing of the SSA. The subsidiary, Star Acres Sdn Bhd will be holding 51% equity interest in the joint venture company upon completion of the SSA. The joint venture company will be principally involved in the development and carrying on the business of theme park via the development of the project land in Klebang, Melaka which is proposed to be known as Malacca Explorer Resort – Dive Park Zone. At this juncture, the development of the theme park is uncertain and the management will reassess the viability of the theme park project after completion of SSA.

## FINANCIAL PERFORMANCE

The Group revised its year ended from Dec 2019 to June 2020. During the period of 18 months, the group recorded a revenue of RM 12.65 million for year ended 2020 as compared to RM 24.65 million registered in the preceding year 2018, representing an decrease of RM12 million or 48.68%. The higher decrease in revenue is attributable by non-contribution of revenue from MPT after disposal of equity interest in April 2019.

High margin from rapid tooling segment has improved gross profit for the current financial year as compared to previous financial year despite of lower revenue registered by the Group in the current year. The Group adopt more vibrant strategy by continuous improving in house facilities and reliance less on outsources work in progress, on time delivery based on schedule are factors contributing to lower cost of sales, thus giving good returns. Sales from prototyping and automation segment were consistent in the current year. However, margin was not encouraging compared with rapid tooling segment.

In the current financial year, the Group also posted a Gross profit of RM 0.942 million as compared to Gross profit of RM 4.33 million in the previous financial year. This much lower in gross profit is attributable to lower margin of Rapid Tooling business and loss of contribution from MPT after its disposal.

As for the Theme Park segment, as at 30 June 2020, the Subscription and Shareholders’ Agreement between the subsidiary, Star Acres Sdn Bhd and Cash Support Sdn Bhd has yet to be completed pending the transfer of shares and payment to authority. The theme park business will not be kick start soon and therefore will not be contributing revenue to the group in the near future.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2020, the Group's balance of cash and cash equivalent at RM 0.66 million compared with RM 6.25 million preceding year. The drops in liquidity is attributable to retire a bank overdraft against a fixed deposit receipt. The preceding year's cash and cash equivalent consist of Fixed deposit of RM 5 mil and interest accrued.

In this current financial year, the group's trade and other receivable balance stood at RM 25.25 million down from RM 26.33 million in previous financial year. The trade and other payable balance at RM 3.03 million for current year compared with RM 4.03 million last year.

The Group's had retired bank overdrafts during the financial period ended 30 June 2020 Correspondingly, the cash and cash equivalent for fixed deposits receipt was reduced to zero after offsetting with bank overdraft. The bank borrowing is made up of short and long term's hire purchase facility.

### OUTLOOK

The Hard Disk Drive ("HDD") industry had been a significant revenue contributor for the Group's Rapid Tooling segment in the past. However, the tooling business from the HDD industry in recent years has gradually been declining and the company is refocusing more on the Prototype and Automation segment as well as to look for opportunities for the tooling business by producing fabricated precision products on large scale production and components used in medical and other industries such as electronics, laser and test and analytical instrument. Sales to the HDD industry is expected to remain sustainable in the short term due to increased demand for storage driven by the popularity of social media and cloud computing.

The management is also of the view that the manufacturing industry in which the Group is operating is becoming increasingly competitive and in light of the situation, the group has diversified into the theme park business following signing of the SSA agreement with Cash Support Sdn Bhd. The theme park business is not commencing yet and the viability of theme park project will be reassessed upon fulfilment of unprecedented conditions. To diversify the revenue stream in future for the group, the company is refocused on property development after the recent MOA was signed with owner of the vacant land in Penang for intended to develop into Service Hotel.

### ACKNOWLEDGEMENTS

The financial period ended 30 June 2020 was truly a challenging year for the Group as sales from the HDD industry remained to be seen as potential contribution to group sales, However, we are optimistic and confidence that the new business from existing customers and new customers will help to improve the performance of the Group for the next few financial years. Though we are facing unprecedented covid-19 pandemic and global economic slowdown, however, due to our strong network presence in the regional countries, we are able to mitigate the business downturn confidently.

I wish to express my sincere and heartfelt gratitude and appreciation to my fellow directors, management and staff for their dedication and commitment.

To all our valued suppliers, distributors and customers, we would like to thank you for your continuous support and trust on us. To our bankers, business associates, advisors and the regulatory authorities, thank you for your cooperation, trust and confidence given to us.

Last but not least, thank you for all our valued shareholders for your belief in MQ Technology Berhad.

*Executive Director*

## PROFILE OF DIRECTORS

### TONG SIAN SHYEN

*Executive Director/Chief Operating Officer*

Malaysia, Male, aged 56

Mr. Tong Sian Shyen was appointed to the Board as an Executive Director on 4 March 2019 and was subsequently appointed as Chief Operating Officer on 3 July 2020. He is a member of Risk Management Committee and Remuneration Committee.

He is a member of Malaysian Institute of Accountant, associate member of Chartered Institute of Management Accountant (ACMA) and Chartered Global Management Accountant (CGMA). He is also an associate member of Chartered Tax Institute of Malaysia (ACTIM). He has extensive experience in accounting, finance, taxation and corporate finance.

He has more than 30 years of financial, management and HR experience in a wide array of industries which includes manufacturing, Information Technology, Mobile Application & Digital Marketing, Construction, Property Development, Assembler, Timber & Logging and Agriculture produce, etc.

He started his career in commercial firm with CI Holding group as Assistant Manager in charge of the operation and financial management of a divisional unit. He later moved to SME industries for a couple of years company specializing in debts and equity restructuring and financial management and reporting. In year 2009, he joined PLC company, Dolomite Group as Finance & Administrative Manager. In year 2010, he left Dolomite and joined NWP Group as Financial Manager for 4 years. He rejoined the company in 2017 as a Group Accountant. At end of 2018, he served as Chief Financial Officer for INIX Technology Berhad. He left NWP and INIX and joined MQ Technology as Financial Controller until he was appointed as Executive Director.

Mr. Tong does not hold any other directorships in other listed entities. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and its subsidiaries.

He has not been convicted of any offences (other than traffic offences) within the past 5 years. Mr. Tong attended nine (9) Board meetings held during the financial period ended 30 June 2020.

### TERENCE CHEAH EU LEE

*Executive Director*

Malaysia, Male, aged 47

Mr. Terence Cheah was appointed to the Board as an Executive Director on 3 July 2020. He has more than 12 years experience in Food and Beverage Industries and having good networking in the corporate world.

Mr. Terence Cheah started his career with Fairway Logistic (M) Sdn Bhd ("Fairway") since 2004. He is currently the Managing Director of Fairway.

Mr. Terence Cheah is an Independent and Non-Executive Director in Multi Sports Holdings Ltd. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and its subsidiaries.

He has not been convicted of any offences (other than traffic offences) within the past 5 years. Mr. Terence Cheah do not attend any Board meetings held during the financial period ended 30 June 2020 as he was appointed on 3 July 2020.

## PROFILE OF DIRECTORS (CONT'D)

### GERALD NICHOLAS TAN ENG HOE

*Non-Independent Non-Executive Director*

Malaysian, Male, aged 51

Mr. Gerald was appointed to the Board as an Executive Director on 4 July 2017 and subsequently re-designated as Non-Independent Non-Executive Director on 21 August 2020.

Mr. Gerald has a Bachelor of Economics degree from the University of Western Australia and an MBA from the Graduate School of Business, The University of Sydney.

Mr. Gerald, is a successful entrepreneur and investor with extensive experience in interactive television, mobile and new media businesses as well as Gaming and Leisure industry throughout Asia, Europe and Australia.

He started his career as an Investment Banker in Malaysia and Australia. After returning to Malaysia in 2000, Mr. Gerald embarked on his entrepreneurial career by founding one of the earliest mobile technology companies in Malaysia, which was later sold to a Scandinavian mobile technology company.

Mr. Gerald founded and successfully exited several other technology and interactive media companies.

Since 2012, Mr. Gerald has been an active investor, investing in technology, online games and gaming and leisure businesses both in Asia as well as Australia. He was previously the Chairman of MNC Wireless Berhad and was also a Non-Executive Director of Donaco International Limited, a company listed on the Australian Securities Exchange.

Mr. Gerald does not hold any other directorships in other listed entities. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and its subsidiaries.

He has not been convicted of any offences (other than traffic offences) within the past 5 years. Mr. Gerald attended nine (9) Board meetings held during the financial period ended 30 June 2020.

### DATO' LIM CHAR BOO

*Senior Independent Non-Executive Chairman*

Malaysian, Male, aged 66

Dato' Lim was appointed to the Board as an Independent Non-Executive Director on 1 July 2015 and subsequently appointed as Chairman of the Board on 26 August 2019. He is the Chairman of Remuneration Committee Nomination Committee and member of Audit Committee and Risk Management Committee.

Dato' Lim pursued his studies in various places, he graduated from University of Malaya with B.Sc (Hons), an Advance Dip in Business Administration at the same university and holds a LLB (Hons) from University of London.

Dato' Lim started his police career on 28 February 1982 as cadet Assistant Superintendent with 11 months of basic training programme. He was a CID investigation officer for 2 years in police district in Johor Baru. From 1985-1989 he served as an intelligence official in Special Branch. In 1989, he was transferred to Commercial Crime Department to carry out investigation work mostly on corporate fraud and banking cheating cases. From 1996-2003, he was promoted to Superintendent and assuming the post of Deputy OCPD in Kuantan Pahang involving all aspects of police duties and management. In 2003, he was transferred to Terengganu as Assistant Commissioner, holding the post of OCCI, i.e. State Head for all CID matter. In 2006, he was promoted to Senior Assistant Commissioner as Unit Head in Anti Money Laundering Unit in Commercial Investigation Department at Bukit Aman.

Dato' Lim does not hold any other directorships in other listed entities. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and its subsidiaries.

He has not been convicted of any offences (other than traffic offences) within the past 5 years. Dato Lim attended ten (10) Board meetings held during the financial period ended 30 June 2020.

## PROFILE OF DIRECTORS (CONT'D)

### PAULINUS MOJIUN

*Independent Non-Executive Director*

Malaysian, Male, aged 67

Mr. Paulinus was appointed to the Board as an Independent Non-Executive Director on 14 March 2017. He is the member of Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee.

Mr. Paulinus is a member of the Malaysian Institute of Accountants.

He worked with Sabah Urban Development Corporation (a subsidiary of Sabah Economic Development Corporation) for more than 20 years and served in various capacities. His last position was as Senior Manager (Finance).

He is a Board member of the Yayasan Penyelidikan Antartica Sultan Mirzan (YPASM) and was previously a Board Member of Lembaga Koko Malaysia, a member and past President of the Rotary Club of Penampang, Sabah and a Treasurer of the Board of Governors of SM St. Michael's School, Penampang, Sabah. He served as a Council Member of the Penampang District Council for 3 years until 2013.

Mr. Paulinus does not hold any other directorships in other listed entities. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and its subsidiaries.

He has not been convicted of any offences (other than traffic offences) within the past 5 years. Mr. Paulinus attended nine (9) Board meetings held during the financial period ended 30 June 2020.

### HONG ENG KWEE @ HONG ENG HWE

*Independent Non-Executive Director*

Malaysian, Male, aged 60

Mr. Hong was appointed to the Board as an Independent Non-Executive Director on 16 August 2019. He is the Chairman of Audit Committee and Risk Management Committee and member of Nomination Committee and Remuneration Committee.

Mr. Hong is accredited by the Institute of Internal Auditors Inc., United States as an Internal Quality Assessor and obtained his postgraduate qualification as a Certified Internal Auditors with the Institute. He is also a Fellow Certified Public Accountant of the Hong Kong Institute of CPAs, as well as a Chartered Management Accountant and Chartered Global Management Accountant with the Chartered Institute of Management Accountants, United Kingdom. Whereas, domestically, he is registered as a Chartered Accountant with the Malaysian Institute of Accountants.

He has over 35 years experience in the fields of external audit, taxation, accounting, internal audit and secretariat, in large firms/ conglomerates. He started his career with Big Four accounting firm where he was well grounded in external auditing, taxation and secretarial practices. He later consolidated his experience, in the kindred fields of internal audit and financial management, in publicly listed MNC and conglomerates. In the prevailing regulatory environment, his specialty in corporate governance and risk management, including accreditation as an Internal Quality Assessor of the Institute of Internal Auditors, United States, has stood him in good stead.

Mr. Hong does not hold any other directorships in other listed entities. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and its subsidiaries.

He has not been convicted of any offences (other than traffic offences) within the past 5 years. Mr. Paulinus attended five (5) Board meetings held during the financial period ended 30 June 2020 as he was appointed as Director on 16 August 2019.

## KEY SENIOR MANAGEMENT

### TEH ENG HUAT

*Director – Microlead Precision Technology Sdn Bhd*  
Malaysian, male, aged 52

Teh Eng Huat heads Microlead Precision Technology Sdn Bhd.

He is the founder of Zoomic Technology (M) Sdn Bhd and Zoomic Automation (M) Sdn Bhd. His qualification and past experience is on electronics engineering and he also holds a Masters of Business Administration from the Southern Pacific University. He has over 20 years' experience as an entrepreneur, starting up new businesses and managing them.

He first ventured into business in 1992 when he set up Zoomic Technology Sdn Bhd to provide electronics design, electro-mechanical turnkey project and manufacturing services to multinational companies based in Malaysia. With Zoomic Automation, he built its automation business to become an established regional supplier exporting mostly to countries in the Asian region. He brings with him extensive business contacts and networks as well as vast hands on knowledge and skills on manufacturing management, business development and marketing.

Mr. Teh was appointed as director of Microlead Precision Technology Sdn Bhd on 17 April 2014.

Mr. Teh does not have any family relationship with any Director of the Company. He is the substantial shareholder of MQ Technology Berhad. He has no conflict of interest in any business arrangements involving the Company and its subsidiaries. He has not been convicted of any offences (other than traffic offences) within the past 5 years.

### LIM SOON SENG

*Director – Microlead Precision Technology Sdn Bhd*  
Malaysian, male, aged 61

Lim Soon Seng heads the administration of Microlead Precision Technology Sdn Bhd and assists on operational matters.

He qualified as a Certified Public Accountant from the Malaysian Institute of Public Accountants in 1986. He is currently a member of the Malaysian Institute of Accountants.

He has over 20 years working experience in audit, treasury and financial management with accounting firms such as Price Waterhouse and Touche Ross, and a multinational, Northern Telecom (Nortel). Besides Malaysia, he has also worked in Thailand.

He was also formerly the Executive Director and Chief Financial Officer of Mlabs Systems Berhad, a public company listed on Mesdaq (now ACE) on KLSE. He was one of the pioneers of Mlabs who has managed and guided Mlabs from a start-up to its eventual listing in 2005. With Mlabs, he played a key role in restructuring and preparing the group for listing. He has also been involved in several start-up companies, helping them to commercialise R&D results and technologies developed by Malaysian public universities.

Mr. Lim was appointed as director of Microlead Precision Technology Sdn Bhd on 26 January 2020.

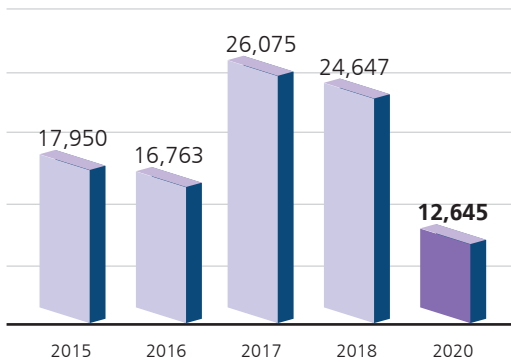
Mr. Lim does not hold any other directorships in other listed entities. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and its subsidiaries.

He has not been convicted of any offences (other than traffic offences) within the past 5 years.

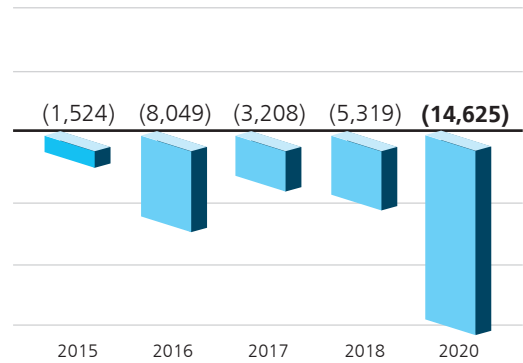
# FINANCIAL HIGHLIGHTS

	Group 2015 RM'000	Group 2016 RM'000	Group 2017 RM'000	Group 2018 RM'000	Group 2020 RM'000
Turnover	17,950	16,763	26,075	24,647	12,645
Loss Before Tax	(1,565)	(7,732)	(3,250)	(5,361)	(13,107)
Loss After Tax	(1,524)	(8,049)	(3,208)	(5,319)	(14,625)
No. of Share assumed in Issue ('000)	260,915	321,971	414,765	497,718	716,539
Loss per Share (sen)	(0.58)	(2.50)	(0.77)	(1.15)	(2.21)

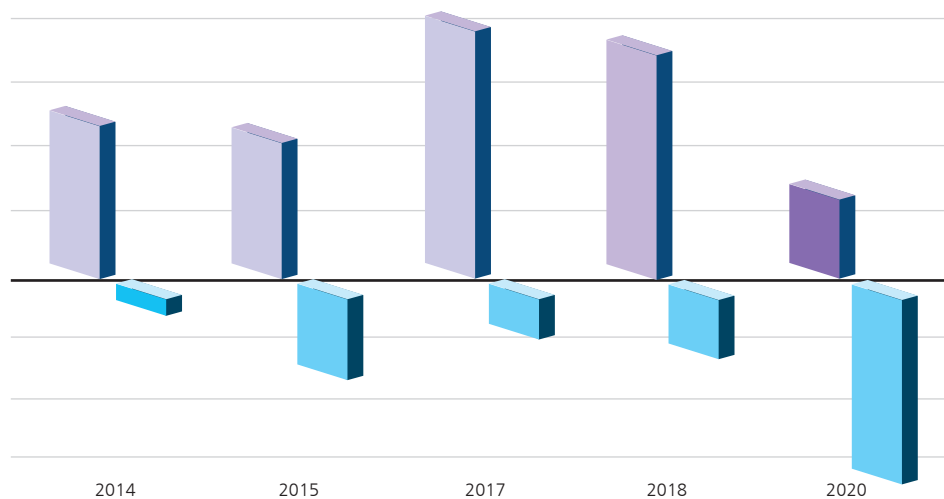
Turnover (RM'000)



Loss After Tax (RM'000)



Turnover vs Profit/(Loss) After Tax (RM'000)



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Malaysian code on Corporate Governance 2017 (“the MCCG 2017” or the “Code”) recommends and lays out the importance of the principles main factor in achieving the governance framework in managing and operating the business of a company.

The Board of Directors (“Board”) of MQ Technology Berhad (“MQ” or “the Company”) is committed to uphold the high standards of corporate governance throughout MQ and its subsidiaries (“the Group”) with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. This Corporate Governance Overview Statement sets out the extent to which the Company has applied the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance (“MCCG”) except where stated otherwise.

Details of the Group’s application of each practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available on the Group’s website at [www.mqtech.com.my](http://www.mqtech.com.my).

## 1. Board Responsibilities

### 1.1 Board Charter and Board Committees

The Board is responsible and is accountable to shareholders for managing the business of the Group. The Board retains full and effective controls of the Company and is committed to take full responsibility for the overall corporate governance of the Group, including its strategic business direction and overall wellbeing.

The Board has retained for itself decisions in respect of matters significant to the Group’s business operations which include the approval of key corporate plans, major business transactions involving either the acquisitions or disposal of business, interests and/or assets, consideration of significant financial matters and announcements of financial results, appointments to the Board and control structure within the Group.

In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting procedures. The key elements of governance principles embedded in the Board Charter regulate the Board’s conducts and guide the business strategic initiative of the Group. The Board Charter is available on the Company’s website at [www.mqtech.com.my](http://www.mqtech.com.my).

The Board has established six (6) Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee, Risk Management Committee, Share Issue Scheme Committee and Investment Committee that are delegated with specific responsibilities and authorities to assist the Board in executing its duties and to provide the Board with recommendations and advice. The delegation of authority to the Committees enables the Board to achieve operational efficiency, by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. Each Committee is governed by its own Terms of Reference which sets out its functions and duties, composition, rights and meeting procedures. These Terms of Reference are reviewed annually in accordance with the needs of the Company and considering the changes in the business, governance and legal environment that may have an impact on the discharge of the Committees’ duties and responsibilities.

The Chairman of the various Committees will report to the Board the outcome of the Committee meetings which will be recorded in the minutes of the Board meeting. The ultimate responsibility for decision making, however, lies with the Board.

### 1.2 Company Secretary

The Board is supported by a qualified secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) and is qualified to act as Company Secretary under the Companies Act, 2016. As a practicing company secretary, she has also attended continuous professional development programmes as required by MAICSA.

The Company Secretary supports the Board in carrying out their fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. The Company Secretary also served as an advisory role to the Board, particularly with regards to the Company’s Constitution, Board’s policies and procedures and various compliance with regulatory requirement, codes, guidelines, legislation and the principles of corporate governance practices.

The Company Secretary circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Board’s reference and brief the Board quarterly on these updates, where applicable at Board meetings. Throughout their period in office, the Directors are continually updated on the Group’s business and the regulatory requirements.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 1. Board Responsibilities (Cont'd)

### 1.2 Company Secretary (Cont'd)

The Company Secretary also attends Board, Board Committee and general meetings, and ensure that deliberations at the meetings are accurately minuted and kept in the minutes books and subsequently communicated to the relevant party for necessary actions. Such minutes of meetings are confirmed by the respective Board Committees and signed by the Chairman of the meeting.

### 1.3 Information and support for Directors

In order to manage the Group's business effectively, the Board meets on a quarterly basis to review the Group's financial and operational results, major investments, report from various Board Committees, related party transactions, strategic decisions and the overall direction of the Group. Additional meetings may be convened when urgent and important decision needs to be taken between the scheduled meetings. All the Directors had committed their time to the Board meetings held during the financial year. Prior to the meetings, notice of agenda together with previous minutes and other relevant information were circulated to all directors on a timely basis in order to enable the directors to be well informed and briefed before the meetings.

Besides Board meetings, the Board also exercise control on matters that require its approval through the circulation of resolutions.

All the Directors have full and free access to all relevant Company's information, access to management and may obtain independent professional advice at the Company's expense that are deemed necessary to carry out their duties, subject to prior consultation with the Chairman.

The External Auditors also briefed the Board members on the latest Malaysian Financial Reporting Standards that would affect the Group's financial statements during the year.

### 1.4 Code of Conduct and Ethics

The Board observes the Code of Conduct and Ethics for the Company Directors established by the Companies Commission of Malaysia in discharging its role effectively. The Code of Conduct and Ethics requires all Directors to observe high ethical business standards and to apply these values to all aspects of the Group's business and professional practices and to act in good faith in the best interest of the Group and its Shareholders.

### 1.5 Whistle-blowing Policy

The Board had adopted the Whistle-blowing Policy that provides a channel to enable employees and other stakeholders to report any suspected breaches of law, regulations or any illegal acts observed in the Group but not limited to financial malpractice or fraud, non-compliance, criminal activity and corruption. The Whistle-blowing Policy is reviewed annually and is available on the Company's website. There were no reported incidents pertaining to whistleblowing during the financial year.

## 2. Board Composition

The principle emphasises the importance of right board composition in bringing value to the board deliberation and transparency of policies and procedures in selection and evaluation of Board members.

The present Board, comprises of six (6) Directors i.e. one (1) Senior Independent Non-Executive Chairman, two (2) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Company complies with the criteria of Bursa Securities' ACE Market Listing Requirements of ensuring that at least two (2) Directors or one-third (1/3) of the Board of Directors, whichever is the higher, are independent directors.

The Executive Directors are responsible for the making of the day-to-day business and operational decisions and implementation of Board policies. There is a clear division of duties and responsibilities amongst them in order to maintain a balance of control, power and authority within the Management.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 2. Board Composition (Cont'd)

The Independent Non-Executive Directors are responsible in exercising independent judgement and to act in the best interests of the Group in ensuring that decisions made by the Board are deliberated fully and objectively with regards to the long-term interest of all stakeholders. They have declared themselves to be independent from management and free of any relationship which could interfere with the exercise of their independent judgement and objective participation and decision-making process of the Board.

The Board is confident that its current size and composition reflects an appropriate balance of Executive Directors and Independent Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.

The Company currently does not have a policy to limit the tenure of its Independent Directors. In compliance with the recommendations of Malaysian Code on Corporate Governance, none of the Independent Non- Executive Directors of the Company has served more than nine (9) years.

### 2.1 Diversity on Board and Senior Management

The Board and the Nomination Committee take into account the current diversity in the skills, experience, age, race/ethnicity (cultural background) and nationality of the existing Board in seeking potential candidate(s). The Committee has the responsibility to ensure that the Board comprises suitably qualified members that demonstrate appropriate qualities and experience that contribute to the effective oversight and stewardship.

During the financial year, two (2) new Directors were appointed. The Board will continue to review the optimum Board size based on the business requirement. The optimal size would enable effective oversight, delegation of responsibilities and productive discussions amongst members of the Board.

### 2.2 Gender Diversity

The Board is committed to maintain an appropriate balance in terms of diversity in experience, skills, competence, caliber and gender in order to have balanced, comprehensive and thorough decision makings. The Board consists of members with a broad range of skills, well-rounded experience and knowledge in different fields relevant to oversee the business. The Board ensures that each member has a proper understanding of the Group's business and competence to deal with current and emerging issues of the Group.

The Board currently does not have a formal policy on its boardroom or gender diversity. The evaluation and selection criteria of a Director are very much dependent on the effective blend of knowledge, skills, competencies, experiences and time commitment of the new Board member. Nonetheless, the Board is supportive of gender diversity in the Boardroom composition as recommended by the MCGG and will endeavour to consider suitable and qualified female candidates for appointment to the Board.

### 2.3 Nomination Committee

The Board has established a Nomination Committee to provide advice and assistance to the Board in matters relating to appointment of new Directors, board composition, training program and performance evaluation on effectiveness of the Board, Board Committees and individual directors. Full details of the Nomination Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

The Nomination Committee comprises exclusively of Independent Non-Executive Directors and chaired by the Senior Independent Non-Executive Director. The Committee meets as and when required, at least once a year. During the financial year, one (1) meeting was carried out, with attendance as follows:

<u>Name of Directors</u>	<u>Designation</u>	<u>No. of Meetings Attended</u>
Dato' Lim Char Boo (Senior Independent Non-Executive Chairman)	Chairman	1/1
Paulinus Mojiun (Independent Non-Executive Director)	Member	1/1
Hong Eng Kwee @ Hong Eng Hwe (Appointed on 26 August 2019) (Independent Non-Executive Director)	Member	1/1

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 2. Board Composition (Cont'd)

### 2.3 Nomination Committee (Cont'd)

<u>Name of Directors</u>	<u>Designation</u>	<u>No. of Meetings Attended</u>
Mohd Anuar Bin Mohd Hanadzlah (Ceased on 25 June 2019) (Independent Non-Executive Director)	Chairman	1/1
Dato' Danny Chan Hau Kin (Ceased on 25 February 2019) (Independent Non-Executive Director)	Member	1/1
Bernard Lim Soon Chiang (Appointed on 22 November 2018 and ceased on 29 January 2019) (Independent Non-Executive Director)	Member	1/1

During the financial year, the Nomination Committee had carried out the following activities:

- (a) assessed the performance of the Board, Board Committees and individual Director, including the term of office and performance of the Audit Committee and each of its members;
- (b) assessed the independence of the Independent Directors;
- (c) reviewed the performance of retiring Directors and recommended them to the Board for re-election at the forthcoming Annual General Meeting ("AGM");
- (d) reviewed the size of the Board against the size of the Group and the complexity of the business to assess the impact of the number upon its effectiveness;
- (e) ensure all Directors receive appropriate continuous training programmes.

### 2.4 Review of proposed Directors for Re-election/Re-appointment

In accordance with Clause 97 of the Company's Constitution, all Directors of the Company shall retire from office at the first AGM and at the AGM in every subsequent year, one-third (1/3) of the Directors for the time being, or if their number is not three or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office.

In accordance with Clause 99 of the Company's Constitution, all newly appointed Directors of the Company during the financial year shall retire at the forthcoming AGM.

Based on the results of the assessment undertaken for the financial period ended 30 June 2020, the Nomination Committee resolved to recommend to the Board that:

- Mr. Paulinus Mojiun who is due to retire pursuant to Clause 97 of the Company's Constitution stands for re-election at the forthcoming AGM.
- Mr. Hong Eng Kwee @ Hong Eng Hwe and Mr. Terence Cheah Eu Lee who are due to retire pursuant to Clause 104 of the Company's Constitution stand for re-election at the forthcoming AGM.

### 2.5 Evaluation of Board, Board Committees and Individual Directors

The Nomination Committee annually performs a board self-evaluation to evaluate the performance of the Board, Board Committees and individual Director, in order to verify that the Board is operating effectively and efficiently as a whole. Each Director completed a detailed questionnaire in the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other things, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 2. Board Composition (Cont'd)

### 2.5 Evaluation of Board, Board Committees and Individual Directors (Cont'd)

Based on the assessment carried out during the financial year, the Nomination Committee had concluded the following:-

- (a) The Board was found to be competent and had a dynamic and balanced mix of skills and experience wherein the Directors were able to contribute effectively to the Board's decision-making process.
- (b) The current structure, size and composition of the Board, which comprises people who possess a wide range of expertise and experience in various fields with diverse backgrounds and specialisations, would enable the Board to lead and manage the Company effectively.
- (c) The Directors had discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.
- (d) The Board and Board Committees had contributed positively to the Company and its subsidiaries and were operating in an effective manner.
- (e) The Board Chairman had performed an excellent manner and contributed to the Board.
- (f) The performances of the Board Committees were found to be effective.

#### 2.5.1 Time commitment

The Board undertakes to meet at least four (4) times a year, which are scheduled in advanced to facilitate the Directors in planning their meeting schedule for the year. During the financial period ended 30 June 2020, ten (10) Board meetings were held and the details of the attendance of the Directors are set out as below:-

Name	Attendance
Dato' Lim Char Boo	10/10
Paulinus Mojiun	9/10
Gerald Nicholas Tan Eng Hoe	9/10
Tong Sian Shyen (Appointed on 4 March 2019)	9/9
Hong Eng Kwee @ Hong Eng Hwe (Appointed on 16 August 2019)	5/5
Terence Cheah Eu Lee (Appointed on 3 July 2020)	N/A
Mohd Anuar Bin Mohd Hanadzlah (Retired on 25 June 2019)	4/4
Wong Ken Hong (Resigned on 29 May 2019)	3/4
Datuk Haw Chin Teck (Appointed on 20 July 2018 & Resigned on 08 April 2019))	1/2
Dato'Danny Chan Hau Kin (Vacated on 25 February 2019)	N/A
Bernard Lim Soon Chiang (Appointed on 12 October 2018 & Resigned on 29 January 2019)	N/A

#### 2.5.2 Directors' training

The Board recognises the importance of continuous training to remain abreast of the latest developments in related industry and changes to the regulatory environment. The assessment on individual Director also provided the Board with valuable insights into training and development needs of each Director, to ensure that each Board member's contribution to the Board remains informed and relevant.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 2. Board Composition (Cont'd)

### 2.5 Evaluation of Board, Board Committees and Individual Directors (Cont'd)

#### 2.5.2 Directors' training (Cont'd)

During the financial year, all the Directors had participated in various training programs. Particulars of the seminars and courses attended are as follows:

Name of Directors	Date	Programmes/Seminar
Dato' Lim Char Boo	15 October 2019	Evaluating Effective Internal Audit Function - Audit Committees Guide On How To
Tong Sian Shyen	30 April 2019 26 & 27 June 2019 05 August 2019	Audit Committee – Members on Integrated Reporting Mandatory Accreditation Programme Preparing Group Accounts (Covering MFRS, Revised MFRS 127/128, 10 & 12)
Hong Eng Kwee @ Hong Eng Hwe	21 & 22 November 2019	Mandatory Accreditation Programme
Terence Cheah Eu Lee	26 & 27 June 2019	Mandatory Accreditation Programme

All Directors of the Company had attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities") for Directors of public listed companies.

During the financial period ended 30 June 2020, besides from attending the briefings conducted by the Company Secretary pertaining to the updates on the Listing Requirements and Section 17A of the MACC Act, the External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standard that affect the Group's Financial Statements.

## 3. Remuneration

### 3.1 Remuneration Policy

The Board has recognized the need to establish a fair and transparent Remuneration Policy with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key Senior Management. On a yearly basis, the Remuneration Committee reviewed and recommended to the Board the remuneration packages of the Executive Directors and key Senior Management, while the remuneration for the Non-Executive Directors was determined by the Board as a whole. Fees and benefits payable to the Directors are subject to approval by the shareholders at the Company's AGM. The affected Directors had abstained from participation in deliberations and decisions regarding their individual remuneration.

In making its recommendation, the Remuneration Committee considered the principles set out in the Remuneration Policy. The remuneration was structured to align rewards to corporate and individual performances besides adequately compensate the Directors for risks and complexities of the duties and responsibilities they assumed. The Remuneration Committee also obtained data for similar roles of other public listed companies in the same industry for comparison.

All Executive Directors and Senior Management are subject to an annual performance rating which serves as a basis to determine their variable compensation payments. The Remuneration Policy also covers bonus framework for the Executive Directors and Senior Management, which link their appraisal process to specific reward and incentive outcomes. The appraisal process will assess the individual performance against the Key Performance Indicator targets and competency capability in meeting the Group's core values and Leadership and Management Expectations.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 3. Remuneration (Cont'd)

### 3.2 Remuneration Committee

The Remuneration Committee was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its Terms of Reference which is available on the Company's website.

The Remuneration Committee comprises of all Independent Non-Executive Directors with a majority of Independent Non-Executive Directors. During the financial year, two (2) meeting were carried out with attendance as follows:

Name of Directors	Designation	No. of Meetings Attended
Dato' Lim Char Boo (Senior Independent Non-Executive Chairman)	Chairman	2/2
Paulinus Mojiun (Independent Non-Executive)	Member	1/2
Hong Eng Kwee @ Hong Eng Hwe (Appointed on 16 August 2019) (Independent Non-Executive Director)	Member	N/A
Tong Sian Shyen (Appointed on 29 November 2019) (Executive Director)	Member	1/1
Mohd Anuar Bin Mohd Hanadzlah (Ceased 25 June 2019) (Independent Non-Executive Chairman)	Chairman	1/1
Dato' Danny Chan Hau Kin (Ceased on 25 February 2019) (Independent Non-Executive Director)	Member	N/A

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration packages of Executive Directors and Senior Management. The Executive Directors and Senior Management did not participate directly in any way in determining their individual remuneration. The Board as whole determines the remuneration of Non-Executive Directors with individual Director abstaining from decisions in respect of their individual remuneration. The Board recommends the Directors' fees payable to independent Non-Executive Directors on a yearly basis to the shareholders for approval at the AGM.

### 3.3 Remuneration of Directors

The aggregate remuneration of the individual Director for the financial period ended 30 June 2020 is as follows:-

#### Company Level

Name of Directors	Salaries and Other Emoluments	EPF and SOCSO	Director Fees	Total
<b>Executive Directors</b>				
Tong Sian Shyen	240,000	30,031	0	270,031
Gerald Nicholas Tan Eng Hoe (Re-designated to Non-Independent Non-Executive Director on 21 August 2020)	90,000	13,085	0	103,085
Terence Cheah Eu Lee (Appointed on 3 July 2020)	NA	NA	NA	NA
Wong Ken Hong (Resigned on 29 May 2019)	55,000	7,085	0	62,085
<b>Non-Executive Directors</b>				
Dato' Lim Char Boo	0	0	68,000	68,000
Paulinus Mojiun	0	0	54,000	54,000
Hong Eng Kwee @ Hong Eng Hwe (Appointed on 16 August 2019)	0	0	31,549	31,549
Mohd Anuar Bin Mohd Hanadzlah (Retired on 25 June 2019)	0	0	29,168	29,168

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 3. Remuneration (Cont'd)

### 3.3 Remuneration of Directors (Cont'd)

#### Group Level

Name of Directors	Salaries and Other Emoluments	EPF and SOCSO	Director Fees	Total
<b>Executive Directors</b>				
Tong Sian Shyen	240,000	30,031	0	270,031
Gerald Nicholas Tan Eng Hoe (Re-designated to Non-Independent Non-Executive Director on 21 August 2020)	90,000	13,085	0	103,085
Terence Cheah Eu Lee (Appointed on 3 July 2020)	NA	NA	NA	NA
Wong Ken Hong (Resigned on 29 May 2019)	55,000	7,085	0	62,085
<b>Non-Executive Directors</b>				
Dato' Lim Char Boo	0	0	68,000	68,000
Paulinus Mojiun	0	0	54,000	54,000
Hong Eng Kwee @ Hong Eng Hwe (Appointed on 16 August 2019)	0	0	31,549	31,549
Mohd Anuar Bin Mohd Hanadzlah (Retired on 25 June 2019)	0	0	29,168	29,168

### 3.4 Remuneration of Senior Management

The remuneration of the Senior Managements is set out as follows:-

Range of Remuneration (RM)	Number of Senior Management
Up to RM 50,000	-
RM50,001 to RM 100,000	-
RM100,001 to RM150,000	-
RM150,001 to RM200,000	1
RM200,001 to RM250,000	2

(The details of Senior Management's remuneration are not shown, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature and to support the Company's efforts in retaining executive talents. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Senior Management's remuneration are appropriately served by the disclosures in the RM50,000 bands. The total remuneration paid to each Senior Management reflects the time and effort devoted to fulfil his or her responsibilities on the Board and linked to the Group's performance).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 4. Effective Audit and Risk Management

### 4.1 Audit Committee

Name of Directors	Designation
Hong Eng Kwee @ Hong Eng Hwe (Appointed on 16 August 2019)	Chairman Independent Non-Executive Director
Dato' Lim Char Boo	Member Senior Independent Non-Executive Chairman
Paulinus Mojiun	Member Independent Non-Executive Director
Mohd Anuar Bin Mohd Hanadzlah (Ceased on 25 June 2019)	Member Independent Non-Executive Director
Dato' Danny Chan Hau Kin (Ceased on 25 February 2019)	Member Independent Non-Executive Director
Bernard Lim Soon Chiang (Appointed on 12 October 2018 and ceased on 29 January 2019)	Member Independent Non-Executive Director

The Chairman of the Audit Committee is not the Chairman of the Board. In addition, the Audit Committee comprise exclusively of Independent Non- Executive Directors. The Audit Committee Report is set out separately in this Annual Report. Full details of the Audit Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

### 4.2 Oversight of External Auditors

The External Auditors of the Company fulfill an essential role in giving assurance to the Company's shareholders on the reliability of the Group's Financial Statements.

The Audit Committee reviews the independence, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM on an annual basis. The External Auditors would provide written assurance to the Board in respect of its independence to act as the External Auditors of the Group. The Audit Committee would convene a private session with the External Auditors without the presence of the Executive Directors and Senior Management.

Details of the audit and non-audit fees paid/payable to the External Auditors for the financial period ended 30 June 2020 are as follows :-

	GROUP RM	COMPANY RM
Statutory audit fees paid/payable	100,000	50,000
Non-audit fees paid/payable	0	0

The full details of the role of the Audit Committee in relation to the External Auditors is set out in the Audit Committee Report of this Annual Report.

### 4.3 Risk Management and Internal Control Framework

The Board acknowledges that risk management and internal control system are an integral part of effective management practice. As risk is inherent in all business activities, hence it is not the Group's objective to eliminate risk totally. There is an on-going process in place to identify, evaluate, monitor and manage key risks faced by the Group and the Board reviews the key risks highlighted to ensure the relevant action is taken to mitigate the risk of the Group to safeguard shareholders' investment and Group's assets.

The Board is assisted by the Risk Management Committee to ensure the risk and control framework is embedded into the culture, processes and structure of the Group.

Further details of the Group's Risk Management and Internal Control Systems are reported in the Statement of Risk Management and Internal Control of this Annual Report.

### 4.4 Internal Audit Function

The Board has established an Internal Audit function which is currently outsourced to a professional firm. Functionally, the Internal Auditors report to the Audit Committee directly and they are responsible for conducting periodic reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Group.

The scope of work covered by the internal audit function during the financial year, summary of activities carried out, including its observations and recommendations, are provided in the Statement on Risk Management and Internal Control and Audit Committee Report of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 5. Communication with Stakeholders

The Company refers to ACE Market Listing Requirements of Bursa Securities as a fundamental basis for the ongoing disclosure and announcement to Bursa Securities. The Board is advised by Management, Company Secretary, the External Auditors and Advisors on the contents and timing of disclosure of the financial results and various announcements in accordance with the Listing Requirements.

The Board is committed in providing accurate, useful and timely information about the Company, its business and its activities. Realising the importance of timely and thorough dissemination of material information to the shareholders, investors and the public at large, the Company maintains an open communication policy with its shareholders, investors and public at large and welcome feedback from them.

The Group's information is disseminated through various disclosures and announcements made to Bursa Securities.

### 5.1 Integrated Reporting

The nature and pace of change in businesses today have evolved over time and stakeholders are now placing greater emphasis on the future performance and non-financial information of a company. In tandem with the growing demand, the Company would consider adopting integrated reporting in the near future.

### 5.2 Conduct of General Meetings

#### 5.2.1 Notice of general meeting

The Board recognises the rights of shareholders. In order to continue encouraging shareholders participation in the general meetings, the Board would ensure that the Notice of AGM is sent to shareholders at least twenty-eight (28) days ahead of the date of general meeting and to provide sufficient time and opportunities for shareholders to seek clarifications during general meetings on any matters pertaining to the issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the operational and financial performance of the Company.

#### 5.2.2 Attendance of Directors at general meetings

The AGM is the key element of the Company's dialogue with its shareholders. During the AGM, shareholders are encouraged to ask questions about the resolutions being proposed, about the Company's operations in general or about the annual reports of the Company and of the Group. All the Directors, Senior Management and External Auditors are available in the AGM to provide responses to questions from the shareholders.

The Chairman plays a vital role in fostering constructive dialogue between the Board and the shareholders. All the members of the Board and the respective Chairmen of the Board's Committees are present at the meetings to address queries raised by the shareholders which are relevant to their areas of responsibility.

#### 5.2.3. Voting

In the event that shareholders are unable to attend the AGM in person, they are encouraged to appoint one (1) or up to two (2) proxies to attend and vote in his/her stead. The outcome of the meeting is announced to Bursa Securities on the same day, which is also accessible on the Company's website.

The Company conducts a poll voting on each resolution tabled during the general meetings to support shareholders participation. As the number of shareholders of the Company is not large, the Company currently conducts a manual poll voting instead of electronic poll voting. With the poll voting, each shareholder present in person or represented by proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. At least one (1) Independent scrutineer is appointed to validate the votes cast at the meeting.

## 6. COMPLIANCE STATEMENT

The Board is satisfied that the Group has substantially complied with the majority of the practices of the Malaysian Code on Corporate Governance throughout the financial year. In pursuit of safeguarding the interest of the shareholders and other stakeholders, the Board is committed and will continue to strengthen its application of the best practices in corporate governance.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 28 October 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysia Code on Corporate Governance requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investment, the Group's assets and the interest of other stakeholders.

The Board of Directors of MQ Technology Berhad is pleased to present its Statement on Risk Management and Internal Control which outlines the Group's internal control framework and risk management systems for the financial period ended 30 June 2020 as required by Bursa Malaysia Securities Berhad ("Bursa Securities"). This Statement has been prepared pursuant to Chapter 15.26(b) of ACE Market Listing Requirements, and in accordance with the Statement on Risk Management & Internal Control - Guideline for Directors of Listed Issuers (the Guidelines").

## BOARD RESPONSIBILITY

The Board recognises the importance of a sound risk management and internal control systems as well as adequacy and effectiveness of those systems and to safeguard its stakeholders' interest and protecting the Group's assets. The Board has delegated the review of adequacy and effectiveness of the internal control system to the Risk Management Committee ("RMC"). The RMC is assigned with task in reference to terms of reference approved by the board, to review the adequacy and effectiveness of the company's risk management and internal control process. Through the RMC, the Board is kept informed of the significant financial and non-financial issues brought to the attention of RMC by the management, the Internal Audit function and External Auditor.

The system of internal controls covers inter-alia, risk assessment as well as financial, operational, environmental and compliance controls. However, in view of the inherent limitations of the system of internal control, such system is designed to manage rather than to eliminate the risks of failure to achieve the Group's corporate objectives. Therefore, in pursuing these objectives, the system can only provide a reasonable and not absolute assurance against the occurrence of any material misstatement or losses and fraud.

## RISK MANAGEMENT FRAMEWORK

The Board recognises the importance of the risk management framework to manage the risk within the Group and regards as an integral part of business operations. The board maintains an ongoing commitment for identifying, evaluating and managing significant risks faced by the Group during the financial year under review. The duties of the identification, evaluation and management of the key's issues are delegated to the functional head.

The functional management is given a clear line of accountability and responsibilities They are responsible to formulate business rules, processes and structures that was established as part of the internal control efforts through the standard operating practices and agreed risk parameters. The internal audit functions the review and assists the Audit Committee in conducting their review of existing procedures effectively and not to engage in speculative transactions. A systematic risk management process is stipulated in the Risk Management Policy. Risk parameters are also predetermined in accordance with Group's risk appetite to ensure the Group is managed with tolerable expectation.

## INTERNAL CONTROL SYSTEM

The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. The Board meets regularly and has a schedule of matters that are brought to it for decision making process in order to ensure effective control over strategic, financial, operation and compliance issues can be maintained.

The following outlines the main elements of the Group's internal control system:

- i. Having an organisational structure that defining segregation of duties among employees so that there is an appropriate level of checks and balances on the activities of individual employee. Limit of authority and approval facilitating the delegation of authority.
- ii. Supplying comprehensive financial and management reports to the Audit Committee and the Board on a quarterly basis for review, effective monitoring, decision making and facilitate effective discussion at Board meeting.
- iii. Stringent recruitment policy is set to ensure that only capable and competent staffs are employed which in turn ensures each operating unit is functioning effectively.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

## INTERNAL CONTROL SYSTEM (CONT'D)

- iv. The Group's performance is monitored through management and operational meeting attended by Senior Management. Senior management and each Head of Department within the group exercise a hand-on approach on the operational and financial affairs of the Group. The COO/Executive Directors are involved and oversee in the day to day operations of the Group.
- v. Internal policies and procedures are updated regularly to reflect changing risk or to resolve operational deficiencies.
- vi. Clearly defined Terms of Reference of the Board Charter, I.e. Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee.

The Group's internal control systems are continuously being reviewed and monitored to ensure that changes in the Group's business and operating environment are adequately managed.

The Board has also received assurance from the Chief Operating Officer that the risk management and internal control system of the Company and its subsidiaries are operating adequately and effectively, in all material aspects, based on the risk management and internal control system adopted.

## INTERNAL AUDIT FUNCTION

The Board has outsourced its internal audit function to an independent professional firm Qwest Corporate Consultants Sdn Bhd to carry out reviews and assess the adequacy and integrity of the system of internal control of the Group. The internal auditors report directly to the Audit Committee, who receives reports of issues and recommendations arising from each review. The internal auditors have also carried out follow-up reviews to ensure that recommendations for improving the internal control systems were being implemented satisfactorily. The cost incurred for internal audit for the financial year 2020 was RM25,000.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This Statement has been reviewed by the external auditors as required under Chapter 15.23 of ACE Market Listing Requirements for inclusion in the annual report. Their review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3") (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

AAPG 3 does not require the External Auditors to consider whether the Statement on Risk Management and Internal Control covers all risk and control, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems including the assessment and opinion by the Board and management thereon. The report from the External Auditors was made solely to the Board of Directors in connection with their compliance with the Bursa Malaysia Securities Berhad ACE Market Listing Requirement and for no other purpose or parties. The External Auditor do not assume responsibility to any person other than the Board in respect of any aspect of this statement.

## CONCLUSION BY THE BOARD

The Board has reviewed the adequacy and effectiveness of the risk management and internal control systems based on the information provided by the key management in the Company and assurances provided by External Auditors.

No material losses were incurred during the financial year under review as a result of weaknesses in risk management and internal control systems. The Board and management will continue to take adequate measures to strengthen the control environment in which the group operates.

The Board is satisfied that the risk management and internal control systems in place for a financial period ended 30 June 2020 are adequate and effective to safeguard shareholders' investments, the Group's assets and interest of other stakeholders.

This statement was made in accordance with a Board of Directors' Resolution dated 28 October 2020.

# SUSTAINABILITY REPORT

The Company recognises that sustainability is the core of the group to collectively spearheaded and towards improving the sustainable growth path that is decided by the Board of Directors. Sustainability is an integral part of company's strategies and operations system and plays an utmost important role in managing our business responsibly. while creating added value to our customers, employees, shareholders, community and the environment.

The company is committed to maintain and provide a socially responsible, environmental friendly and sustainable returns to our stakeholders.

The company pursue its sustainability approach in accordance with its laid down principle.

## Mission

We are committed to provide our customers with the highest quality at the most competitive price by maximizing customer returns through implementing stringent process control and effective design standards.

## Vision

To deliver as the "Partner of Choice" best known for quality, integrity and commitment

## Our Core Values

We shall continuously maintain high standards or order and discipline through the practice of KAIZEN's 5S:  
 SEIRI (SORT) - REMOVE ALL UNNECESSARY ITEMS FROM THE WORKPLACE  
 SEITON (SET IN ORDER) - CREATE A SPECIFIC LOCATION FOR EVERYTHING  
 SEISO (SHINE) - KEEP THE WORKPLACE CLEAN  
 SEIKETSU (STANDARDIZE) - IMPLEMENT THE BEST PRACTICES IN ALL AREAS  
 SHITSUKE (SUSTAIN) - MAINTAIN HIGH STANDARDS WITH CONTINUOUS IMPROVEMENTS, UPGRADING AND AUDITS

## **SUSTAINABILITY FRAMEWORK**

A SUSTAINABLE GROWTH BEGINS WITH A SOLID FOUNDATION

### Turning Promises into Reality

"The 2030 Agenda and the Sustainable Development Goals are our collective response to building a fair globalization."  
 António Guterres, United Nations Secretary-General

The Company is continuously strived to provide a conducive working environment and provide our employees with various structured skills so that they can enhance their capabilities in facing with business challenges. In terms of occupational health hazard and safety, it is one of our key priorities to ensure that our occupational health, safety and environmental management system are in compliance with the industry's requirements and standard. Appropriate trainings are provided in handling machinery and equipment to newly joined staff. Therefore, in carrying our business activities, we always place top priority on creating value for customers, which in turn leads to the creation of value for society, shareholders, employees and other stakeholders.

## OUR QUALITY POLICY

"DELIVERY ON TIME WITH QUALITY IS OUR COMMITMENT TO CUSTOMER SATISFACTION"

QUALITY KPI:

1. Customer Return Shipments below 3%
2. On-time deliveries above 95%
3. Customer satisfaction level more than 80%

The Company has built quality checks in each and every step of the manufacturing process. Stringent process controls are employed right from incoming materials, up to final inspection of the finished product. As an added value, we are equipped with a full set of quality control equipment such as coordinate-measuring machines (CMM), profile projector, digimatic linear height gauges, digital micrometer and slip gauges and gauges. Coupled with highly skilled manpower for sound judgement and expertise, the Company thrives to eliminate non-conformance in our quest to achieve zero defects.

While ensuring that investors' needs are taken care of, the Company also practices good business ethics and transparency, taking into consideration the welfare of its employees while ensuring an inclusive and holistic approach towards building a sustainable business that is both beneficial to the society the environment. In line with the United Nation's 17 Sustainable Development Goals, MQ Tech makes every possible effort to include these SDGs into our daily operations.

# SUSTAINABILITY REPORT (CONT'D)

## Corporate Governance

MQ Tech conducts business responsibly and fairly, adhering to the long-standing business philosophy of providing our customers with the highest quality at the most competitive price. The Company upholds the principles of corporate governance, the Code of Conduct and compliance and adheres to anti-corruption and antitrust practices. Corporate Governance is incorporated into our company's working culture to ensure sustainability.

## Corporate Social Responsibility (CSR)

MQ Technology's CSR activities reflects the ever-changing needs of the society by holding dialogues with its employees and stakeholders to build trust and to better the overall conditions of the existing communication structure. The Company recognizes the need to improve social conditions by working in partnership with the local communities. When implementing policies, the Company takes into consideration the social, economic and environmental impact to the society to generate better social values.

## Quality Training

MQ Tech sends workers to engineering institution for periodical trainings to upgrade their skills. This will enhance the workers' performance and productivity while at the same time, increase their value and future marketability. Our Company utilizes an integrated and accurate procurement, warehouse and accounting management system which eases streamlines the workflow.

The Company is committed to staff development by providing on-the-job training and external training programs for all level of staff in order to improve their skills and knowledge for their career advancement. The Company reviews the adequacy and suitability of the training requirements for all staff on a regular basis. Presently, MQ Tech is certified with ISO 9001 – 2008 and conforms to the stringent requirements of a quality management system.

## Climate Action, Green Effort and Waste Management

As climate change affects everyone, MQ Tech plays an active role in promoting a green and healthy living. Sixty percent of the lights are energy-saving LED lights and efforts are being made to reduce wastage in the organization. Water and electricity consumption are monitored closely; and production errors are minimized to prevent unnecessary use of materials and resources. Our employees are also reminded to reduce stationery and paper usage to protect the environment.

The Company recognizes the importance of pollution prevention and environmental protection by reducing the usage of the hazardous compounds in materials. The Company also separates recyclable wastes and engages a vendor to collect wastes for recycling purposes. Our manufacturing plant generates roughly 3,000kg of recyclable wastes monthly.

As for our new ventures which require construction, we aim to adhere to the best green practices that are in line with the Green Building Index (GBI).

## Employee Welfare, Well-being, Gender Equality and Anti-Discrimination Policies

MQ Technology Berhad adopts a non-discriminatory policy for hiring and promoting employees. Our Human Resource Department also offer jobs to persons with disabilities, especially to those who are autistic. The Company also have 30 percent of women at the management and supervisory level.

To recognize the efforts and to boost the morale of our employees, MQ Tech holds annual dinners in appreciation of all of our employees who are and have tirelessly worked to meet the demands of their jobs. The annual dinner provides a chance for staffs from all departments and subsidiaries to bond and forge teamwork.

Employees are welcome to give their suggestions and feedback through the employee suggestion box. The HR Department will then look into these suggestions, collate and escalate them to the upper management and the board of directors. If viable, these will be implemented. At MQ Tech, we encourage a bottom-up approach where input from employees are highly appreciated.

## Health and Safety

MQ Tech properties – manufacturing plants and offices – are fully equipped with CCTVs and fire extinguishers to ensure safety. The management and employees are responsible for contributing towards a safe working environment including fostering safe working attitudes to avoid workplace accidents.

No smoking signs are placed at intervals, and the floorplan of our premises are prominently displayed for evacuation purposes. The Company also carry out mock fire drills and mock emergency situations to prepare our employees in case of unforeseen circumstances such as fire, chemical spill, explosion, medical emergency and injury.

## Economic Growth

While the outbreak of covid-19 pandemic has set unprecedented economic slowdown regionally, coupled with vulnerable US and China trade ties continue to threaten economic stability globally especially in the manufacturing sector, MQ Technology's diversified interests will provide for greater economic value to the Company. The recent proposed Joint Venture with a international company to form a Special Vehicle Purpose Co for the manufacturing of Nitrite rubber gloves, Additionally, the company also entered an agreement to propose acquire a company that is specialized in the distribution of Covid-19 vaccine and rubber component related products. Efforts are being working towards realising the agreement with a view to enhance company's revenue in future.

# AUDIT COMMITTEE REPORT

## COMPOSITION

The Audit Committee (“AC”) of MQ Technology Berhad (“MQ Tech” or “the Company”) is chaired by an Independent Director and comprises of three members, all of whom are Independent Non-Executive Directors. The current composition meets the requirement of Rule 15.09 and 15.10 of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The AC currently comprises the following Independent Non-Executive Directors, namely:-

1. Mr. Hong Eng Kwee @ Hong Eng Hwe (Chairman)
2. Dato’ Lim Char Boo
3. Mr. Paulinus Mojiun

The AC is authorised by the Board to independently investigate any activity within its Terms of Reference and shall have unrestricted access to information pertaining to the Group, from the Internal and External Auditors, Management and all employees.

## MEETINGS

During the financial period ended 30 June 2020, the AC conducted seven (7) meetings of which all were duly convened with sufficient notices given to all AC members together with the agenda, report and proposals for deliberation at the meetings. The Executive Directors were invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

Representatives from the External Auditors and Internal Auditors, as the case may be, were in attendance to present the relevant reports and proposals to the AC at the meetings which included inter alia, the Auditors’ audit plans and audit reports and the audited financial statements for the financial period ended 30 June 2020.

In the AC meetings, the External Auditors were given opportunities to raise any matters and gave unrestricted access to the External Auditors to contact them at any time should they become aware of incidents or matters during the course of their audits or reviews. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

Details of attendance of the AC members at the AC meetings during the financial period ended 30 June 2020 are as follows:

Committee Member	Meeting attended
Hong Eng Kwee @ Hong Eng Hwe (Appointed on 16 August 2019)	4/4
Dato’ Lim Char Boo	6/6
Paulinus Mojiun	7/7
Mohd Anuar Bin Mohd Hanadzlah (Ceased on 25 June 2019)	3/3

## SUMMARY ACTIVITIES

The AC activities during the financial year under review comprised the following:-

### Quarterly Financial Statements and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards as per Malaysian Accounting Standards Board; and
- reviewed the unaudited financial results before recommending them for Board’s approval, focusing particularly on:-
  - Any changes in accounting policies
  - Significant adjustments arising from audit
  - Compliance with accounting standards and other legal requirements

# AUDIT COMMITTEE REPORT (CONT'D)

## External Auditors

- reviewed the External Audit Planning Memorandum, outlining the audit scope, audit process and areas of emphasis based on the External Auditors' presentation of audit plan;
- reviewed the External Audit Review Memorandum and the response from the Management;
- consideration and recommendation to the Board for approval of the audit fees payable to the External Auditors;
- reviewed the performance and effectiveness of the External Auditors in the provision of statutory audit services and recommend to the Board for approval on the re-appointment of External Auditors; and
- reviewed and evaluated the factors relating to the independence of the External Auditors.

The AC recommended to the Board for approval of the audit fee of RM100,000.00 for the group in respect of the financial period ended 30 June 2020.

The Board at its meeting held during the financial year end, approved the audit fee based on the recommendation of the AC.

## Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Audit Report directly to the AC, the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

The AC had reviewed:-

- internal audit on the area of internal control system of the Group.
- Corporate governance of the Group.
- suggestion on improvement opportunities in the areas of internal controls, systems, adequacy and efficiency improvements.

## Internal Control and Risk Management

- reviewed the internal audit plan for adequacy scope and coverage and risk areas;
- reviewed risk management report and internal audit reports;
- reviewed the effectiveness and adequacy of risk management, operational and compliance processes; and
- reviewed the adequacy and effectiveness of corrective actions taken by the Management on all significant matters raised.

## RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

At each quarterly meeting, the AC reviewed the recurrent related party transactions ("RRPT") and conflict of interest situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

The AC reviews the RRPT and conflict of interest situation presented by the Management prior to the Company entering into such transaction. The AC also ensure that the adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into transaction.

## INTERNAL AUDIT FUNCTION

The purpose of the Internal Audit function is to provide the Board, through the AC, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. To ensure that the responsibilities of Internal Auditors are fully discharged, the AC reviews the adequacy of the scope, functions and resources of the Internal Audit function as well as the competency of the Internal Auditors.

The Internal Auditors also highlighted to the AC the audit findings which required follow-up action by Management as well as the outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group.

All Internal Audit activities in financial period ended 30 June 2020 were outsourced to an independent assurance provider and the total costs incurred were amounted to RM25,000.00

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare financial statements for each financial year which have been made out in accordance with the approved accounting standards so as to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their results and cash flows for that financial year.

In preparing the financial statements of the Group and of the Company for the financial period ended 30 June 2020, the Directors have : -

- Adopted and applied the appropriate and relevant accounting policies consistently;
- Made judgements and estimates that are prudent and reasonable;
- Complied with the applicable approved financial reporting standards, i.e. Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), ACE Market Listing Requirements and the provisions of the Companies Act 2016; and
- Prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and in compliance with the Companies Act 2016.

The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent fraud and other irregularities.

# DISCLOSURE REQUIREMENTS

Pursuant To The Bursa Malaysia Securities Berhad (“Bursa Securities”) Ace Market Listing Requirements

The following disclosures are made in accordance with Part A of Appendix 9C of the Listing Requirements of Bursa Securities:-

## 1. Statement of Directors’ Responsibility in respect of the Financial Statements

The Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of financial year and of the results and cash flows of the Company and of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Company and of the Group for the financial period ended 30 June 2020. The Company and the Group have used the appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

## 2. Material Contracts Involving Directors and/or Major Shareholders

There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Director’s and major shareholder’s interest which were still subsisting at the end of the financial period ended 30 June 2020 or entered into since the end of the previous financial year.

## 3. Corporate Responsibility (“CR”)

The Group is mindful of the need to be corporately responsible and recognise that for long term sustainability, its strategic orientation will need to look beyond financial parameters. Hence, the Group supports important causes such as employees’ welfare, community and environment protection. However, the Group endeavours to broaden its scope of CR initiatives over time and will plan accordingly.

## 4. Utilisation of Proceeds Raised from Corporate Proposals

As at the date of this Notice, a total of 64,228,336 Placement Shares has been issued and allotted during the period from 17 January 2020 to 4 June 2020 in two (2) tranches. The status of the utilisation of proceed raised from the Proposed Private Placement is as follows:-

Purpose	Proposed Utilisation RM’000	Actual Utilisation RM’000	Intended Timeframe for Utilisation (from listing date)
Payment for Working Capital	695	695	Within 12 months
Payment for Working Capital	540	540	Within 12 months
	1,235	1,235	

## 5. Contracts Relate to a Loan

There were no contracts which relate to a loan entered into by the Company and its subsidiaries during the financial period ended 30 June 2020.

## DISCLOSURE REQUIREMENTS (CONT'D)

Pursuant To The Bursa Malaysia Securities Berhad ("Bursa Securities") Ace Market Listing Requirements

### 6. Employees' Share Option Scheme ("ESOS")

During the financial period ended 30 June 2020, a total of 154,593,217 options over the ordinary shares were exercised pursuant to the Company's Employees' Share Issuance Scheme 2016/2021.

The total number of options granted, exercised and outstanding under the ESOS as at 30 June 2020 are set out in the table below:-

Description	Number of Options as at 30 June 2020	
	Total	Directors
Granted	168,583,500	100,000,000
Exercised	154,593,217	100,000,000
Outstanding	13,990,283	-

Percentage of options applicable to Directors and Senior Management under the ESOS:-

Directors and Senior Management	During the financial year 2020	Since commencement up to 30 June 2020
Aggregate maximum allocation	80%	80%
Actual granted	80%	80%

### 7. Recurrent Related Party Transactions of Revenue or Trading Nature ("RRPT")

There were no RRPT conducted during the financial period ended 30 June 2020.

### 8. Non-Audit Fees

There were non-audit fees were paid and payable to External Auditors by the Group for the financial period ended 30 June 2020.

### 9. Variation in Results

There was no material variance between the financial results and the profit forecast or unaudited results previously made for the financial period ended 30 June 2020.

### 10. Profit Guarantee

There was no profit guarantee given by the Company during the financial period ended 30 June 2020.

### 11. Profit Forecast Variance

There was no profit forecast issued during the financial period ended 30 June 2020.

# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended 30 June 2020.

The Company has changed the financial year end from 31 December to 30 June.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 10 to the financial statements.

There has been no significant change in the nature of these activities during the financial period.

### FINANCIAL RESULTS

	Group RM	Company RM
Loss for the financial period	<u>(14,625,337)</u>	<u>(10,264,440)</u>
Loss attributable to:		
Owners of the Company	<u>(14,625,337)</u>	<u>(10,264,440)</u>

There were no material transfer to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of material and unusual nature except as disclosed in the notes to the financial statements.

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period. The Company is not in a position to pay or declare dividends for the current financial period.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period.

### ISSUES OF SHARES AND DEBENTURES

During the financial period:

- i) There was an issuance of 64,228,336 new ordinary shares ("Placement Shares") representing not more than ten (10) per centum of the total number of issued to third parties to be identified ("Proposed Private Placement"), and made an application to Bursa Malaysia Securities Berhad ("Bursa Securities"). Placement Shares being placed out as follows:

## DIRECTORS' REPORT (CONT'D)

### ISSUES OF SHARES AND DEBENTURES (CONT'D)

Tranche	No. of Placement Shares	Issue price of Placement Shares (RM)	Listing date
1 <sup>st</sup>	40,228,000	0.0173	21 January 2020
2 <sup>nd</sup>	24,000,336	0.0225	9 June 2020
<b>Total</b>	<b>64,228,336</b>		

- ii) There was a total issuance of 154,593,217 new ordinary shares under employee share option scheme during the financial period.
- iii) There was no issuance of debentures in respect of the financial period ended.

### OPTIONS GRANTED OVER UNISSUED SHARES

Options were granted to any person to take up unissued shares of the Company during the financial period apart from the issue of options pursuant to the Share Issuance Scheme ("SIS").

The names of option holders who had been granted and exercised options during the period are as follows:

Name	Grant Date	Exercised Price RM	Granted UNIT	Exercised UNIT	As at 30.06.2020 UNIT
Tong Sian Shyen	14 Feb 2019	0.0229	100,000,000	(100,000,000)	-
Lim Soon Seng	12 Mar 2019	0.0230	19,452,000	(19,452,000)	-
Kok Seng Ping	12 Mar 2019	0.0230	14,863,000	(11,200,174)	3,662,826
Mah Wai Loen	12 Mar 2019	0.0230	15,000,000	(13,913,043)	1,086,957
Chong Chen Kong	22 Jun 2020	0.0323	10,000,000	(7,000,000)	3,000,000
Mah Wai Loen	22 Jun 2020	0.0323	4,000,000	-	4,000,000
Kok Seng Ping	22 Jun 2020	0.0323	5,268,500	(3,028,000)	2,240,500

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS OF THE COMPANY

The Directors in office during the financial period and at the date of this report are:

Dato' Lim Char Boo	
Paulinus Mojiun	
Gerald Nicholas Tan Eng Hoe *	
Tong Sian Shyen *	(Appointed on 4 March 2019)
Hong Eng Kwee @ Hong Eng Hwe	(Appointed on 16 August 2019)
Terence Cheah Eu Lee	(Appointed on 3 July 2020)
Wong Ken Hong *	(Resigned on 29 May 2019)
Mohd Anuar Bin Mohd Hanadzlah	(Retired on 25 June 2019)

\* *Being a Director of one or more subsidiaries*

### DIRECTORS OF THE SUBSIDIARIES

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) since the beginning of the financial period to the date of this report:

Teh Eng Huat  
Lim Soon Seng

### DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at period end (including their spouse or children) according to the Register of Directors' Shareholdings were as follows:

	Number of ordinary shares with no par value			
	At 01.01.2019	Acquired	Sold	At 30.06.2020
The Company				
Direct Interest:				
Gerald Nicolas Tan Eng Hoe	69,000,000	-	20,001,000	48,999,000

None of the other Directors in office at the end of the financial period had any interest in the ordinary shares of the Company or its related corporations during the financial period.

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiaries for their services to the Company and its subsidiaries were as follows:

	<b>Company RM</b>	<b>Subsidiary RM</b>
Directors' fees	222,894	-
Salaries and allowances	385,000	537,136
Contributions to defined contribution plan	47,200	64,537
Social security contributions	<u>3,001</u>	<u>2,628</u>

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 24 to the financial statements.

There were no arrangements during or at the end of the financial period which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' REPORT (CONT'D)

### OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts to be written off and that adequate provision has been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.
- (d) In the opinion of the Directors:
- (i) no contingent liabilities or other liability has become enforceable, or likely to become enforceable within the period of twelve months after the end of the financial period, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
  - (ii) the results of the operations of the Group and of the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) no item, transaction or event of a material and unusual has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.
- (e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial period from the Company and its subsidiaries is RM100,000.
- (f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director or past Director of the Company.

## DIRECTORS' REPORT (CONT'D)

### OTHER STATUTORY INFORMATION (cont'd)

- (g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

### SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 32 to the financial statements.

### SUBSEQUENT EVENTS

Details of the subsequent events are disclosed in Note 33 to the financial statements.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 30 October 2020.

TONG SIAN SHYEN

TERENCE CHEAH EU LEE

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 47 to 118, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of their financial performance and cash flows for the financial period then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 30 October 2020.

TONG SIAN SHYEN

TERENCE CHEAH EU LEE

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Tong Sian Shyen (MIA No.: CA 36765), being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 47 to 118 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed  
at Kuala Lumpur in the Federal Territory  
on 30 October 2020

TONG SIAN SHYEN

Before me

Mohd Isa Bin Noordin  
W 522  
Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MQ TECHNOLOGY BERHAD

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of MQ Technology Berhad, which comprise the statements of financial position as at 30<sup>th</sup> June, 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of the cash flows of the Group and of the Company for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set on pages 47 to 118.

In our opinion, except for the possible effects of the matter in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30<sup>th</sup> June, 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

#### Basis for Qualified Opinion

##### 1) Prepayment to Donaco Holdings Sdn. Bhd. RM3,650,000.00 (Note 14)

The Company entered into a marketing agreement with Vivo Tower Ltd ("VIVO") to enter into business of casino activities. An initial amount of RM3.65 million was paid in accordance with the agreement. However, the payment was made to DONACO Holding Sdn. Bhd. which is not a party involved in the marketing agreement.

Due to the uncertainty of parties involved and following on, the lack of documentary information and/or evidence being available that support the Company's right over the control of the asset and the existence of the valid entity that represents the assets, we were unable to obtain sufficient appropriate audit evidence to assess the existence and rights on this prepayment. Consequently, we were unable to determine whether any adjustments to the amount was necessary.

##### 2) Other Receivables to Cash Support Sdn. Bhd. (Note 14)

As disclosed in Note 14 to the financial statements, the Group and the Company embarked to invest in the theme park business upon signing the subscription and shareholders' agreement ("SSA") on 19<sup>th</sup> January 2016 and the Group has incurred a total of RM19.2 million as deposits in relation to the theme park business as at 30<sup>th</sup> June, 2020, whereas the Company has invested RM2.3 million in its subsidiary, Star Acres Sdn Bhd ("SASB") and advanced RM2.05 million to SASB as SASB was established mainly to invest in and develop the theme park business.

We understand from the management that they are reassessing the viability of the theme park business and casino in view of the current economic and political conditions and is in the midst of determining the most appropriate options and/or measures to actualise the said amounts.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MQ TECHNOLOGY BERHAD (CONT'D)

### Basis for Qualified Opinion (cont'd)

#### 2) Other Receivables to Cash Support Sdn. Bhd. (Note 14) (cont'd)

Due to the uncertainty on the direction of the management on the theme park business and following on, the lack of documentary information and/or evidence being available that assesses the manner in which these amounts are expected to be recovered, we are unable to obtain sufficient appropriate audit evidence to assess the recoverable amounts and/or impairment, if any, on these advances, deposits, prepayments, investment in subsidiary and amounts due from subsidiary in relation to the proposed theme park business. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

#### 3) Impairment assessment on investment and amount due from subsidiary (Note 10 and Note 15)

As at 30<sup>th</sup> June 2020, the Company has invested RM1.94 million and advanced RM15.9 million in its subsidiary, Microlead Precision Technology Sdn Bhd ("MPT").

As at 30<sup>th</sup> June 2020, MPT's net current liabilities was RM17.3 million and its deficit shareholders' funds was RM3.7 million. As such, these indicates the existence of impairment on the subsidiary. According to MFRS 136, the Company shall assess for impairment at year end when there is such indicator. However, the assessment of impairment was not prepared.

The non performance of the assessment is not in compliance with the requirements of Malaysian Financial Reporting Standards.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MQ TECHNOLOGY BERHAD (CONT'D)

### Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that one of the subsidiaries, Microlead Precision Technology Sdn. Bhd. (MPT) incurred a net loss of RM4.5 million during the year ended 30<sup>th</sup> June 2020 and, as of that date, the Group's current liabilities exceeded its current assets by RM17.3 million and has capital deficit of RM3.8 million. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
<p><b><u>Inventories (Note 12)</u></b></p> <p>As at 30 June 2020, as shown in Note 12 to the financial statements, the Group's inventories amounted to RM0.58 million which represented 1.4% of the Group's total assets.</p> <p>The determination of the finished goods and work-in-progress carrying amounts requires management judgement in determining an appropriate costing basis. The Group uses standard costing in measuring its finished goods and work-in-progress which includes an element of estimation in the allocation of overhead costs.</p> <p>We focused on this area due to the assessment involving management judgement and estimation.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Attended and observed physical stock take procedures as at financial year end;</li> <li>• Discussed with management and obtained an understanding of management's process in determining appropriate costing basis, including the allocation of overhead costs;</li> <li>• Tested the costing on samples of work-in-progress and finished goods by examining elements which made up the standard cost and by comparing the standard cost against actual cost; and</li> <li>• Performed net realisable value ("NRV") test on sampling basis to ensure inventories are stated lower of cost and NRV.</li> </ul>



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MQ TECHNOLOGY BERHAD (CONT'D)

## Key Audit Matters (cont'd)

Key Audit Matters	How we addressed the key audit matters
<p><b><u>Recognition of Revenue (Note 4)</u></b></p> <p>As at 30 June 2020, the Group's revenue is approximately RM12.6 million. The Group generated revenue and incurred cost mostly from the manufacturing activity. The most contribution was derived from Microlead Precision Technology Sdn. Bhd. ("MPT").</p> <p>The core principle of MFRS 15 is entity recognizes revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps: -</p> <ul style="list-style-type: none"> <li>(i) Identify the contract(s) with a customer;</li> <li>(ii) Identify the performance obligations in the contract;</li> <li>(iii) Determine the transaction price;</li> <li>(iv) Allocate the transaction price to the performance obligations in the contract; and</li> <li>(v) Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul> <p>Given its magnitude and significant volume of transactions involved, revenue recognition is identified as an area of focus in our audit.</p>	<p>As part of our audit, we performed the following procedures to address the possible cause of revenue misstatement, particularly in respect of the timing and amount of revenue recognised:</p> <ul style="list-style-type: none"> <li>a) Obtained an understanding of the Group's relevant internal controls and tested the controls over timing and amount of revenue recognised;</li> <li>b) Inspected the terms of significant sales contracts to determine the point of transfer of control to customers;</li> <li>c) Inspected documents evidencing the delivery of goods to customers; and</li> <li>d) Tested the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MQ TECHNOLOGY BERHAD (CONT'D)

### Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MQ TECHNOLOGY BERHAD (CONT'D)

### Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MQ TECHNOLOGY BERHAD (CONT'D)

### Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries, of which we have not acted as auditors, are disclosed in note 10 to the financial statements.

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 10 to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment required to be made under Section 266 (3) of the Act, except for Star Acres Sdn. Bhd., as at explained in the Note 10 to the financial statements.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MQ TECHNOLOGY BERHAD (CONT'D)

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**JAMAL, AMIN & PARTNERS**

(No: AF 1067)

Chartered Accountants

**AHMAD HILMY BIN JOHARI**

(No: 2977/03/22(J))

Chartered Accountant

Kuala Lumpur

Dated 30 October 2020

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	Group		Company	
		Period from 01.01.2019 to 30.06.2020 RM	2018 RM	Period from 01.01.2019 to 30.06.2020 RM	2018 RM
Revenue	4	12,645,013	24,646,870	-	-
Cost of sales		(11,703,314)	(20,319,236)	-	-
<b>Gross profit</b>		<u>941,699</u>	<u>4,327,634</u>	-	-
Other income		595,078	309,370	63,085	1,107
Administrative expenses		(14,400,659)	(8,931,574)	(10,327,525)	(2,514,292)
Selling and distribution expenses		(139,337)	(643,376)	-	-
Finance costs		(103,732)	(422,756)	-	-
<b>Loss before tax</b>	5	<u>(13,106,951)</u>	<u>(5,360,702)</u>	<u>(10,264,440)</u>	<u>(2,513,185)</u>
Income tax expense	6	(1,518,386)	41,491	-	-
<b>Loss for the financial period/year</b>		<u>(14,625,337)</u>	<u>(5,319,211)</u>	<u>(10,264,440)</u>	<u>(2,513,185)</u>
<b>Other comprehensive income, net of tax:</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Revaluation surplus on land and building, net of deferred tax		-	2,420,214	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation		-	104,430	-	-
<b>Total other comprehensive income/(loss) for the financial period/year</b>		<u>-</u>	<u>2,524,644</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the financial period/year</b>		<u>(14,625,337)</u>	<u>(2,794,567)</u>	<u>-</u>	<u>-</u>
<b>Loss per share attributable to Owners of the Company</b>					
Basic (sen)	7	<u>(2.21)</u>	<u>(1.15)</u>		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.



# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020 RM	2018 RM	2020 RM	2018 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	17,571,320	18,195,946	28,548	36,174
Right-of-use asset	9	32,337	-	-	-
Investments in subsidiaries	10	-	-	4,240,514	4,240,514
Goodwill on consolidation	11	-	-	-	-
		<u>17,603,657</u>	<u>18,195,946</u>	<u>4,269,062</u>	<u>4,276,688</u>
<b>Current assets</b>					
Inventories	12	579,052	809,449	-	-
Trade receivables	13	1,121,266	1,842,197	-	-
Other receivables	14	24,092,718	24,486,954	4,647,284	21,055,669
Amounts due from subsidiaries	15	-	-	34,054,327	16,300,235
Tax recoverable		56,381	120,314	-	-
Fixed deposits with licensed banks	16	260,000	5,611,862	-	-
Cash and bank balances		402,752	636,352	63,692	16,116
Assets of disposal group classified as held for sale		-	5,895,461	-	3,400,000
		<u>26,512,169</u>	<u>39,402,589</u>	<u>38,765,303</u>	<u>40,772,020</u>
<b>Total assets</b>		<u>44,115,826</u>	<u>57,598,535</u>	<u>43,034,365</u>	<u>45,048,708</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	17	60,788,981	52,521,421	60,788,981	52,521,421
Reserves	18	8,612,581	8,055,560	557,021	-
Accumulated losses		(32,560,154)	(17,904,629)	(18,722,857)	(8,458,417)
Reserves of disposal group classified as held for sale		-	296,232	-	-
<b>Total equity</b>		<u>36,841,408</u>	<u>42,968,584</u>	<u>42,623,145</u>	<u>44,063,004</u>
<b>Non-current liabilities</b>					
Borrowings	19	48,690	32,468	-	-
Deferred tax liabilities	20	3,873,125	2,393,347	-	-
		<u>3,921,815</u>	<u>2,425,815</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade payables	21	1,142,643	1,537,615	-	-
Other payables	22	1,881,661	2,492,698	226,084	841,331
Amounts due to directors	23	312,127	306,269	185,136	144,373
Borrowings	19	16,172	5,714,096	-	-
Liabilities of disposal group classified as held for sale		-	2,153,458	-	-
		<u>3,352,603</u>	<u>12,204,136</u>	<u>411,220</u>	<u>985,704</u>
<b>Total liabilities</b>		<u>7,274,418</u>	<u>14,629,951</u>	<u>411,220</u>	<u>985,704</u>
<b>Total equity and liabilities</b>		<u>44,115,826</u>	<u>57,598,535</u>	<u>43,034,365</u>	<u>45,048,708</u>

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Group 2020	Attributable to owners of the Company											Total Equity RM
	Non-distributable					Reserve of Disposal Group					Accumulated Losses RM	
	Share Capital RM	Share Option Reserve RM	Share Translation Reserve RM	Asset Revaluation Reserve RM	Warrants Reserve RM	Other Reserve RM	Reserve Classified as Held for Sale RM	Accumulated Losses RM				
At 1 January 2019	52,521,421	-	-	8,055,560	8,019,821	(8,019,821)	296,232	(17,904,629)	42,968,584			
Adjust to retained earnings	-	-	-	-	-	-	-	(30,189)	(30,189)			
Loss for the financial period	-	-	-	-	-	-	-	(14,625,337)	(14,625,337)			
<b>Transactions with Owners of the Company</b>												
Issuance of ordinary shares via Private Placement	1,235,952	-	-	-	-	-	-	-	1,235,952			
Issuance of ordinary shares via ESOS	7,031,608	557,021	-	-	-	-	-	-	7,588,629			
Realisation of reserve of disposal group classified as held for sale	-	-	-	-	-	-	(296,232)	-	(296,232)			
Total transactions with Owners of the Company	8,267,560	557,021	-	-	-	-	(296,232)	-	8,528,349			
At 30 June 2020	60,788,981	557,021	-	8,055,561	8,019,821	(8,019,821)	-	(32,560,155)	36,841,408			

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.



# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (CONT'D)

Note	Attributable to owners of the Company										Total Equity RM	
	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Asset Revaluation Reserve RM	Warrants Reserve RM	Other Reserve RM	Reserve of Disposal Group Classified as Held for Sale RM	Accumulated Losses RM	Non-distributable			
<b>Group 2018</b>												
At 1 January 2018	48,373,770	-	986,327	6,315,268	8,019,821	(8,019,821)	-	(14,058,640)	-	-	-	41,616,725
Effects on the adoption of MFRS 9 At 1 January 2018 (restated)	-	-	-	-	-	-	-	(1,225)	-	-	-	(1,225)
Loss for the financial year	-	-	-	-	-	-	-	(5,319,211)	-	-	-	(5,319,211)
<b>Other comprehensive income:</b>												
Revaluation surplus on land and building, net of deferred tax	-	-	-	2,420,214	-	-	-	-	-	-	-	2,420,214
Foreign currency differences for foreign operation	-	-	104,430	-	-	-	-	-	-	-	-	104,430
Total other comprehensive income for the financial year	-	-	104,430	2,420,214	-	-	-	-	-	-	-	2,524,644
<b>Total comprehensive loss for the financial year</b>	-	-	104,430	2,420,214	-	-	-	(5,319,211)	-	-	-	(2,794,567)
<b>Transactions with Owners of the Company</b>												
17 Allotment of ordinary shares via Private Placement	4,147,651	-	-	-	-	-	-	-	-	-	-	4,147,651
Transfer to reserve of disposal group classified as held for sale	-	-	(1,090,757)	(679,922)	-	-	296,232	1,474,447	-	-	-	-
Total transactions with Owners of the Company	4,147,651	-	(1,090,757)	(679,922)	-	-	296,232	1,474,447	-	-	-	4,147,651
At 31 December 2018	52,521,421	-	-	8,055,560	8,019,821	(8,019,821)	296,232	(17,904,629)	-	-	-	42,968,584

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (CONT'D)

	Note	Non-distributable				Total Equity
		Share Capital	Share Option Reserve	Warrants Reserve	Other Reserve	
		RM	RM	RM	RM	RM
<b>Company 2020</b>						
At 1 January 2019		52,521,421	-	8,019,821	(8,019,821)	44,063,004
Loss for the financial period, representing total comprehensive loss for the financial period		-	-	-	(10,264,440)	(10,264,440)
<b>Transactions with Owners of the Company:</b>						
Issuance of ordinary shares via Private Placement		1,235,952	-	-	-	1,235,952
Issuance of ordinary shares via ESOS		7,031,608	557,021	-	-	7,588,629
<b>Total transactions with Owners of the Company</b>		<b>8,267,560</b>	<b>557,021</b>	<b>-</b>	<b>-</b>	<b>8,824,581</b>
At 30 June 2020		<b>60,788,981</b>	<b>557,021</b>	<b>8,019,821</b>	<b>(8,019,821)</b>	<b>42,623,145</b>
<b>2018</b>						
At 1 January 2018		48,373,770	-	8,019,821	(8,019,821)	42,428,538
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	(2,513,185)	(2,513,185)
<b>Transactions with Owners of the Company:</b>						
Issuance of ordinary shares, representing total transactions with Owners of the Company		4,147,651	-	-	-	4,147,651
At 31 December 2018		<b>52,521,421</b>	<b>-</b>	<b>8,019,821</b>	<b>(8,019,821)</b>	<b>44,063,004</b>

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Company		
	Note	Period from 01.01.2019 to 30.06.2020 RM	2018 RM	Period from 01.01.2019 to 30.06.2020 RM	2018 RM
<b>Cash Flows from Operating Activities</b>					
Loss before tax		(13,106,951)	(5,360,702)	(10,264,440)	(2,513,185)
Adjustments for:					
Depreciation of property, plant and equipment		1,830,008	2,087,420	4,543	2,943
Gain on disposal of investment in subsidiary		(63,084)	-	(63,084)	-
Adjustment for loss for the first quarter of FY2020 upon disposal of subsidiary		(174,431)	-	-	-
Equity-settled share-based payment expenses		3,949,725	-	3,949,725	-
Allowance for impairment losses on:-					
Investment in a subsidiary		-	-	-	1,070,169
Property, plant and equipment		-	2,368,000	-	-
Allowance for expected credit losses on:-					
Trade receivables		-	6,927	-	-
Other receivables		3,500,000	225,000	3,500,000	-
Interest expense		88,651	422,756	-	-
Interest income		(173)	(157,506)	-	-
(Gain)/loss on disposal of property, plant and equipment		(270,718)	81,468	11,738	-
Unrealised loss on foreign exchange		-	12,708	-	-
Operating loss before working capital changes		(4,246,973)	(313,929)	(2,861,518)	(1,440,073)
<b>Changes in working capital:-</b>					
Inventories		230,397	578,116	-	-
Receivables		(2,227,173)	(3,434,278)	(4,845,707)	(3,558,871)
Payables		(1,034,899)	297,697	(615,246)	708,963
Cash used in operations		(7,278,648)	(2,872,394)	(8,322,471)	(4,289,981)
Income tax paid		(57,298)	(136,277)	-	-
Income tax refunded		111,532	31,631	-	-
Net cash used in operating activities		(7,224,414)	(2,977,040)	(8,322,471)	(4,289,981)
<b>Cash Flows from Investing Activities</b>					
Interest received		173	157,506	-	-
Proceeds from disposal of investment in subsidiary		3,463,084	-	3,463,084	-
Proceeds from disposal of property, plant and equipment		630,300	13,476	300	-
Purchases of property, plant and equipment	8(c)	(1,564,966)	(498,599)	(8,956)	(27,426)
Additional investments in subsidiaries		-	-	-	(2)
Net cash from/(used in) investing activities		2,528,591	(327,617)	3,454,428	(27,428)

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (CONT'D)

Note	Group		Company	
	Period from 01.01.2019 to 30.06.2020 RM	2018 RM	Period from 01.01.2019 to 30.06.2020 RM	2018 RM
<b>Cash Flows from Financing Activities</b>				
	(583,298)	(1,085,134)	-	-
	5,351,861	-	-	-
	(88,651)	(422,756)	-	-
	-	-	-	29,890
	5,858	306,269	40,763	144,373
	4,874,856	4,147,651	4,874,856	4,147,651
	70,000	-	-	-
	(147,557)	(494,701)	-	-
	<u>9,483,069</u>	<u>2,451,329</u>	<u>4,915,619</u>	<u>4,321,914</u>
	4,787,246	(853,328)	47,576	4,505
	-	31,405	-	-
	(4,384,494)	(3,562,571)	16,116	11,611
	<u>402,752</u>	<u>(4,384,494)</u>	<u>63,692</u>	<u>16,116</u>

Cash and cash equivalents at the end of the reporting period consist of the following:-

Note	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
	402,752	636,352	63,692	16,116
	260,000	5,611,862	-	-
	<u>662,752</u>	<u>6,248,214</u>	<u>63,692</u>	<u>16,116</u>
	(260,000)	(5,611,862)	-	-
	<u>402,752</u>	<u>636,352</u>	<u>63,692</u>	<u>16,116</u>
	-	(5,020,846)	-	-
	<u>402,752</u>	<u>(4,384,494)</u>	<u>63,692</u>	<u>16,116</u>

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Plot 86-B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park, Phase 4, 11900 Bayan Lepas, Penang.

The Company has changed the financial year end from 31 December to 30 June.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 10. There have been no significant changes in the nature of these activities during the financial period.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 28 October 2020.

## 2. BASIS OF PREPARATION

a) One of the subsidiaries, Microlead Precision Technology Sdn. Bhd. (MPT) incurred a net loss of RM4.5 million during the year ended 30<sup>th</sup> June 2020 and, as of that date, the Group's current liabilities exceeded its current assets by RM17.3 million and has capital deficit of RM3.8 million. These factor indicated the existence of a material uncertainty which may cast significant doubt about the subsidiaries' ability to continue as a going concern. However, the financial statements have been prepared under the going concern concept as the holding company has agreed to provide adequate financial support to the subsidiary to enable it to meet its obligations as and when they fall due. Should the going concern basis of preparing the financial statements be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their carrying values and to provide further estimated liabilities which may arise.

### b) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

#### **MFRSs, Amendments to MFRSs and Issue Committees ("IC") Interpretation that have been issued but are not yet effective**

The Group and the Company have not early adopted the following new MFRSs, IC Interpretations and amendments to MFRSs that have been issued by the MASB but are not yet affective: -

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company;

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2020 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### b) Statement of Compliance (cont'd)

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020*

- Amendments to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

**MFRSs, Amendments to MFRSs and Issue Committees (“IC”) Interpretation that have been issued but are not yet effective (cont.)**

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021*

- MFRS 17, Insurance Contracts

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed*

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2020 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 2. BASIS OF PREPARATION (cont'd)

### b) Statement of Compliance (cont'd)

#### **Application of new MFRSs, IC Interpretations and amendments to MFRSs**

During the financial year, the Company have applied the following new MFRSs, IC Interpretations and amendments to MFRSs issued by the Malaysian Accounting Standard Board ("MASB") which are effective from the beginning of the current financial year:-

#### MFRS 16, *Leases*

Amendments to MFRS 9 – Prepayment features with negative compensation

Amendments to MFRS 119 – *Plan amendment, curtailment or settlement*

Amendments to MFRS 128 – *Long-term interests in associates and joint ventures*

Amendments to MFRSs classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle":

- (i) Amendments to MFRS 3, Business combinations and MFRS 11, Joint arrangements – Previously held interest in a joint operation
- (ii) Amendments to MFRS 112, Income taxes – Income tax consequences of payments on financial instruments classified as equity
- (iii) Amendments to MFRS 123, Borrowing costs – Borrowing costs eligible for capitalisation

IC Interpretation 23, Uncertainty over income tax treatments

#### **(a) MFRS 16, Leases**

MFRS 16 will supersede the existing MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an arrangement contains a lease*, IC Interpretation 115 *Operating leases – Incentives* and IC Interpretation 127 *Evaluating the substance of transactions involving the legal form of a lease* and its sets out the principles for the recognition, measurement, presentation and disclosures of leases.

Under the existing MFRS 117, lessees and lessors are required to classify their leases as either finance leases or operating leases and account for those two types of leases differently. It requires a lessee to recognise assets and liabilities arising from finance leases but not from operating leases.

The new MFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases. As a consequence, a lessee recognizes right-of-use assets and lease liabilities arising from operating leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, plant and equipment* and this liability is accreted over time with interest expense recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2020 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### b) Statement of Compliance (cont'd)

##### Application of new MFRSs, IC Interpretations and amendments to MFRSs (cont'd)

##### (b) Amendments to MFRS 9 – Prepayment Features with Negative Compensation

The amendments allow entities to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

##### (c) Amendments to MFRSs Classified as “Annual Improvements to MFRS Standards 2015 – 2017 Cycle”

The Annual Improvements to MFRS Standards 2015 – 2017 Cycle include amendments to the following MFRSs:-

- (i) The amendments to MFRS 3 Business combinations clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11 Joint arrangements clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- (ii) The amendments to MFRS 112 Income taxes clarify that an entity recognizes the income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.
- (iii) The amendments to MFRS 123 Borrowing costs clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

##### (d) IC Interpretation 23, Uncertainty over income tax treatments

MFRS 112 Income taxes, includes requirements on recognition and measurement of tax assets and tax liabilities, but does not specify how to reflect uncertainty. As a result, entities apply diverse reporting method when the application of tax law is uncertain.

When there is uncertainty over income tax treatments, the Interpretation addresses:-

- (i) whether an entity considers uncertain tax treatment separately;
- (ii) the assumptions an entity makes about the examination of tax treatments by taxation authority;
- (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (iv) how an entity considers changes in facts and circumstances.

The initial application of the new MFRSs, IC Interpretations and amendments to MFRSs is not expected to have any significant impact on the Group and the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 2. BASIS OF PREPARATION (cont'd)

### c) Basis of measurement

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

### d) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency.

### e) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

#### (i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 5 to 59 years. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage could impact the economic useful.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 2. BASIS OF PREPARATION (cont'd)

### e) Significant accounting estimates and judgements (cont'd)

#### (ii) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

#### (iii) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

#### (iv) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group and the Company's loans and receivables at the reporting date are disclosed in note to the financial statements.

In adoption of MFRS 9, the Group and the Company assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### (v) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 2. BASIS OF PREPARATION (cont'd)

### e) Significant accounting estimates and judgements (cont'd)

#### (vi) Carrying value of investments in subsidiaries

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that the carrying values may not be recoverable. Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiaries.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

#### Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary is consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of consolidation (cont'd)

#### Consolidation (cont'd)

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interest are adjusted to reflect the changes in their relative interests in the subsidiary. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

#### Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of consolidation (cont'd)

#### Business combination (cont'd)

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combinations is taken to equity.

#### Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

#### (i) Foreign currency transactions

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Foreign currency (cont'd)

#### (ii) Foreign operations denominated in functional currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

- (i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- (ii) Income and expenses are translated at average exchange rates for the period, which approximates the exchange rates at the dates of the transactions; and
- (iii) All resulting exchange differences are taken to other comprehensive income.

Exchange reserve in respect of a foreign operation is recognised to profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interest. The proportionate share of the cumulative translation differences is reclassified to profit or loss in respect of all other partial disposals.

### (c) Revenue recognition and other income

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group’s and the Company’s customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Revenue recognition and other income (cont'd)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- The Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Other revenue earned by the Group are recognised on the following bases:

#### Interest income

Interest income is recognised on an accrual basis using the effective interest method.

### (d) Employee Benefits

#### (i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur. The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

#### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group has no further payment obligations.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (f) Income tax

#### Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial period, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

#### Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Income tax (cont'd)

#### Deferred tax (cont'd)

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

### (g) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented as previously reported under MFRS 117, Leases and related interpretations.

#### Current financial year

##### (i) Definition of lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assesses whether a contract conveys the right to control the use of an identified asset - this may be specified explicitly or implicitly.

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has his right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the customer has right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At the inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Leases (cont'd)

#### Current financial year (cont'd)

#### (ii) Recognition and initial measurement

##### (a) *As a lessee*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying assets or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### (b) *As a lessor*

The Group recognises assets held under a finance leases in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Leases (cont'd)

#### Current financial year (cont'd)

#### (ii) Recognition and initial measurement (cont'd)

##### (b) As a lessor (cont'd)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

#### (iii) Subsequent measurement

##### (a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### (b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2020 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Leases (cont'd)

##### Previous financial year

##### *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (h) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own share held, for the effects of all dilutive potential ordinary shares, which comprise of warrants.

#### (i) Property, Plant and Equipment

Property, plant and equipment are measured at cost/valuation less accumulated depreciation and accumulated impairment losses.

##### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Property, Plant and Equipment (cont'd)

#### (i) Recognition and measurement (cont'd)

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss

#### *Property, plant and equipment under the revaluation model*

The Group revalues its properties comprising land and buildings every 3 to 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

Leasehold land	59 years
Buildings and improvements	2% - 20%
Plant and machinery	10%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	20%

Freehold land has an indefinite useful life and therefore is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- cost of raw materials and packaging materials comprise cost of purchase and are stated on a weighted average cost or standard cost basis (which approximates average actual cost).
- cost of finished goods includes raw materials, labour and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

### (k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, fixed deposits and bank balances that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

### (l) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (I) Financial instruments (cont'd)

#### (ii) Financial instruments categories and subsequent measurement

##### Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

##### (a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 3(m)(i))- where the effective interest rate is applied to the amortised cost.

##### (b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 3(m)(i)).

All financial assets, except for those measured at fair value, through profit or loss, are subject to review for impairment (see Note 3(m)(i)).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (I) Financial instruments (cont'd)

#### (ii) Financial instruments categories and subsequent measurement (cont'd)

##### Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

##### (a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Financial instruments (cont'd)

#### (ii) Financial instruments categories and subsequent measurement (cont'd)

##### Financial liabilities (cont'd)

#### (b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

#### iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

#### (iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Financial instruments (cont'd)

#### (v) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (m) Impairment

#### (i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Impairment (cont'd)

#### (i) Financial assets (cont'd)

Loss allowances of the Group are measured on either of the following bases:

- (i) 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- (ii) Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### Simplified approach- trade receivables, lease receivables and contract assets

The Group applies the simplified approach to provide ECLs for all trade receivables, lease receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

#### General approach- other financial instruments and financial guarantee contracts

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measure at an amount equal to 12-months ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measure at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLS, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increase significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant in credit risk since initial recognition, loss allowance is measure at an amount equal to 12-month ECLs.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Impairment (cont'd)

#### (i) Financial assets (cont'd)

##### General approach- other financial instruments and financial guarantee contracts (cont'd)

The Group considers an event of default for internal credit risk management purposes when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Group considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group in full, without recourse by the Group actions such as realising security (if any is held). The Group only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

##### Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Impairment (cont'd)

#### (ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

### (n) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Equity instruments (cont'd)

#### Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Group's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liabilities if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

### (o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (q) Contingencies

Where it is not probable that an inflow or outflow of economic benefits will be required, or the amount cannot be estimated reliably, the assets and the obligation is not recognised in the statements of financial position and is disclosed as a contingent assets or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (r) Non-current asset held for sale or distribution to owners and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent (herein referred to as “distribution”) if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Distribution-related costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution. Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position. A disposal group qualifies as discontinued operation if it is:

- (i) A component of the Group that is a Cash Generating Unit (“CGU”) or a group of CGUs;
- (ii) Classified as held for sale or distribution or already disposed in such a way; or
- (iii) A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. The comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period. Additional disclosures are provided in notes to the financial statements. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

### (s) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2020 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (s) Fair value measurement (cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 4. REVENUE

Disaggregation of revenue by segment is disclosed in Note 26.

Revenue represents the Group's revenue from contracts with customers which are recognised at a point in time.

The Group provides customised moulds, tools, jigs and fixtures for hard disk drives and assembly/production parts for machine use including delivery services. Revenue recognition is based on issuance of delivery order which requires customer acknowledgement that the goods have been accepted by the customer.

#### Performance obligation ("PO")

- Sale of moulds, tools, jigs and fixtures and assembly/production parts for machine use; and
- Delivery service

Contracts for sale of customised moulds, tools, jigs and fixtures and assembly/production parts for machine use included delivery of end products which are distinct and is able to be performed separately. However, the delivery of end products was immaterial to be considered as a separate PO. Hence, contract with respective customers are considered as a single PO and are not separately identifiable. Accordingly, the Group charges the customers based on a single transaction price stated in the contract. The POs are satisfied upon completion of sale of customised moulds, tools, jigs and fixtures and assembly/production parts for machine use and delivery service which are completed simultaneously by way of customer's acknowledgement on the delivery order. Payment is generally due within 30-90 days from the date when the POs are satisfied.

#### Timing of recognition

Revenue is recognised when control over the moulds, tools, jigs and fixtures and assembly/production parts for machine use products have been transferred to the customer. An enforceable right to payment does not arise until the customers have acknowledged the delivery order. Therefore, revenue is recognised at a point in time when customers have acknowledged the delivery order.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 5. LOSS BEFORE TAX

Loss before tax is stated after charging/(crediting):

	Group		Company	
	Period from 01.01.2019 to 30.06.2020 RM	2018 RM	Period from 01.01.2019 to 30.06.2020 RM	2018 RM
Group auditors' remuneration				
Statutory audit:				
- Current year	100,000	79,000	50,000	45,000
- Overprovision in prior year	-	(5,525)	-	(5,525)
Non-audit services				
- Current year	-	15,000	-	15,000
Other auditors' remuneration				
Statutory audit:				
- Current year	33,024	7,600	21,624	-
Allowance for impairment losses:				
- Property, plant and equipment	-	2,368,000	-	-
- Investment in subsidiary	-	-	-	1,070,169
Allowance for expected credit losses on:				
- Trade receivables	-	6,927	-	-
- Other receivables	3,500,000	225,000	3,500,000	-
Depreciation of property, plant and equipment	1,830,008	2,087,420	4,543	2,943
Employee benefit expenses [Note (a)]	6,445,212	8,507,472	894,787	685,316
(Gain)/loss on disposal of property, plant and equipment	(270,718)	81,468	11,738	-
(Gain)/loss on foreign exchange:				
- Realised	(29,740)	44,633	-	(1,107)
- Unrealised	(3,096)	12,708	-	-
Interest expense on:				
- Bank overdraft	69,063	249,028	-	-
- Finance lease payables	6,563	82,855	-	-
- Term loans	13,809	90,873	-	-
Interest income	(173)	(157,506)	-	-
Depreciation of Right-Of-Use Asset	91,612	-	-	-
Rental of hostel	63,300	40,950	-	-
Rental of office	35,250	84,362	-	-

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 5. LOSS BEFORE TAX (cont'd)

(a) Employee benefit expenses comprises of:

	Group		Company	
	Period from 01.01.2019 to 30.06.2020 RM	2018 RM	Period from 01.01.2019 to 30.06.2020 RM	2018 RM
<b>Staff costs</b>				
Salaries and wages	3,697,086	6,072,636	178,653	174,135
Bonus	-	58,858	-	-
Contributions to				
defined contribution plan	397,806	418,153	19,477	21,574
Social security contributions	63,334	51,383	2,447	2,428
Others	1,024,590	1,003,375	36,115	25,084
	<u>5,182,816</u>	<u>7,604,405</u>	<u>236,692</u>	<u>223,221</u>
<b>Directors</b>				
Directors' fees	222,894	190,864	222,894	190,864
Salaries and allowances	922,136	624,008	385,000	240,000
Bonus	-	8,000	-	-
Contributions to				
defined contribution plan	111,737	76,596	47,200	29,400
Social security contributions	5,629	3,599	3,001	1,831
	<u>1,262,396</u>	<u>903,067</u>	<u>658,095</u>	<u>462,095</u>
	<u>6,445,212</u>	<u>8,507,472</u>	<u>894,787</u>	<u>685,316</u>

## 6. INCOME TAX EXPENSE

	Group	
	Period from 01.01.2019 to 30.06.2020 RM	2018 RM
<b>Malaysian Income Tax:</b>		
Current year	38,608	-
Deferred tax (Note 20):-		
Reversal of temporary differences, representing income tax credit for the financial period/year	1,479,778	(41,491)
Total taxation	<u>1,518,386</u>	<u>(41,491)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable result for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 6. INCOME TAX EXPENSE (cont'd)

The reconciliation from the tax amount at the statutory income tax rate to the Group's and the Company's tax credit is as follows:-

	Group		Company	
	Period from 01.01.2019 to 30.06.2020 RM	2018 RM	Period from 01.01.2019 to 30.06.2020 RM	2018 RM
Loss before tax	(13,106,951)	(5,380,702)	(10,264,440)	(2,513,185)
Income tax at Malaysian statutory tax rate of 24%	(3,145,668)	(1,287,000)	(2,463,466)	(603,000)
Income tax credit for the financial period/year	112,206	-	-	-
Effect of different tax rate in other country	-	8,000	-	-
Income tax not credited for the financial period/year	(112,206)	-	-	-
Expenses not deductible for tax purposes	2,663,938	938,509	2,463,466	603,000
Deferred tax assets not recognised	1,479,778	299,000	-	-
Unabsorbed losses during the year	520,338	=	=	=
Income tax credit for the financial period/year	<u>1,518,386</u>	<u>(41,491)</u>	<u>-</u>	<u>-</u>

The Group and the Company have the following estimated unabsorbed capital allowances and unutilised tax losses available for set-off against future taxable profits:

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Unutilised tax losses	9,893,389	9,418,000	258,434	62,000
Unabsorbed capital allowances	<u>23,322,914</u>	<u>21,782,600</u>	<u>-</u>	<u>-</u>
	<u>33,216,303</u>	<u>31,200,600</u>	<u>258,434</u>	<u>62,000</u>

A local subsidiary of the Company has been granted pioneer status by the Malaysian Investment Development Authority ("MIDA") for the design, development and manufacture of advanced automation modules/assemblies for digital data storage, medical instrument systems/devices and optoelectronics applications and related components ("Pioneer Products"). Under this incentive, 100% of the subsidiary's statutory income from the Pioneer Products is exempted from income tax for a period of 5 years (extendable for further 5 years) commencing from 2 April 2010. The subsidiary was granted a further extension of 5 years from 2 April 2015 until 1 April 2020.

With effect of YA2019, the unutilised tax losses in a year of assessment of the Group can only be carried forward for a maximum period of 7 consecutive years of assessment to be utilised against income from any business source.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 7. LOSS PER SHARE

Basic loss per ordinary share for the financial year is calculated by dividing the loss after tax attributable to Owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	Period from 01.01.2019 to 30.06.2020	2018
Loss after tax attributable to Owners of the Company (RM)	<u>(14,625,337)</u>	<u>(5,319,211)</u>
Number of ordinary shares at the beginning of the year	463,400,596	414,765,124
Weighted average ordinary shares issued during the financial period/year	<u>198,464,967</u>	<u>48,635,472</u>
Weighted average number of ordinary shares at the end of the financial period/year	<u>661,865,563</u>	<u>463,400,596</u>
Basic loss per ordinary share (sen)	<u>(2.21)</u>	<u>(1.15)</u>

Diluted loss per share is the same as basic loss per share as there is no dilutive potential ordinary shares outstanding during the financial year.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 8. PROPERTY, PLANT AND EQUIPMENT

Group 2020	At valuation		At cost			Total RM
	Leasehold land RM	Buildings and improvements RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	
<b>At valuation/cost</b>						
At 1 January 2019	10,700,000	4,300,000	31,461,090	1,499,697	1,549,059	49,509,846
Additions	-	490,080	51,368	895,518	128,000	1,564,966
Disposals	-	-	(3,478,052)	(13,392)	(693,962)	(4,185,406)
At 30 June 2020	10,700,000	4,790,080	28,034,406	2,381,823	983,097	46,889,406
<b>Accumulated depreciation and impairment loss</b>						
At 1 January 2019	-	-	28,873,800	1,072,759	1,367,341	31,313,900
Charge for the financial year	319,403	156,235	1,012,946	199,996	141,429	1,830,009
Disposals	-	-	(3,165,109)	(1,353)	(659,361)	(3,825,823)
At 30 June 2020	319,403	156,235	26,721,637	1,271,402	849,409	29,318,086
<b>Net carrying amount</b>						
At 30 June 2020	10,380,597	4,633,845	1,312,769	1,110,421	133,688	17,571,320

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	At valuation		At cost				Total RM
	Freehold land RM	Leasehold land RM	Buildings and improvements RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	
<b>2018</b>							
<b>At valuation/cost</b>							
At 1 January 2018	767,527	8,400,000	7,454,776	40,748,657	2,003,305	2,084,010	61,458,275
Additions	-	-	167,445	685,324	157,543	-	1,010,312
Disposals	-	-	-	(378,094)	(79,502)	-	(457,596)
Elimination of accumulated depreciation on revaluation	-	(710,447)	(474,045)	-	-	-	(1,184,492)
Revaluation surplus	-	3,010,447	174,045	-	-	-	3,184,492
Reclassification to assets of disposal group classified as held for sale (Note 8)	(782,658)	-	(3,055,939)	(9,795,812)	(595,399)	(546,448)	(14,776,256)
Foreign currency translation	15,131	-	33,718	201,015	13,750	11,497	275,111
At 31 December 2018	-	10,700,000	4,300,000	31,461,090	1,499,697	1,549,059	49,509,846
<b>Accumulated depreciation and impairment loss</b>							
At 1 January 2018	-	543,283	1,882,673	34,405,928	1,550,436	1,727,438	40,109,758
Charge for the financial year	-	167,164	171,128	1,509,514	91,287	148,327	2,087,420
Disposals	-	-	-	(284,081)	(78,571)	-	(362,652)
Elimination of accumulated depreciation on revaluation	-	(710,447)	(474,045)	-	-	-	(1,184,492)
Impairment loss	-	-	-	2,368,000	-	-	2,368,000
Reclassification to assets of disposal group classified as held for sale (Note 8)	-	-	(1,599,118)	(9,272,050)	(501,521)	(518,784)	(11,891,473)
Foreign currency translation	-	-	19,362	146,489	11,128	10,360	187,339
At 31 December 2018	-	-	-	28,873,800	1,072,759	1,367,341	31,313,900
<b>Net carrying amount</b>							
At 31 December 2018	-	10,700,000	4,300,000	2,587,290	426,938	181,718	18,195,946

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Furniture, fittings and office equipment	
	2020 RM	2018 RM
<b>Company</b>		
<b>At cost</b>		
At 1 January	47,467	20,041
Additions	8,956	27,426
Disposal	(13,392)	-
<b>At 30 June/31 December</b>	<u>43,031</u>	<u>47,467</u>
<b>Accumulated depreciation</b>		
At 1 January	11,293	8,350
Charge for the financial period/year	4,543	2,943
Disposal	(1,353)	-
<b>At 30 June/31 December</b>	<u>14,483</u>	<u>11,293</u>
<b>Net carrying amount</b>		
<b>At 30 June/31 December</b>	<u>28,548</u>	<u>36,174</u>

(a) Assets held under finance leases

The carrying amount of property, plant and equipment of the Group held under finance leases are as follows:

	Group	
	2020 RM	2018 RM
Plant and machinery	-	1,290,211
Motor vehicles	119,467	167,497
	<u>119,467</u>	<u>1,457,708</u>

The lease assets are pledged as security for the related finance lease payables (Note 19).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### (b) Acquisitions of property, plant and equipment

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Cash payment	1,494,966	498,599	8,956	27,426
Financed through finance lease payables	70,000	511,713	-	-
Total acquisition of property, plant and equipment	<u>1,564,966</u>	<u>1,010,312</u>	<u>8,956</u>	<u>27,426</u>

### (d) Revaluation of leasehold land and buildings

Leasehold land and buildings were revalued on 21 February 2019. Their fair values were arrived at by reference to market evidence of transaction prices for similar properties and are performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The Directors are of the opinion that there is no material change between the end of the financial year and the valuation date of the properties.

The fair values of the leasehold land and buildings were determined using comparison method that considers the sales of similar or substitute properties and related market data and establishes a value estimate by adjustments made for differences in factor that affect value. In general, a property being valued (subject property) is compared with sales of similar properties that have been transacted in open market.

The fair values of the leasehold land and buildings (including disposal group) are categorised at Level 2 of the fair value hierarchy and were estimated using observable inputs for the properties. If the leasehold land and buildings were measured using the cost model, the carrying amounts would have been as follows:

	Group	
	2020 RM	2018 RM
Freehold land	-	782,658
Leasehold land	1,763,997	1,829,531
Buildings and improvements	<u>3,632,145</u>	<u>3,817,974</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 9. RIGHT-OF-USE ASSET

	2020 RM
At 1 January 2019 upon adoption of MFRS 16	81,911
Additions	42,038
Depreciation	(91,612)
At 30 June 2020	<u>32,337</u>

The Company leases a new office for a period of 13 months during the financial period.

### Significant judgements and assumptions in relation to leases

The Company applied judgement and assumptions in determining the incremental borrowing rate of the respective lease. Company first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective lease.

## 10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM	2018 RM
Unquoted shares at cost:		
At 1 January	26,394,060	30,165,739
Additions	-	2
Reclassification to assets of disposal group classified as held for sale (Note 8)	-	(3,771,681)
At 30 June/31 December	26,394,060	26,394,060
Accumulated impairment loss:		
At 1 January	(22,153,546)	(21,455,058)
Additions	-	(1,070,169)
Reclassification to assets of disposal group classified as held for sale (Note 8)	-	371,681
At 30 June/31 December	(22,153,546)	(22,153,546)
Net carrying amount	<u>4,240,514</u>	<u>4,240,514</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 10. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of subsidiaries are as follows:

Company name	Country of Incorporation	Effective equity interest		Principal Activities
		2020	2018	
Microlead Precision Technology Sdn. Bhd. ("MPT")	Malaysia	100%	100%	<ul style="list-style-type: none"> <li>(i) Manufacture of moulds, tools, dies, jigs and fixtures mainly for use in the manufacture of hard disk drives.</li> <li>(ii) Design, development and manufacture of advanced suspension tooling, progressive tooling, semiconductor cavity/encapsulation moulds for application in hard disk drives and semiconductor industries; and</li> <li>(iii) Design, development and manufacture of advanced automation modules/assemblies for digital data storage, medical instrument systems/devices and optoelectronics applications and related components.</li> </ul>
Star Acres Sdn. Bhd. ("SASB")	Malaysia	100%	100%	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 10. INVESTMENTS IN SUBSIDIARIES (cont'd)

Company name	Country of Incorporation	Effective equity interest		Principal Activities
		2020	2018	
MPT Solution Co., Ltd * ("MPTS")	Thailand	-	100%	Manufacture of car spare parts, plastic moulds, metal moulds and blowing moulds for plastic products, tooling, jigs and fixtures for electronic and semiconductor.
MQ Integrated Marketing Sdn. Bhd. ("MQIM")	Malaysia	100%	100%	Marketing and operating of gaming related businesses.
Microlead Manufacturing Sdn. Bhd. ("MM")	Malaysia	100%	100%	To relocate all operations from Microlead Precision Technology Sdn. Bhd.

\* The subsidiary has been disposed on 1 April 2019

A subsidiary company, Star Acres Sdn Bhd was given qualified opinion. The basis for qualified opinion is due to the uncertainty on the direction of the management on the theme park business and following on the lack of documentary information and/or evidence being available that assesses the manner in which these amounts are expected to be recovered.

The Company was established mainly to invest in and develop the theme park business. The Company has incurred a total of RM19.2 million as deposits in relation to the theme park business as at 30th June 2020. The management are reassessing the viability of the theme park business and casino in view of the current economic and political conditions and is in the midst of determining the most appropriate options and/or measures to actualise the said amounts.

Based on auditor judgement, the auditor were unable to obtain sufficient appropriate audit evidence to assess the recoverable amounts and/or impairment, if any, on these advances, deposits and prepayments, in relation to the proposed theme park business. Consequently, the auditor were unable to determine whether any adjustments to these amounts were necessary.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 11. GOODWILL ON CONSOLIDATION

	Group	
	2020 RM	2018 RM
Cost	-	960,221
Written-off	-	(960,221)
	-	-
Accumulated impairment loss	-	(960,221)
Written-off	-	960,221
	-	-
	-	-

The goodwill was in respect of acquisition of a subsidiary in year 2003 and an impairment loss was recognised in year 2003 to write down the entire carrying amount of goodwill on the basis that the carrying amount of the goodwill exceeded its recoverable amount.

## 12. INVENTORIES

	Group	
	2020 RM	2018 RM
<b>At cost</b>		
Raw materials	438,893	446,539
Work-in-progress	50,889	309,560
Finished goods	89,270	53,350
	<u>579,052</u>	<u>809,449</u>

## 13. TRADE RECEIVABLES

	Group	
	2020 RM	2018 RM
Gross amounts	1,129,418	1,850,349
<b>Less: Allowance for expected credit losses:-</b>		
At 1 January	(8,152)	-
Effect of adoption of MFRS 9	-	(1,225)
Additions	-	(6,927)
At 30 June/31 December	<u>(8,152)</u>	<u>(8,152)</u>
Carrying value	<u>1,121,266</u>	<u>1,842,197</u>

The Group's normal credit terms of trade receivables range from 30 to 90 days (2018: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 14. OTHER RECEIVABLES

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Other receivables (Note a)	1,487,560	567,945	979,660	-
GST receivables	-	129,628	-	122,889
Deposits (Note b)	4,207,490	4,032,507	2,000,260	2,000,000
Prepayments (Note c)	22,582,268	20,441,474	5,167,364	18,932,780
Less: Accumulated impairment losses:				
At 1 January	(684,600)	(459,600)	-	-
Additions	(3,500,000)	(225,000)	(3,500,000)	-
At 30 June/31 December	(4,184,600)	(684,600)	(3,500,000)	-
	<u>24,092,718</u>	<u>24,486,954</u>	<u>4,647,284</u>	<u>21,055,669</u>

### (a) Other receivables

Included herein is an amount of RM500,000\* (2018: RM500,000\*) being a refundable advance paid to Cash Support Sdn. Bhd. ("CSSB") in respect of the stamp duty pursuant to the subscription and shareholders' agreement dated 19 January 2016 entered with CSSB.

### (b) Deposits

Included herein is an amount of RM2,000,000\* (2018: RM2,000,000\*) being refundable deposits paid to CSSB by a wholly-owned subsidiary, SASB for acting as the project manager for the supply, modification and installation of 200 containers for the pop-up market at the theme park which is still under development.

Also included herein is an amount of RM2,000,000 (2018: RM2,000,000) which relates to deposits for the Group's factory extension and is currently held in trust by the solicitors.

### (c) Prepayments

Included herein are the following:

- (i) an amount of RM800,000\* (2018: RM800,000\*) being payment to external professional parties in relation to the design, market research and feasibility study fees for the theme park business;
- (ii) an amount of RM15,900,000\* (2018: RM15,266,100\*) being paid to CSSB by the Company on behalf of SASB for the purpose of subscription of shares in a new joint venture company, Cash Support Property Sdn. Bhd. ("CSPSB") pursuant to the subscription and shareholders' agreement ("SSA") dated 19 January 2016; and
- (iii) an amount of RM3,650,000 (2018: RM3,650,000) being prepaid marketing expenses for the Group's diversification into the gaming business in Cambodia pursuant to the Marketing Agreement dated 7 December 2017 entered into between the Group and Vivo Tower Holdings Ltd.

\* Total advance, deposits and prepayments made by the Group pertaining to the theme park business at the end of the reporting period amounted to RM19,200,000 (2018: RM18,566,100).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 14. OTHER RECEIVABLES (cont'd)

### Proposed Joint Venture between the Group and CSSB

The Proposed Joint Venture is to develop and carry on the business of theme park ("Proposed Investment"). On 19 January 2016, the Group, via SASB, entered into the SSA with CSSB to regulate their rights as shareholders of C PSPS B.

The abovementioned Proposed Joint Venture was approved by the shareholders pursuant to the Circular to Shareholders dated 20 May 2016.

Under the Proposed Investment, CSSB will sell the Project Land to C PSPS B for a purchase consideration of RM28,300,000 and SASB and CSSB will subscribe to new C PSPS B shares such that SASB will hold 51% and CSSB will hold 49% equity interests in C PSPS B.

### Proposed Joint Venture between the Group and CSSB (cont'd)

SASB will fully satisfy its subscription consideration of RM15,900,000 by cash payment, of which RM15,266,100 has been paid as at 31 December 2018 and the balance of RM633,900 was paid subsequent to the financial year end. CSSB will satisfy its subscription consideration of RM13,033,900 by offsetting it against part of the purchase consideration due from C PSPS B.

The project land is reclaimed land measuring 9.16 acres and is located in Klebang, Melaka. The tenure of the project land is 99-year leasehold, expiring on 13 July 2114. As disclosed in the Circular to Shareholders dated 20 May 2016, the total reclamation cost of RM9.31 million for the entire project land was incurred by CSSB and actual development costs incurred for the construction of the arena stage together with other improvements was RM16.43 million.

As part of the SSA, SASB shall advance the Stamp Duty Advance amounting to RM843,000 to C PSPS B to pay for the stamp duty incurred by C PSPS B for the purchase of the Project Land, of which RM500,000 has been paid as at 31 December 2018 and the balance Stamp Duty Advance of RM343,000 remains outstanding as at the date of this report.

As at 31 December 2018, the land title to the Project Land is being held in escrow by the appointed lawyers, the transfer of which, together with the subscription of shares will be effected on completion of the SSA.

There has been no significant development for the proposed theme park business since 2016, and as at the date of this report, the management is reassessing the viability of the theme park business in view of the current economic and political conditions and is in the midst of determining the most appropriate options and/or measures to actualise the advances, deposits and prepayments totalling RM18.566 million as at 31 December 2018.

Notwithstanding that there are currently no resolved measures being undertaken, the management believes that there is value to be attributed to the identified theme park land and certain structures erected thereon as:-

- (i) the project land is situated in Klebang, Melaka, which has shown appreciation in value, based on desktop research performed; and
- (ii) costs have been incurred for the reclamation of the Project Land and the construction of the arena stage together with other improvements, that are still in good physical condition.

which is the subject matter of the said advances, deposits and prepayments, and accordingly, are of the opinion that these amounts are not impaired and are recoverable in full.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 15. AMOUNTS DUE FROM SUBSIDIARIES

These amounts are non-trade in nature, unsecured, interest free and are repayable on demand.

## 16. FIXED DEPOSITS WITH LICENSED BANKS

Included herein is an amount of RM260,000 (2018: RM260,000) placed in the name of a Director of a subsidiary, held in trust for a subsidiary.

The effective interest rates of the Group's fixed deposits as at the end of the reporting period range from 1.55% to 3.10% (2018: 3.02% to 3.90%) per annum. The fixed deposits have maturity periods of 12 months (2018: 12 months).

## 17. SHARE CAPITAL

	Group and Company Number of Shares		Group and Company Amount	
	2020 Unit	2018 Unit	2020 RM	2018 RM
<b>Ordinary shares</b>				
Issued and fully paid:				
At 1 January	497,718,148	414,765,124	52,521,421	48,373,770
Allotment via Private Placement	64,228,336	82,953,024	1,235,952	4,147,651
Allotment via ESOS	154,593,217	-	7,031,608	-
At 30 June/31 December	<u>716,539,701</u>	<u>497,718,148</u>	<u>60,788,981</u>	<u>52,521,421</u>

During the financial year, the Company increased its issued and fully paid up share capital from RM52,521,421 to RM60,788,981 by the creation of additional 64,228,336 ordinary shares via private placement and 154,593,217 ordinary shares via ESOS.

The new ordinary shares issued during the financial period rank pari passu in all respects with the existing issued ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 18. RESERVES

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Non-distributable				
Share option reserve	557,021	-	557,021	-
Asset revaluation reserve				
[Note (a)]	8,055,560	8,055,560	-	-
Warrants reserve [Note (b)]	8,019,821	8,019,821	8,019,821	8,019,821
Other reserve [Note (c)]	(8,019,821)	(8,019,821)	(8,019,821)	(8,019,821)
	<u>8,612,581</u>	<u>8,055,560</u>	<u>557,021</u>	<u>-</u>

### (a) Asset revaluation reserve

This is in respect of the surplus on revaluation of the Group's freehold land, leasehold land and buildings and improvements, net of deferred tax.

	Group	
	2020 RM	2018 RM
At 1 January	8,055,560	6,315,268
Addition	-	2,420,214
Transfer to reserve of disposal group classified as held for sale (Note 8)	-	(679,922)
At 30 June/31 December	<u>8,055,560</u>	<u>8,055,560</u>

### (b) Warrants reserve

On 28 November 2016, the Company issued 183,516,630 5 years free detachable warrants ("Warrants") pursuant to the Company's Rights Issue. The Warrants are constituted by a deed poll dated 14 October 2016. The Warrants were listed on Bursa Malaysia on 28 November 2016. During the financial year, no Warrants were exercised.

The main features of the Warrants are as follows:

- (i) Each Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share of RM0.10 each in the Company at an exercise price of RM0.10 per ordinary share.
- (ii) The exercise price and/or the number of Warrants in issue shall be subject to adjustments in accordance with the provisions of the deed poll during the exercise period.
- (iii) The Warrants may be exercised at any time within five (5) years commencing on and including the date of issuance of the Warrants until last market day prior to the fifth anniversary of the date of issuance of the Warrants.
- (iv) The Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless such Warrant holders exercise their Warrants into new ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 18. RESERVES (cont'd)

### (b) Warrants reserve

(v) All new ordinary shares to be issued upon the exercise of the Warrants shall, on allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Company save and except that they shall not be entitled to any dividends, rights, allotments and other distributions, the entitlement date of which is prior to the date of allotment of such new ordinary shares, and will be subject to all provisions of the Articles of Association of the Company.

(vi) At the expiry of the exercise period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

The warrants reserve is in respect of the allocated fair value of the 183,516,630 Warrants issued.

### (c) Other reserve

Other reserve represents the discount on issuance of shares and the value of which is represented by the fair value of the warrants. The other reserve in substance, form part of the issued and paid up share capital and is presented separately for better understanding.

## 19. BORROWINGS

	Group	
	2020 RM	2018 RM
<b>Non-current</b>		
Finance lease payables	48,690	32,468
	<u>48,690</u>	<u>32,468</u>
<b>Current</b>		
Bank overdrafts (secured)	-	5,020,846
Term loans (secured)	-	583,298
Finance lease payables	16,172	109,952
	<u>16,172</u>	<u>5,714,096</u>
Total borrowings	<u>64,862</u>	<u>5,746,564</u>

### Maturity profile of borrowings:

	Group	
	2020 RM	2018 RM
Within 1 year	16,172	5,714,096
More than 1 year and less than 2 years	17,310	32,468
More than 2 years and less than 5 years	31,380	-
	<u>64,862</u>	<u>5,746,564</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 19. BORROWINGS (Cont'd)

Interest rate per annum at the reporting date for the borrowings are as follows:

	Group	
	2020	2018
	%	%
Bank overdrafts	-	5.00
Term loans	-	7.00 to 9.10
Finance lease payables	3.32	1.49 to 6.75
	<u>3.32</u>	<u>1.49 to 6.75</u>

### Finance lease payables

The aggregate commitment for future finance lease payments are as follows:

	Group	
	2020	2018
	RM	RM
<b>Minimum finance lease payments:</b>		
Within 1 year	19,824	113,426
More than 1 year and less than 2 years	19,824	33,789
More than 2 years and less than 5 years	33,040	-
	<u>72,688</u>	<u>147,215</u>
Less: future finance charges	(7,826)	(4,795)
<b>Present value of finance lease payables</b>	<u>64,862</u>	<u>142,420</u>
<b>Present value of finance lease payables</b>		
Within 1 year	16,172	109,952
More than 1 year and less than 2 years	17,310	32,468
More than 2 years and less than 5 years	31,380	-
	<u>64,862</u>	<u>142,420</u>
<b>Representing</b>		
Current portion	16,172	109,952
Non-current portion	48,690	32,468
	<u>64,862</u>	<u>142,420</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 20. DEFERRED TAX LIABILITIES

	Group	
	2020 RM	2018 RM
At 1 January	2,393,347	1,816,236
Recognised in profit or loss (Note 6)	1,479,778	(41,491)
Recognised in equity	-	764,278
Reclassification to liabilities of disposal group classified as held for sale (Note 8)	-	(145,676)
At 30 June/31 December	<u>3,873,125</u>	<u>2,393,347</u>

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows:

	Group	
	2020 RM	2018 RM
Difference between net carrying amount of property, plant and equipment and its tax base	3,873,125	683,747
Revaluation of property, plant and equipment	-	2,393,347
Unabsorbed capital allowances	-	(683,747)
	<u>3,873,125</u>	<u>2,393,347</u>

Deferred tax assets and liabilities are offset above where there is legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Unutilised tax losses	9,893,389	9,418,000	258,434	62,000
Unabsorbed capital allowances	23,322,914	21,782,600	-	-
	<u>33,216,303</u>	<u>31,200,600</u>	<u>258,434</u>	<u>62,000</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Company and its subsidiaries can utilise the benefits therefrom.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2020 (CONT'D)

### 21. TRADE PAYABLES

The normal trade credit terms granted by the trade creditors to the Group range from 30 to 90 days (2018: 30 to 90 days).

Included in trade payables is an amount of Nil (2018: RM24,252) due to a company in which a person connected to a Director of a subsidiary has substantial financial interest.

### 22. OTHER PAYABLES

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Other payables	278,133	771,226	119,536	260,486
Accruals	913,876	896,472	106,548	230,845
Deposit received	690,958	825,000	-	350,000
	<u>1,882,967</u>	<u>2,492,698</u>	<u>226,084</u>	<u>841,331</u>

Including in the Group's other payables is an amount of RM215,958 (2018: RM204,739) which relates to advance payment received from customers. Included in the Group's and the Company's deposit received is an amount of NIL (2018: RM350,000) being 10% deposit received from purchaser arising from disposal of MPTS as disclosed in Note 8.

### 23. AMOUNTS DUE TO DIRECTORS

These amounts represent unsecured, interest-free advances which are repayable on demand.

### 24. RELATED PARTY DISCLOSURES

#### (a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Company have related party relationships with their subsidiaries, key management personnel and related parties. Related parties refer to companies in which certain Directors of the Company have substantial financial interests and/or are also Directors of the companies. Related companies refer to subsidiaries of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 24. RELATED PARTY DISCLOSURES (cont'd)

### (b) Related party transactions

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
<i>Related parties</i>				
Sales to	-	234,881	-	-
Purchases from	-	24,252	-	-
<i>Related companies</i>				
Subscription for shares in a subsidiary	-	-	-	(2)
Advances from directors	312,127	306,269	185,136	144,373
Repayment from subsidiaries	-	-	-	29,890

Information regarding outstanding balances arising from related party transactions as at reporting date are disclosed in Notes 15, 16, 21 and 23 respectively.

### (c) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel are referring to all the Directors of the Company and its subsidiaries.

Remuneration paid by the Group and the Company to key management personnel during the financial year has been disclosed in Note 5 to the financial statements.

## 25. CAPITAL COMMITMENTS

	Group	
	2020 RM	2018 RM
Authorised but not contracted for:		
- Property, plant and equipment	4,926,000	4,926,000
Contracted but not provided for:		
- Stamp duty in relation to investment in a subsidiary	343,000	343,000
- Investment in a subsidiary	-	633,900

Subsequently as disclosed in Note 33 (iii), the Group has decided to vary utilisation of the Rights Issue proceeds allocated for the factory extension of RM4.93 million (2018: RM4.93 million) to the repayment of outstanding bank borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 26. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance.

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture of moulds, tools/ tooling, dies, jigs and fixtures and car spare parts.

### Geographical segments

The Group operates in four principal geographical areas – Malaysia (country of domicile), Thailand, United States of America and other countries. The Group's revenue from continuing operations from external customers by geographical area are detailed below:

	External revenue		Non-current assets*	
	2020 RM	2018 RM	2020 RM	2018 RM
Malaysia	685,794	9,546,681	17,571,320	18,195,946
Thailand	10,256,643	14,456,086	-	-
United States of America	774,871	-	-	-
Other countries	927,705	644,103	-	-
	<u>12,645,013</u>	<u>24,646,870</u>	<u>17,571,320</u>	<u>18,195,946</u>
Assets of disposal group classified as held for sale				
- Thailand	-	-	-	2,884,783
	<u>12,645,013</u>	<u>24,646,870</u>	<u>17,571,320</u>	<u>21,080,729</u>

\* *Non-current assets consist of all non-current assets other than financial instruments and deferred tax assets*

## 26. OPERATING SEGMENTS (cont'd)

### Major customers

The Group has 2 (2018: 2) major customers that contributed approximately 63% (2018: 36%) of the Group's revenue and the total revenue generated from these major customers amounted to RM7,958,922 (2018: RM8,808,028).

## 27. FINANCIAL INSTRUMENTS

### Categorise of financial instruments

The Group's financial assets and financial liabilities are all carrying at amortised cost.

### Financial Risk Management Objectives and Policies

The Group's activities are exposed to a variety of financial risks which including credit risk, foreign currency risk, interest rate risk, and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Categorise of financial instruments (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

Risk management is integral to the whole business of the Group. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

#### (a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

#### *Trade receivables*

##### Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off.

Nevertheless, receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

##### Exposure to credit risk, credit quality and collateral

As at the Group does not hold any collateral, the maximum exposure to credit risk arising from receivables and financial assets is represented by the carrying amounts in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Categorise of financial instruments (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

##### (a) Credit risk (cont'd)

###### Concentration of credit risk

The credit risk concentration profile of the Group's trade receivables by country are as follows:

	2020 RM	2018 RM
<b>Geographical area</b>		
Malaysia	167,756	660,997
Thailand	913,199	2,378,251
United States of America	36,689	154,788
Others	3,622	595,254
	<u>1,121,266</u>	<u>3,789,290</u>

The Group determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

The Group's major concentration of credit risk relates to the amounts owing by 2 (2018:3) customers which constituted approximately 82% (2018:51%) of its trade receivables as at the end of the reporting period.

###### Recognition and measurement of impairment loss

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Consistent with the debt recovery process, invoices which are past due 365 days will be considered as credit impaired.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Categorise of financial instruments (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

##### (a) Credit risk (cont'd)

##### Trade receivables (cont'd)

##### Recognition and measurement of impairment loss (cont'd)

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales management team. Where necessary, the Group will also commence legal proceeding against the customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency.

Loss rates are based on actual credit loss experienced over the prior years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2020 which are grouped together as they are expected to have similar risk nature.

	Gross RM	Loss Allowance RM	Net RM
<b>Group</b>			
<b>2020</b>			
<b>Not past due</b>			
Less than 30 days	354,096	-	354,096
<b>Past due</b>			
1 day to 30 days	551,269	-	551,269
31 days to 60 days	124,835	-	124,835
61 days to 120 days	58,208	-	58,208
More than 120 days	41,010	(8,152)	32,858
	775,322	(8,152)	767,170
	1,129,418	(8,152)	1,121,266

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Categorise of financial instruments (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

##### (a) Credit risk (cont'd)

##### Trade receivables (cont'd)

##### Recognition and measurement of impairment loss (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	Gross RM	Loss Allowance RM	Net RM
<b>Group 2018</b>			
<b>Not past due</b>			
Less than 30 days	1,302,594	(271)	1,302,323
<b>Past due</b>			
1 day to 30 days	83,658	(73)	83,585
31 days to 60 days	259,146	(656)	258,490
61 days to 120 days	95,561	(570)	94,991
More than 120 days	109,390	(6,582)	102,808
	<u>547,755</u>	<u>(7,881)</u>	<u>539,874</u>
	<u>1,850,349</u>	<u>(8,152)</u>	<u>1,842,197</u>
<b>Assets of disposal group classified as held for sale (Note 8)</b>			
<b>Not past due</b>			
Less than 30 days	507,751	-	507,751
<b>Past due</b>			
1 day to 30 days	1,221,139	-	1,221,139
31 days to 60 days	40,371	-	40,371
61 days to 120 days	177,832	-	177,832
	<u>1,439,342</u>	<u>-</u>	<u>1,439,342</u>
	<u>1,947,093</u>	<u>-</u>	<u>1,947,093</u>
<b>Grand total</b>	<u>3,797,442</u>	<u>(8,152)</u>	<u>3,789,290</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Categorise of financial instruments (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

##### (a) Credit risk (cont'd)

###### ***Cash and cash equivalents***

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

###### ***Other receivables***

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivable. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statements of financial position. The Group has provided allowances for expected credit losses on these amounts as disclosed in Note 14.

The recoverability of the advances, deposits and prepayments made by the Group pertaining to the theme park business amounting to RM19,200,000 (2018: RM18,566,100) is disclosed in Note 14.

###### ***Inter-company loans and advances***

###### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

###### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

###### *Recognition and measurement of impairment loss*

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded.

The Company determines the probability of default for these loans and advances individually using internal information available.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Categorise of financial instruments (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

##### (a) Credit risk (cont'd)

###### Financial guarantee

###### Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantee to bank in respect of banking facility granted to certain a subsidiary. The Company monitors the ability of the subsidiary to service its loan on an individual basis.

###### Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to NIL (2018: RM583,298) representing the outstanding banking facility of the subsidiary as at the end of the reporting period. The financial guarantee is provided as credit enhancements to the subsidiary's secured term loan facility.

###### Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholders' fund.

The Company determines the probability of default of the guaranteed loan individually using internal information available. The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote at the initial recognition as the borrowing in the subsidiary is adequately secured by assets as disclosed in Note 19. Should the subsidiary default any loan repayments, the proceeds from the realisation of assets will be able to satisfy the outstanding debts.

##### (b) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, inter-company advances, investments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Thailand Baht ("BAHT") and Singapore Dollar ("SGD").

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

#### (b) Foreign currency risk (cont'd)

##### Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at end of the reporting period was:

	USD RM	BAHT RM	SGD RM
<b>Group 2020</b>			
Trade receivables	967,055	-	-
Trade payables	(39,845)	-	-
Cash and cash equivalents	168,445	-	-
	<u>1,095,655</u>	<u>-</u>	<u>-</u>
<b>Group 2018</b>			
Trade receivables	1,144,573	154,389	5,696
Trade payables	(236,619)	-	(3,307)
Cash and cash equivalents	251,582	-	-
	<u>1,159,536</u>	<u>154,389</u>	<u>2,389</u>
<i>Assets/(liabilities) of disposal group classified as held for sale (Note 8)</i>			
Trade receivables	172,231	-	-
Trade payables	(2,848)	-	-
	<u>169,383</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>1,328,919</u>	<u>154,389</u>	<u>2,389</u>

##### Foreign currency risk sensitivity analysis

The sensitivities of the Group's loss after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 10% strengthening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have decreased/(increased) loss after tax by the amounts shown below:

	Effect on loss net of tax/equity	
	2020 RM	2018 RM
Functional currency/Foreign currencies		
RM/USD	-	100,998
RM/BAHT	-	11,734
RM/SGD	-	182
	<u>-</u>	<u>112,914</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

#### (b) Foreign currency risk (cont'd)

##### Foreign currency risk sensitivity analysis (cont'd)

A 10% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on loss after tax.

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

##### Exposure in interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2020		2018	
	Liabilities of Disposal Group Classified as Held for Sale (Note 8)			
	Group RM	RM	Total RM	Total RM
<u>Floating rate instruments</u>				
Term loans	-	-	-	683,528
Bank overdrafts	-	-	-	5,212,752
	-	-	-	5,896,280

##### Interest rate risk sensitivity analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	Group	
	2020 RM	2018 RM
<b>Effect on loss after tax</b>		
Increase of 10 basis points	-	(4,481)
Decrease of 10 basis points	-	4,481

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

#### (d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Carrying Amount					
	Liabilities of disposal group classified as		Contractual cash flows		On demand or within	
	Group RM	for sale (Note 8) RM	Total RM	RM	1 year RM	2 - 5 years RM
<b>Group 2020</b>						
Trade payables	1,142,643	-	1,142,643	1,142,643	1,142,643	-
Other payables	1,881,661	-	1,881,661	1,881,661	1,881,661	-
Amounts due to Directors	312,127	-	312,127	312,127	312,127	-
Borrowings	64,862	-	64,862	64,862	16,172	31,380
	3,401,293	-	3,401,293	3,401,293	3,352,603	17,310
						31,380
<b>Group 2018</b>						
Trade payables	1,537,615	489,629	2,027,244	2,027,244	2,027,244	-
Other payables	2,492,698	391,978	2,884,676	2,884,676	2,884,676	-
Amounts due to Directors	306,269	-	306,269	306,269	306,269	-
Borrowings	5,746,564	1,126,175	6,872,739	7,174,021	6,724,907	415,325
	10,083,146	2,007,782	12,090,928	12,392,210	11,943,096	33,789
						415,325

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 27. FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

#### (d) Liquidity risk (cont'd)

All of the Company's liabilities at the reporting date mature within one year or repayable on demand.

## 28. FAIR VALUE INFORMATION

The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments.

Table below analyses assets and liabilities carried at fair value and those not carried at fair value for which fair value is disclosed together with the carrying amounts shown in the statements of financial position.

	Carrying amount					Total fair value RM
	Group RM	Assets/ liabilities of disposal group classified as held for sale RM	Total RM	Level 2 RM	Level 3 RM	
<b>2020</b>						
<b>Group</b>						
<b>Asset</b>						
Property, plant and equipment	15,014,442	-	15,014,442	15,014,442	-	15,014,442
<b>Liability</b>						
Finance lease payables (non-current)	48,690	-	48,690	48,690	-	48,690
<b>2018</b>						
<b>Group</b>						
<b>Asset</b>						
Property, plant and equipment	15,000,000	2,209,992	17,209,992	17,209,992	-	17,209,992
<b>Liability</b>						
Finance lease payables (non-current)	32,468	423,975	456,443	-	564,551	564,551

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 28. FAIR VALUE INFORMATION (cont'd)

Level 2:

The fair value of property, plant and equipment as of 30 June has been arrived at on the basis of a valuation carried out by independent valuer. The fair value was determined using comparison method that considers the sales of similar or substitute properties and related market data and establishes a value estimate by adjustments made for differences in factor that affect value. In general, a property being valued (subject property) is compared with sales of similar properties that have been transacted in open market.

Level 3:

The fair values of borrowings are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are range from 2.38% to 3.30% (2018: 2.38% to 3.30%).

There was no material transfer between Level 1, Level 2 and Level 3 during the financial period.

## 29. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern. The Group monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The net debt-to-equity ratios at end of the reporting period were:

	<b>Group</b>	
	<b>2020</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Borrowings (Note 19)	64,862	5,746,564
Liabilities of disposal group classified as held for sale (Note 8)		
- term loan	-	100,230
- finance lease payables	-	834,039
- bank overdraft	-	191,906
	-	1,126,175
	64,862	6,872,739
Less:-		
Cash and bank balances	402,752	(636,352)
Fixed deposits with licensed banks	260,000	(5,611,862)
	662,752	(6,248,214)
Total net debts	-	624,525
Total equity attributable to the Owners of the Company	36,841,408	42,968,584
Debt to equity ratio	-	0.01

There were no changes in the Group's approach to capital management during the financial year.

The Group is in compliance with all externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 30. OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2020	2018	2020	2018
	RM	RM	RM	RM
Future minimum rental payables				
Not later than one year	34,000	84,600	-	-
Later than one year and not later than five years	-	7,050	-	-
	<u>34,000</u>	<u>91,650</u>	<u>-</u>	<u>-</u>

## 31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16.

### Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

### As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 6%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (cont'd)

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- adjusted the right-of-use assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

### As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the the sublease is an operating lease under MFRS 16.

Under MFRS 16, the Group continues to account for the sale and leaseback for an office building completed in 2004 as a sale and leaseback transaction. The Group recognised a right-of-use asset and a lease liability for the leaseback on 1 January 2019, measured in the same way as other right-of-use assets and lease liabilities at that date.

### Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	<b>RM</b>
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	91,650
Discounted using the incremental borrowing rate at 1 January 2019	5,329
Finance lease liabilities recognised at 31 December 2018	83,201
	<u>88,530</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 32. SIGNIFICANT EVENTS

- (i) On 19 January 2016, a wholly-owned subsidiary of the Company, Star Acres Sdn Bhd ("SASB") entered into a subscription and shareholders' agreement ("SA") with Cash Support Sdn. Bhd. ("CSSB") to subscribe for 13,566,000 shares, representing 51% of the equity interest in Cash Support Property Sdn. Bhd., a wholly-owned subsidiary of CSSB, for a total cash consideration of RM15,900,000.

However, CSSB had on 10 November 2016 via a letter informed the Company on the change of payment arrangement in which the Company will now pay on behalf of SASB to CSSB. Following this, CSSB requested for the Company to make a direct payment to them amounting to RM15,266,100 as partial payment of the total subscription consideration of RM15,900,000 via another letter dated 14 November 2016.

On 18 January 2018, SASB and CSSB has mutually agreed to further extend the SA dated 19 January 2016 cut-off date from 19 January 2018 to 19 July 2018 for the parties to obtain/fulfil conditions precedent pursuant to the SA.

On 18 July 2018, SASB and CSSB has mutually agreed to further extend the SA dated 19 January 2016 cut-off date from 19 July 2018 to 19 January 2019 for the parties to obtain/fulfil conditions precedent pursuant to the SA.

On 18 January 2019, SASB and CSSB has mutually agreed to further extend the SA dated 19 January 2016 cut-off date from 19 January 2019 to 19 July 2019 for the parties to obtain/fulfil conditions precedent pursuant to the SA.

The Group had on 16 April 2019 paid RM633,900 being the balance subscription consideration pursuant to the shareholders' agreement with CSSB dated 19 January 2016 (total subscription consideration of RM15,900,000).

- (ii) Bursa Malaysia Securities Berhad ("Bursa Malaysia") had via its letter dated 5 April 2018 approved the listing of up to 82,953,024 Placement Shares to be issued pursuant to the Proposed Private Placement subject to certain conditions. The Proposed Private Placement was subsequently completed on 1 June 2018 with an issue price of RM0.05 per share.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020 (CONT'D)

## 32. SIGNIFICANT EVENTS (cont'd)

- (iii) On 4 June 2018, the Company entered into a conditional Share Sale Agreement (“SSA”) for the disposal of 300,000 ordinary shares in MPT Solution Co., Ltd (“MPTS”) to TC Smart Engineering (M) Sdn Bhd (“Purchaser”) for total consideration of RM3,500,000 (“Consideration”). Upon completion of the disposal, MPTS will be ceased to be a subsidiary of the Company.

The Company entered into second supplementary agreement dated 17 August 2018 to the SSA with the Purchaser to extend the Conditional Period (within 30 days from the date of SSA) for a further term of 45 days from 18 August 2018 to 2 October 2018.

The Company entered into third supplementary agreement dated 2 October 2018 to the SSA with the Purchaser to insert an additional condition precedent whereby the Purchaser is required to procure the relevant approvals from the Board of Investment of Thailand for the change in shareholdings and/or ownership of MPTS. Further thereto, the Purchaser and the Company have agreed to extend the Conditional Period for a further term of 6 months from 2 October 2018 to 1 April 2019 in order to facilitate the fulfilment of the conditions precedent.

In the current financial period, all conditions precedent of the SSA have been fulfilled by the Purchaser on 1 April 2019 and as such, the disposal of MPTS had become unconditional. In addition, the Company had on 1 April 2019 entered into fourth supplementary agreement to the SSA to amend the payment schedule of the Consideration and the timeframe for delivery of certain completion documents. The part purchase consideration of RM2.45 million and balance consideration of RM0.7 million will be aggregated and payable by way of 12 equal monthly instalment.

- (iv) The Company’s wholly owned subsidiary, SASB which previously entered into Memorandum of Agreement (“MOA”) with Cambodia Resort and Entertainment Co., Ltd (“CRE”) which was previously extended to 2 January 2019 is deemed to have lapsed and has not been extended as the parties have not been able to move the venture forward.

## 33. SUBSEQUENT EVENTS

- (i) The Company has yet to utilise the Rights Issue Proceeds allocated for the extension of the Penang factory which was initially intended to be utilised within 12 months from the date of the completion of the Rights Issue of Shares with Warrants.

The Board has decided on 22 March 2019 to vary utilisation of the Rights Issue proceeds allocated for the extension of the Penang factory (RM4.93 million) to the repayment of outstanding bank borrowings.

- (ii) On 23 June 2020, the Company offered the following options to its eligible employees to subscribe for new ordinary shares in the Company (“**Shares**”) (“**Options**”) under the Share Issuance Scheme (“SIS”) in accordance with the SIS by-laws of the Company:-

(a)	Date of offer	22 June 2020
(b)	Exercise price of Options offered	RM 0.0323 per share
(c)	Number of Options offered	19,268,500
(d)	Market price of MQ shares on date of offer	Closing price of MQ share on date of offer is RM0.065
(e)	Number of Option offered to each Director	Not applicable
(f)	Vesting period of the Options	15 June 2020

# LIST OF PROPERTIES

AS AT 30 JUNE 2020

No	Name of Registered Owner / Postal Address / Title Identification	Approximate Age of Building / Tenure / Date of Expiry of Lease	Description / Existing Use	Land Area / Built up area (Sq ft)	Date of Acquisition	Audited Carrying Amount as at 30.06.2020
1	<b>MICROLEAD</b> Plot 86 (B) Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, 11900 Penang / H.S.(D) 20655, P.T. 5289, Mukim 12, Daerah Barat Daya, Penang.	16 years / Leasehold land / 11.09.2065	1½ Storey building / Factory and Office premises	82,340 / 30,181	26.08.2004	RM15,014,442

## ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares	:	724,289,484 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per ordinary share held

### ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 7 OCTOBER 2020

Size of Holdings	No. of Shareholders	No. of Shares	Percentage (%)
1 – 99	426	12,412	0.00
100 – 1,000	789	512,763	0.07
1,001 – 10,000	4,281	27,946,622	3.86
10,001 – 100,000	5,386	216,151,460	29.84
100,001 – 36,214,473 *	1,023	479,666,227	66.23
36,214,474 and above **	0	0	0.00
<b>Total</b>	<b>11,905</b>	<b>724,289,484</b>	<b>100.00</b>

Notes \* Less than 5% of the issued shares

\*\* 5% and above of the issued shares

### DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 7 OCTOBER 2020

Names	No. of Shares (Direct)	Percentage (%)	No. of Shares (Indirect)	Percentage (%)
Tong Sian Shyen	-	-	-	-
Terence Cheah Eu Lee	-	-	-	-
Gerald Nicholas Tan Eng Hoe	-	-	-	-
Dato' Lim Char Boo	-	-	-	-
Paulinus Mojjun	-	-	-	-
Hong Eng Kwee @ Hong Eng Hwe	-	-	-	-

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

### THIRTY (30) LARGEST SHAREHOLDERS AS AT 7 OCTOBER 2020

No.	Names	No. of Shares	Percentage (%)
1.	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	34,643,400	4.78
2.	GOH BOON SOO @ GOH YANG ENG	17,000,000	2.35
3.	JACQUELINE LEE FEI FEI	14,500,000	2.00
4.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR TAI TEAN SENG	13,039,736	1.80
5.	CHONG CHEN KONG	10,000,000	1.38
6.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	9,757,900	1.35
7.	KOK SENG PING	6,690,826	0.92
8.	TAN KOK CHIN	5,142,900	0.71
9.	HSBC NOMINEES (ASING) SDN BHD SOCIETE GENERALE PARIS	4,751,100	0.66
10.	RAJAN BHATT @ ACHAI	4,640,000	0.64
11.	LIM SHIOU GHAY	4,500,000	0.62
12.	FOO CHU JONG	4,150,000	0.57
13.	GOH CHUAN KIONG	3,740,016	0.52
14.	LEE SIEW PENG	3,500,000	0.48
15.	LIM LAY SWEE	3,426,400	0.47
16.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOO CHU JONG (E-SJA)	3,210,000	0.44
17.	CHUA EE PING	3,000,000	0.41
18.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI HUAT	3,000,000	0.41
19.	ZULFIKRI HALIM BIN MUSTAFFA	2,903,500	0.40
20.	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR OOI YONG PING	2,613,600	0.36
21.	HO LI KOON	2,500,000	0.35
22.	YVONNE LIM TSUI PING	2,500,000	0.35
23.	KHOR LEONG KEE	2,200,000	0.30
24.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIGEL LAW HUN CHUEN (PNG)	2,200,000	0.30
25.	BRENAM CHEW SIAK YEW	2,170,000	0.30
26.	ONG CHIEW KEE	2,000,000	0.28
27.	SIM KIAN SENG	2,000,000	0.28
28.	TAN KONG WEE	2,000,000	0.28
29.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA YIN FUN (E-KLG)	1,960,000	0.27
30.	ABDULLAH BIN ABDUL RAHMAN	1,900,000	0.26
	<b>TOTAL</b>	<b>175,639,378</b>	<b>24.24</b>

## ANALYSIS OF WARRANT HOLDINGS

No. of unexercised warrants	:	183,516,630
Exercise price	:	RM0.10 per warrant
Warrants issued date	:	22 November 2016
Expiry date	:	21 November 2021
No. of warrant holders	:	2,546

### DISTRIBUTION OF WARRANT HOLDINGS AS AT 7 OCTOBER 2020

Size of Holdings	No. of Holders	No. of Warrants	Percentage (%)
1 – 99	40	1,885	0.00
100 – 1,000	114	66,232	0.04
1,001 – 10,000	719	4,760,442	2.59
10,001 – 100,000	1,343	56,574,406	30.83
100,001 – 9,175,830 *	330	122,113,665	66.54
9,175,831 and above **	0	0	0.00
<b>Total</b>	<b>2,546</b>	<b>183,516,630</b>	<b>100.00</b>

Notes \* Less than 5% of the issued warrants

\*\* 5% and above of the issued warrants

### DIRECTORS' WARRANT HOLDINGS (Direct & Indirect) (as per Register of Directors' Warrant Holdings)

Names	Direct Interest	Percentage (%)	Indirect Interest	Percentage (%)
Tong Sian Shyen	-	-	-	-
Terence Cheah Eu Lee	-	-	-	-
Gerald Nicholas Tan Eng Hoe	-	-	-	-
Dato' Lim Char Boo	-	-	-	-
Paulinus Mojiun	-	-	-	-
Hong Eng Kwee @ Hong Eng Hwe	-	-	-	-

## ANALYSIS OF WARRANT HOLDINGS (CONT'D)

### THIRTY (30) LARGEST WARRANT HOLDERS AS AT 7 OCTOBER 2020

No.	Name of Warrant Holders	No. of Warrants	Percentage (%)
1.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	6,000,000	3.27
2.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR PUAH MONG YONG (PUA0021C)	3,500,000	1.91
3.	ROHAZIFAH BINTI SAMSUDIN	2,170,000	1.18
4.	LEE BOON YEE	2,100,000	1.14
5.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOHNSON HII CHANG HIUM (E-PDG)	2,100,000	1.14
6.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YOCK KUAN (E-TCS)	1,746,000	0.95
7.	MOHD FADIL BIN ABU SAMAH	1,539,500	0.84
8.	IMATERA HARTANAH SDN BHD	1,400,000	0.76
9.	LIM YUAN YUAN	1,400,000	0.76
10.	CHUA EE PING	1,250,000	0.68
11.	INTERFORTUNEMAJUJAYA SDN. BHD.	1,250,000	0.68
12.	AHMAD SYAHARUZZAMAN BIN AHMAD KAMARUZZAMAN	1,100,000	0.60
13.	CHUA TONG	1,100,000	0.60
14.	FAHITAH BINTI MOHD SENAWI	1,090,000	0.59
15.	AIDI AMIN BIN YAZID	1,068,300	0.58
16.	MOHD HAFIZI BIN ABD RAZAB @ ABD KARIM	1,036,600	0.56
17.	SHAFIE BIN L MD DOM	1,010,000	0.55
18.	ABD HAZIS BIN OMAR	1,000,000	0.54
19.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR TEE LAI MENG	1,000,000	0.54
20.	KUANG LEE FUN	1,000,000	0.54
21.	LEE KIM TECK	1,000,000	0.54
22.	LOH WEE JYE	1,000,000	0.54
23.	NG SEE KUANG	1,000,000	0.54
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMAD FARISHAL BIN MOHAMAD RASID (E-SKN)	1,000,000	0.54
25.	RAJA EZHAM SHARIFFUDIN BIN RAJA ZOLKIPLY	999,000	0.54
26.	LEONG NGAN FOONG	970,000	0.53
27.	ARIFFIN BIN ABDUL RAHMAN	900,000	0.49
28.	JALALUDDIN BIN ABDULRAHMAN	822,900	0.45
29.	CORAY KOH TZE HIAN	800,000	0.44
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD TIONG CHIN TUNG	800,000	0.44
		<b>43,152,300</b>	<b>23.46</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Seventeenth Annual General Meeting (“17<sup>th</sup> AGM”) of the Company will be conducted fully virtual at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 16 December 2020 at 10.30 a.m. to transact the following business:-

## AGENDA

### Ordinary Business

- |    |  |  |
|----|--|--|
| 1. | To receive the Audited Financial Statements for the financial period ended 30 June 2020 together with the Reports of the Directors and Auditors thereon.   | <b>Please refer to Note B</b>              |
| 2. | To approve the payment of Directors’ fees and benefits of not exceeding RM222,894.00 for the period from 1 January 2019 to 30 June 2020.   | <b>Resolution 1</b>                        |
| 3. | To approve the payment of Directors’ fees and benefits of not exceeding RM216,000.00 from 1 July 2020 until the next Annual General Meeting of the Company to be held in 2021.   | <b>Resolution 2</b>                        |
| 4. | To re-elect Mr. Paulinus Mojiun who retires in accordance with Clause 97 of the Company’s Constitution and being eligible, has offered himself for re-election.  | <b>Resolution 3</b>                        |
| 5. | To re-elect the following Directors who retire in accordance with Clause 104 of the Company’s Constitution and being eligible, have offer themselves for re-election:-<br>a) Mr. Hong Eng Kwee @ Hong Eng Hwe<br>b) Mr. Terence Cheah Eu Lee | <b>Resolution 4</b><br><b>Resolution 5</b> |
| 6. | To re-appoint Messrs. Jamal, Amin & Partners as Auditors of the Company and authorise the Directors to fix their remuneration.   | <b>Resolution 6</b>                        |

### Special Business

- |    |  |                           |
|----|--|---------------------------|
| 7. | <p><b>PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY</b></p> <p>“<b>THAT</b> the Proposed Amendments to the Constitution of the Company as set out in “Appendix A” be and are hereby approved and adopted.</p> <p><b>AND THAT</b> the Directors of the Company be and are hereby authorised to do all acts and things and take all such steps that may be necessary and/or expedient to give effect to the Proposed Amendments to the Constitution of the Company will full power to assent to any modification, variation and/or amendment as may be required by the relevant authorities.”</p>   | <b>Special Resolution</b> |
| 8. | <p><b>AUTHORITY FOR DIRECTORS TO ISSUE AND ALLOT SHARES IN THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016</b></p> <p>“<b>THAT</b> subject to the passing of Special Resolution, pursuant to Sections 75 and 76 of the Companies Act, 2016 (“the Act”), and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorized pursuant to Sections 75 and 76 of the Act to issue and allot shares in the company at any time the Constitution of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deemed fit, provided that the aggregate number of shares to be issued does not exceed 20% of the total number of issued shares of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares to be issued.”</p> | <b>Resolution 7</b>       |
| 9. | To transact any other business of the Company of which due notice shall have been given in accordance with the Company’s Constitution and the Companies Act, 2016.   |                           |

By Order of the Board  
**MQ TECHNOLOGY BERHAD**

**WONG YOUN KIM (MAICSA 7018778)**  
**(SSM Practising Certificate No.: 201908000410)**  
Company Secretary

Kuala Lumpur  
30 October 2020

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:-

## Proxy

1. A member of the Company entitled to attend and vote is entitled to appoint any person as his proxy to attend and vote in his stead. There is no restriction as to the qualification of the proxy.
2. A member entitled to attend and vote is entitled to appoint two (2) or more proxies to attend and vote in his stead. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.
4. Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a Member of the Company is an exempt authorised nominee as defined under the Central Depositories Act, which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. For a proxy to be valid, the instrument appointing a proxy shall be deposited at the Registered Office, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time for holding the meeting and any adjournments thereof. In the event the Member(s) duly executes the form of proxy but does not name any proxy, such Member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member(s).

## General Meeting Record of Depositors

7. Only a depositor whose name appears on the Record of Depositors of the Company as at 9 December 2020 shall be entitled to attend this Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

## B. Audited Financial Statements for the financial period ended 30 June 2020

The Audited Financial Statements under Agenda 1 are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only as the approval of shareholders is not required. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### Special Resolution - Proposed Amendments to the Constitution of the Company

The Special Resolution proposed under item 7 is in line with Bursa Malaysia Securities Berhad's letter dated 16 April 2020 to allow a listed corporation to seek a higher mandate under Rule 6.03 of the ACE Market Listing Requirements of not more than twenty percent (20%) of the total number of issued shares for issue of new securities and the prevailing statutory and regulatory requirements, as well as to provide clarity and consistency. The Proposed Amendments to the Constitution of the Company are set out in the "Appendix A" accompanying the Notice of the AGM dated 30 October 2020.

This Special Resolution needs a majority of not less than seventy-five percent (75%) of such members who are entitled to vote either in person or by proxy.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Ordinary Resolution 7- Authority for Directors to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The Proposed Ordinary Resolution 7, if passed, is to give the Directors of the Company flexibility to issue and allot shares up to an amount not exceeding twenty per centum (20%) of the Company's total number of issued share capital for the time being upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a separate general meeting so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital and/or acquisitions.

The Board is of the opinion that the issue and allot shares up to an amount not exceeding twenty per centum (20%) is in the best interest of the Company.

This authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, a total of 64,228,336 Placement Shares has\`d been issued and allotted during the period from 17 January 2020 to 4 June 2020 in two (2) tranches. The status of the utilisation of proceed raised from the Proposed Private Placement is as follows:-

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Intended Timeframe for Utilisation (from listing date)</b>
Payment for Working Capital	696	696	Within 12 months
Payment for Working Capital	540	540	Within 12 months
	<u>1,236</u>	<u>1,236</u>	

### PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# APPENDIX A

## PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

### Details of the Proposed Amendments to the Constitution

The Clauses of the Constitution of the Company are proposed to be amended in the following manner:-

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
7	Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution, the Act, the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-	7	Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution, <b>Listing Requirements</b> , the Act, the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-
15	Subject to the Listing Requirements, the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Section 75 of the Act, the Company must ensure that it shall not issue any shares or convertible Securities if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding twelve (12) months, exceeds 10% of the value of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, If the Security is convertible, each such convertible Security is counted as the maximum number of shares into which it can be converted or exercised.	15	subject to Listing Requirements and without limiting the generality of Sections 75 and 76 of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the issue.

## STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. The Seventeenth Annual General Meeting of the Company will be conducted fully virtual at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 16 December 2020 at 10.30 a.m.
2. The Director who is standing for re-election at the Seventeenth Annual General Meeting of the Company pursuant to Article 97 of the Company's Constitution is:-
  - a) Mr. Paulinus Mojiun

The details of the above Director seeking re-election is set out in the Profile of Directors as disclosed on page 9 of this Annual Report.

3. The Directors who are standing for re-election at the Seventeenth Annual General Meeting of the Company pursuant to Clause 104 of the Company's Constitution are:-
  - a) Mr. Hong Eng Kwee @ Hong Eng Hwe
  - b) Mr. Terence Cheah Eu Lee

The details of the above Directors seeking re-election are set out in the Profile of Directors as disclosed on page 7 and 9 of this Annual Report.

4. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial period ended 30 June 2020 are disclosed in the Corporate Governance Overview Statement set out on page 16 of this Annual Report.

# ADMINISTRATIVE GUIDE

## IN RESPECT OF THE SEVENTEENTH ANNUAL GENERAL MEETING ("17<sup>TH</sup> AGM") TO BE HELD VIA AN ONLINE PLATFORM

DATE: Wednesday, 16 December 2020	TIME: 10.30 a.m.	BROADCAST VENUE: Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan
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### GENERAL MEETING RECORD OF DEPOSITORS

- In respect of deposited securities, only members whose names appear on the Record of Depositors on 9 December 2020 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the or appoint proxy(ies) to attend and/or vote on his(her) behalf.

### PROXY

- A member entitled to participate and vote remotely at the 17th AGM using the Virtual Meeting Facilities is entitled to appoint proxy/proxies, to participate and vote instead of him. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions set out hereunder.
- Alternatively, if a shareholder is unable to attend the Annual General Meeting via Virtual Meeting Facilities on 16 December 2020, he/she can appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting, not later than **Tuesday, 15 December 2020 at 10.30 a.m.**

### POLL VOTING

- The voting at the 17th AGM will be conducted by poll in accordance with Rule 8.13A of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed HMC CORPORATE SERVICES SDN BHD as Poll Administrator to conduct the poll by way of online voting and USearch Management Services as Scrutineers to verify the poll results.
- Shareholders can proceed to vote on the resolutions and submit your votes at any time from the commencement of the 17th AGM at 10.30 a.m. and before the end of the voting session which will be announced by the Chairman of the meeting. The Online Voting link will be displayed in the Chat Box upon the commencement of the meeting. The QR Code for the Online Voting will also display on the screen upon the commencement of the voting session. Upon completion of the voting session for the 17th AGM, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

### VIRTUAL MEETING FACILITIES


- We would like to invite the Shareholders to participate and vote remotely at the 17th AGM using the Virtual Meeting Facilities. Please refer to item 10 on the registration link.
- For Corporate Shareholders, please register yourself via the Registration Link provided below to provide the following documents to HMC Corporate Services Sdn Bhd not later than **Tuesday, 15 December 2020 at 10.30 a.m.**
  - Original certificate of appointment of its Corporate Representative under the seal of the corporation; and
  - Corporate Representative's e-mail address and hand-phone number.

Upon receipt of such documents, HMC Corporate Services Sdn Bhd will liaise with yourselves on the participation link.

- For the beneficiary of the shares under a Nominee Company's CDS account who wishes to use the Virtual Meeting Facility at the 17th AGM may request its Nominee Company to appoint him/her as proxy to participate and vote remotely at the 17th AGM via the Virtual Meeting Facilities, please submit the duly executed proxy form to HMC Corporate Services Sdn Bhd not later than **Tuesday, 15 December 2020 at 10.30 a.m.** and register yourself via the Registration Link below.

## ADMINISTRATIVE GUIDE (CONT'D)

10. Please follow the following steps to be taken for participating and voting via the Virtual Meeting Facilities:

BEFORE THE AGM		
(a)	REGISTRATION	<ul style="list-style-type: none"> <li>Please click on the following link to register yourself as Shareholder/Proxy/Corporate Representative/Beneficiary Owner of an Exempt Nominee for verification of attendance purpose. You may register not later than 15 December 2020 at 10.30 a.m.</li> </ul> <p>Registration Link <a href="https://bit.ly/3m7RM7C">https://bit.ly/3m7RM7C</a></p>
(b)	CONFIRMATION ATTENDANCE	<ul style="list-style-type: none"> <li>Upon verification, the participation link will be sent to you via email.</li> </ul>
(c)	SUBMISSION OF QUESTIONS	<ul style="list-style-type: none"> <li>You may submit any questions online by scanning the QR Code below or via <a href="https://bit.ly/3dMFm1G">https://bit.ly/3dMFm1G</a> and to submit your questions accordingly:</li> </ul> 
ON THE AGM DAY		
(d)	PARTICIPATION	<ul style="list-style-type: none"> <li>To participate in the meeting, click on the participation link which was provided to you via email, at least 15 minutes before the commencement of meeting at 10.30 a.m. on 16 December 2020.</li> </ul>
(e)	ONLINE VOTING	<ul style="list-style-type: none"> <li>Upon the commencement of the meeting, the link to the online voting will be displayed in the Chat Box of the Virtual Meeting Room.</li> </ul>
(f)	CLOSURE	The 17th AGM will be closed upon the announcement by the Chairman.

### NO DOOR GIFT

There will be no distribution of door gifts for the participation of the AGM.

### NO RECORDING OR PHOTOGRAPHY

Unauthorised recording and photography are strictly prohibited at the AGM.

### ENQUIRY

If you have any enquiry or require any assistance before or during the AGM, please contact the following during office hours from 9.00 a.m. to 5.00 p.m. (Mondays to Fridays).

**HMC CORPORATE SERVICES SDN BHD**  
**Registration No. 198201003810 (83556-P)**  
 Level 2, Tower 1, Avenue 5  
 Bangsar South City  
 59200 Kuala Lumpur  
 Tel : 603-2241 5800  
 Mobile/WhatsApp: 017 388 3989  
 Fax : 603-2282 5022  
 Email : office365support@hmc.my  
 Contact Person: HMC Virtual Meeting Administrator

Kindly check the Company's announcement to Bursa Malaysia Securities Berhad for the latest updates on the arrangement of the 17th AGM.



**MQ TECHNOLOGY BERHAD**  
 Registration No. 200301033383 (Company No.635804-H)  
 (Incorporated in Malaysia)

# PROXY FORM

CDS Account No.	
No. of Shares Held	

I/We, \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS) NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (FULL ADDRESS)

Telephone number \_\_\_\_\_ Email address \_\_\_\_\_ being a Member/

Members of **MQ TECHNOLOGY BERHAD** hereby appoint \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS)

NRIC/Passport No. \_\_\_\_\_ of \_\_\_\_\_ (FULL ADDRESS)

Telephone number \_\_\_\_\_ Email address \_\_\_\_\_ or failing whom,

\_\_\_\_\_ (FULL NAME IN BLOCK LETTERS) NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (FULL ADDRESS)

Telephone number \_\_\_\_\_ Email address \_\_\_\_\_

or failing whom, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the SEVENTEENTH ANNUAL GENERAL MEETING of the Company ("the Meeting") will be conducted fully virtual at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 16 December 2020 at 10.30 a.m. and at any adjournment thereof.

I / We direct my / our proxy to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder:

No.	Resolutions	Ordinary	For	Against
1.	To approve the payment of Directors' fees and benefits of not exceeding RM222,894.00 for the period from 1 January 2019 to 30 June 2020	Resolution 1		
2.	To approve the payment of Directors' fees and benefits of not exceeding RM216,000.00 from 1 July 2020 until the next Annual General Meeting of the Company to be held in 2021.	Resolution 2		
3.	To re-elect Mr. Paulinus Mojiun as Director of the Company	Resolution 3		
4.	To re-elect Mr. Hong Eng Kwee @ Hong Eng Hwe as Director of the Company	Resolution 4		
5.	To re-elect Mr. Terence Cheah Eu Lee as Director of the Company	Resolution 5		
6.	To appoint Messrs. Jamal, Amin & Partners as Auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 6		
7.	Proposed Amendments to the Constitution of the Company	Special Resolution		
8.	Authority for Directors to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016	Resolution 7		

Please indicate with an "X" in the appropriate space provided above on how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy may vote as he thinks fit.

The Proportions of \*my/our holdings to be represented by \*my/our proxy/proxies \*is/are as follows:-

	No. of shares	Percentage	
First Proxy :			%
Second Proxy :			%
Total		100	%

In case of a vote taken by a show of hands, the First Proxy/ Second Proxy shall vote on \*my/our behalf.

Dated this.....day of.....2020.

.....  
 Signature/ common seal of shareholder

**Notes:**

1. A member of the Company entitled to attend and vote is entitled to appoint any person as his proxy to attend and vote in his stead. There is no restriction as to the qualification of the proxy.
2. A member entitled to attend and vote is entitled to appoint two (2) or more proxies to attend and vote in his stead. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.
4. Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a Member of the Company is an exempt authorised nominee as defined under the Central Depositories Act, which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. For a proxy to be valid, the instrument appointing a proxy shall be deposited at the Registered Office, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time for holding the meeting and any adjournments thereof. In the event the Member(s) duly executes the form of proxy but does not name any proxy, such Member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member(s).
7. Only a depositor whose name appears on the Record of Depositors of the Company as at 9 December 2020 shall be entitled to attend this Meeting or appoint proxies to attend, speak and/ or vote on his/her behalf.

*Please fold across the line and close*

AFFIX  
STAMP

The Company Secretary  
**MQ TECHNOLOGY BERHAD**  
Registration No. 200301033383 (Company No.635804-H)

LEVEL 2, TOWER 1, AVENUE 5  
BANGSAR SOUTH CITY  
59200 KUALA LUMPUR

*Please fold across the line and close*



[www.mqtech.com.my](http://www.mqtech.com.my)



**MQ TECHNOLOGY BERHAD**  
200301033383 (635804-H)

506, Block D, Pusat Dagangan Phileo Damansara 1  
No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya  
Selangor Darul Ehsan

Tel : 603 7931 5701  
Email : [info@mqtech.com.my](mailto:info@mqtech.com.my)