

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

The Circular has been reviewed by Mercury Securities Sdn Bhd, who is the Principal Adviser to MQ Technology Berhad for the Proposed Private Placement.

MQ

TECHNOLOGY BERHAD

MQ TECHNOLOGY BERHAD

(Registration No. 200301033383 (635804-H))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED PRIVATE PLACEMENT OF UP TO 357,455,000 NEW ORDINARY SHARES IN MQ TECHNOLOGY BERHAD ("MQ TECH" OR "COMPANY") ("MQ TECH SHARES" OR "SHARES") REPRESENTING APPROXIMATELY 40% OF THE TOTAL NUMBER OF ISSUED SHARES OF MQ TECH ("PROPOSED PRIVATE PLACEMENT")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser and Placement Agent



MERCURY SECURITIES SDN BHD

(Registration No. 198401000672 (113193-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting of MQ Tech ("**EGM**") to be held at Plot 86-B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, 11900 Bayan Lepas, Penang on Wednesday, 11 May 2022 at 11.30 a.m. or at any adjournment thereof, together with the Form of Proxy are enclosed in this Circular.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Form of Proxy at the Company's registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur in not less than 24 hours before the time and date stipulated for the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last day, date and time for lodging the Form of Proxy : Tuesday, 10 May 2022 at 11.30 a.m.

Day, date and time of the EGM : Wednesday, 11 May 2022 at 11.30 a.m.

This Circular is dated 22 April 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

3M-FPE	:	3-month FPE
5D-VWAP	:	5-day volume weighted average market price
15M-FPE	:	15-month FPE
18M-FPE	:	18-month FPE
20% Private Placement	:	A private placement of 146,105,847 MQ Tech Shares announced by our Company on 17 June 2021, which was deemed completed on 13 October 2021
Act	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
Board	:	Board of Directors
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Circular	:	This circular to the shareholders of our Company dated 22 April 2022
COVID-19	:	Coronavirus Disease 2019
Director(s)	:	Director(s) of our Company
EGM	:	Extraordinary general meeting of our Company
EPS	:	Earnings per MQ Tech Share
Factory	:	Our Group's existing 1½ storey factory and office premises located in Bayan Lepas Industrial Park 4, Pulau Pinang
FPE	:	Financial periods ended/ending, as the case may be
FYE	:	Financial years ended/ending, as the case may be
Government	:	Government of Malaysia
Indicative Issue Price	:	RM0.0398 per Placement Share, being the indicative issue price for the Placement Shares used in this Circular for illustrative purposes
Interested Person	:	The director, major shareholder or chief executive of our Company or a holding company of MQ Tech
LAT	:	Loss after tax
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	15 April 2022, being the latest practicable date prior to the printing of this Circular
Mercury Securities or Principal Adviser or Placement Agent	:	Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-W))
MPT Solution	:	MPT Solution Co. Ltd (Registration No. 0135547002983)

DEFINITIONS (*Cont'd*)

MQ Tech or Company	:	MQ Technology Berhad (Registration No. 200301033383 (635804-H))
MQ Tech Group or Group	:	Collectively, our Company and its subsidiaries
MQ Tech Share(s) or Share(s)	:	Ordinary share(s) in our Company
NA	:	Net assets
NRP	:	National Recovery Plan
PAT	:	Profit after tax
Placee(s)	:	Independent third party investor(s) to be identified later
Placement Shares	:	Up to 357,455,000 new MQ Tech Shares to be issued pursuant to the Proposed Private Placement
Price-Fixing Date	:	The date where the issue price of each tranche of the Placement Shares is determined and fixed by our Board after the receipt of all relevant approvals for the Proposed Private Placement
Proposed Placement	Private :	Proposed private placement of up to 357,455,000 new MQ Tech Shares representing approximately 40% of the total number of issued shares of MQ Tech, to the Placee(s) at an issue price to be determined later

CURRENCY

RM and sen : Ringgit Malaysia and sen

All references to “**we**”, “**us**”, “**our**” and “**ourselves**” in this Circular, if any, shall mean our Company or where the context requires, our Group.

References to “**you**” or “**your**” are to the shareholders of our Company, unless the context otherwise requires.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations, enactments or rules of the stock exchange is a reference to such statutes, rules, regulations, enactments or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time of day and date, unless otherwise stated.

Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

DEFINITIONS (Cont'd)

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group's plans and objectives will be achieved.

[The remainder of this page has been intentionally left blank]

CONTENTS

	PAGE
EXECUTIVE SUMMARY	v
LETTER TO THE SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSED PRIVATE PLACEMENT	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT	2
3. UTILISATION OF PROCEEDS	3
4. RATIONALE AND JUSTIFICATION FOR THE PROPOSED PRIVATE PLACEMENT	6
5. INDUSTRY OVERVIEW AND PROSPECTS	6
6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT	8
7. HISTORICAL SHARE PRICES	12
8. APPROVALS REQUIRED	13
9. CONDITIONALITY OF THE PROPOSED PRIVATE PLACEMENT	13
10. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION	13
11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED	14
12. DIRECTORS' STATEMENT / RECOMMENDATION	14
13. TENTATIVE TIMEFRAME FOR COMPLETION	14
14. DETAILS OF FUND-RAISING EXERCISES IN THE PAST 12 MONTHS	14
15. EGM	15
16. FURTHER INFORMATION	16
APPENDICES	
I ADDITIONAL INFORMATION	17
II FURTHER INFORMATION	21
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Private Placement. You are advised to read the Circular in its entirety for further details of the Proposed Private Placement and not to rely solely on this Executive Summary in forming a decision on the Proposed Private Placement before voting at the EGM.

Key information	Description	Reference to Circular										
Summary of the Proposed Private Placement	<p>The Proposed Private Placement entails the issuance of up to 357,455,000 new MQ Tech Shares, representing approximately 40.00% of the total number of issued Shares of our Company as at the LPD.</p> <p>The Placement Shares are intended to be placed out to Placees who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.</p> <p>The Placement Shares shall be issued at a discount of not more than 20.00% of the 5D-VWAP of MQ Tech Shares immediately preceding the Price-Fixing Date.</p>	Section 2										
Utilisation of proceeds	<p>Our Group expects to raise gross proceeds of approximately RM14.23 million from the Proposed Private Placement which are intended to be utilised in the following manner:</p> <table border="1" data-bbox="453 927 1142 1160"> <thead> <tr> <th>Description of utilisation of proceeds</th> <th>(RM'000)</th> </tr> </thead> <tbody> <tr> <td>Purchase of machineries</td> <td>11,586</td> </tr> <tr> <td>Working capital</td> <td>2,159</td> </tr> <tr> <td>Estimated expenses in relation to the Proposed Private Placement</td> <td>482</td> </tr> <tr> <td>Total estimated gross proceeds</td> <td>14,227</td> </tr> </tbody> </table>	Description of utilisation of proceeds	(RM'000)	Purchase of machineries	11,586	Working capital	2,159	Estimated expenses in relation to the Proposed Private Placement	482	Total estimated gross proceeds	14,227	Section 3
Description of utilisation of proceeds	(RM'000)											
Purchase of machineries	11,586											
Working capital	2,159											
Estimated expenses in relation to the Proposed Private Placement	482											
Total estimated gross proceeds	14,227											
Rationale and justification for the Proposed Private Placement	<p>The Proposed Private Placement has been formulated to enable our Group to raise funds for the purchase of machineries in relation to the expansion of production capacity and working capital purposes, as set out in Section 3 of this Circular. Our Board is of the opinion that the Proposed Private Placement is one of the suitable means of fundraising for our Company at this juncture as it would enable our Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings, thereby allowing our Company to preserve our cash flow for reinvestment and/or operational purposes.</p>	Section 4										
Approvals Required	<p>The Proposed Private Placement is subject to the following approvals being obtained:</p> <ul style="list-style-type: none"> (i) Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities, which was obtained vide its letter dated 15 April 2022, subject to the conditions set out in Section 8 of this Circular; (ii) the shareholders of our Company at the forthcoming EGM; and (iii) any other relevant authorities and/or parties, if required. 	Section 8										

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Circular
Conditionality	The Proposed Private Placement is not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by our Company.	Section 9
Interests of directors, major shareholders, chief executive and/or persons connected with them	None of our Directors, major shareholder and/or chief executive of our Company and/or persons connected with them has any interest, direct or indirect, in the Proposed Private Placement.	Section 11
Board's recommendation	Our Board recommends that you VOTE IN FAVOUR of the resolution pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM, the details of which are set out in the cover page of this Circular, or the notice of EGM enclosed.	Section 12

[The remainder of this page has been intentionally left blank]



TECHNOLOGY BERHAD

MQ TECHNOLOGY BERHAD

(Registration No. 200301033383 (635804-H))
(Incorporated in Malaysia)

Registered Office

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

22 April 2022

Board of Directors

Dato' Lim Char Boo (*Senior Independent Non-Executive Chairman*)
Tong Sian Shyen (*Executive Director / Chief Operating Officer*)
Terence Cheah Eu Lee (*Executive Director*)
Gerald Nicholas Tan Eng Hoe (*Non-Independent Non-Executive Director*)
Paulinus Mojiun (*Independent Non-Executive Director*)
Dr. Koay Boon Hooi (*Independent Non-Executive Director*)

To: The shareholders of our Company

Dear Sir/ Madam,

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 31 March 2022, Mercury Securities had, on behalf of our Board, announced that our Company proposes to undertake the Proposed Private Placement.

On 15 April 2022, Mercury Securities had, on behalf of our Board, announced that Bursa Securities has, vide its letter dated 15 April 2022, resolved to approve the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities, subject to the conditions as set out in Section 8 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED PRIVATE PLACEMENT TOGETHER WITH OUR BOARD'S RECOMMENDATION THEREON AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Size of placement

The Proposed Private Placement entails the issuance of up to 357,455,000 new MQ Tech Shares.

As at the LPD, our Company does not have treasury shares and has 893,637,031 issued MQ Tech Shares.

Based on the above, the number of Placement Shares to be issued represents approximately 40.00% of the total number of 893,637,031 MQ Tech Shares in issue as at the LPD.

2.2 Placement arrangement

Our Company intends to place out the Placement Shares pursuant to the Proposed Private Placement to the Placees, other than the following:

- (i) an Interested Person;
- (ii) a person connected with an Interested Person; and/or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Placees shall be persons who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

Subject to market conditions and the timing of identification of the Placees, the Proposed Private Placement may be implemented in 1 or more tranches within 6 months from the date of the approval of Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities or any extended period as may be approved by Bursa Securities.

The implementation of the Proposed Private Placement in multiple tranches would accord flexibility to our Company to procure interested investors to subscribe for the Placement Shares from time to time.

2.3 Basis of determining and justification of the issue price of the Placement Shares

The issue price of each tranche of the Placement Shares shall be determined separately and fixed by our Board and announced at a later date after obtaining Bursa Securities' approval for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

The issue price of the Placement Shares shall be fixed based on the 5D-VWAP immediately before the Price-Fixing Date, at a discount of not more than 20.00% after taking into consideration, amongst others, the following:

- (i) funding requirements of our Group as set out in Section 3 of this Circular;
- (ii) the rationale for the Proposed Private Placement as set out in Section 4 of this Circular; and
- (iii) to provide our Board the flexibility to fix at any price range up to a maximum discount of 20.00% in order to attract investors to subscribe for the Placement Shares depending on the prevailing market conditions from time to time over the implementation period of the Proposed Private Placement.

For illustration purposes, the issue price of the Placement Share is assumed at RM0.0398 per Placement Share, representing a discount of approximately 19.92% to the 5D-VWAP of MQ Tech Shares up to and including the LPD of RM0.0497.

Our Company will make the necessary price-fixing announcement(s) once our Board has fixed the issue price of the Placement Shares which may be issued in tranches, in which there will be a price fixing announcement for each tranche of the Placement Shares. In any event, our Company will ensure payment for the Placement Shares by the Placee(s) is received within 5 market days from the Price-Fixing Date of each tranche of the Proposed Private Placement.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing MQ Tech Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to the shareholders of our Company, the entitlement date of which is prior to the date of allotment and issuance of such Placement Shares.

2.5 Listing of and quotation for the Placement Shares

The Placement Shares will be listed on the ACE Market of Bursa Securities. In this regard, Bursa Securities had vide its letter dated 15 April 2022, approved the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities, subject to the conditions as set out in Section 8 of this Circular.

3. UTILISATION OF PROCEEDS

Based on the Indicative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of approximately RM14.23 million, which are intended to be utilised by our Group in the following manner:

Description of utilisation of proceeds	Notes	(RM'000)	Estimated timeframe for use of proceeds from the date of listing of the Placement Shares
Purchase of machineries	1	11,586	Within 18 months
Working capital	2	2,159	Within 12 months
Estimated expenses in relation to the Proposed Private Placement	3	482	Within 1 month
Total estimated gross proceeds		14,227	

Notes:

- (1) *Our Group had allocated approximately RM6.00 million of the proceeds raised from the 20% Private Placement to extend the size of the Factory from existing 30,181 square feet to approximately 45,000 square feet to cater for the expansion of our Group's production capacity to produce larger precision parts and tools as well as fabricated precision products and components used in dies, moulding and other electronics related industries. Our Group expects the extension of the Factory to be completed by mid-May 2022.*

In view of the above, our Group intends to allocate approximately RM11.59 million for the purchase of machineries to cater for the expansion of our Group's existing production capacity on a progressive basis within 18 months upon receipt of the proceeds from the Proposed Private Placement.

The purchase of new machineries will enable our Group to meet the anticipated increase in demand for the larger precision parts and tools as well as fabricated precision products and components used in dies, moulding and other electronics related industries from our Group's existing and/or potential customers, whereby, our Group has been receiving drawings from our existing and potential customers with the design and/or specifications required for future potential orders.

The breakdown for the estimated costs of the machineries and the expected production capacity of the new machineries are set out below:

List of machineries	No. of units	Estimated total costs (RM'000)	Expected production capacity (machine hours per year)
Wire-cut machines	8	6,164	29,952
Workpiece setting machines	8	336	9,984
Computer Numerical Control (CNC) machines	6	1,960	22,464
Quality assurance inspector machines	3	1,652	7,956
Grinding machines	3	800	7,956
Drilling machines	1	72	2,652
Thermoelectric machine (EDM)	2	560	7,488
Milling machine	1	42	2,652
Total		11,586	

Further to the above, our Group's existing machineries with their respective production capacity and utilisation rate as well as our Group's expected total production capacity after purchase of the abovementioned new machineries are as follows:

List of machineries	12-month period (i.e. 1 April 2021 to 31 March 2022)			After the purchase of new machineries	
	No. of units	Maximum production capacity (machine hours per year)	Utilisation rate (%)	No. of units	Expected total production capacity (machine hours per year)
Wire-cut machines	15	56,160	90.00	23	86,112
Workpiece setting machines	-	-	-	8	9,984
Computer Numerical Control (CNC) machines	10	37,440	95.00	16	59,904
Quality assurance inspector machines	3	7,956	100.00	6	15,912
Grinding machines	12	31,824	100.00	15	39,780
Drilling machine	1	2,652	100.00	2	5,304
Thermoelectric machine (EDM)	6	22,464	100.00	8	29,952
Milling machines	5	13,260	100.00	6	15,912

As the products manufactured by our Group are customised products which do not have standard specifications, the output volume for each type of customised product will vary depending on the orders by our customers.

Any shortfall in proceeds raised for the purchase of machineries will be funded via our Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises, the breakdown of which has not been determined at this juncture.

- (2) Our Group intends to allocate approximately RM2.16 million as working capital for the following:

Working capital	(RM'000)
<i>Upkeep and maintenance of our Group's property, plant and equipment, which include but not limited to our Group's machineries and equipment, the Factory and office premises</i>	909
<i>Payment of our Group's trade and other payables⁽ⁱ⁾ in relation to its tooling fabrication division for the purchase of raw materials such as aluminum and steel plates to fabricate jigs and dies used for manufacture of hard disk drives, semiconductor and the purchase of consumables used in operations such as wires and milling tools/drill bits, modules and electronics components to cater for the anticipated increase in demand from our customers</i>	1,000
<i>Payment of our Group's staff related expenses (comprising employees' salaries and allowances, wages and overtime) and other statutory contributions and payments</i>	250
Total	2,159

- (i) As at the LPD, our Group's total trade and other payables are approximately RM2.93 million with a trade payable turnover period of approximately 111 days.

Our Group's cash and bank balances as at the LPD is approximately RM1.24 million. Our Group intends to utilise approximately RM2.16 million over a period of 12 months upon receipt of the proceeds from the Proposed Private Placement for the purposes as set out above to provide our management the flexibility in respect of allocations of funds for our Group's operational requirements amid our Group's ongoing expansion efforts.

- (3) The estimated expenses in relation to the Proposed Private Placement consist of the following:

	(RM'000)
<i>Professional fees⁽ⁱ⁾</i>	394
<i>Fees to relevant authorities</i>	25
<i>Costs of convening the forthcoming EGM</i>	54
<i>Miscellaneous expenses</i>	9
Total	482

- (i) Includes professional fees payable to, among others, Principal Adviser and due diligence solicitors in relation to the Proposed Private Placement.

If the actual expenses in relation to the Proposed Private Placement incurred are higher than the budgeted amount, the deficit will be funded via the amount earmarked for our Group's working capital. Conversely, any surplus of funds after the payment of the expenses in relation to the Proposed Private Placement shall be used for our Group's working capital as set out in Note (2) above.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the actual number of Placement Shares issued and the issue price of the Placement Shares. Any variation in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount earmarked for our Group's working capital requirements as set out in Note (2) above.

Pending the utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in interest-bearing deposits with licensed financial institution(s) and/or short-term money market instruments. The interests derived from the deposits placed with the licensed financial institution(s) and/or any gain arising from the short-term money market instruments will be used for the working capital for our Group such as, amongst others, purchase of raw materials and consumables, staff costs as well as utilities of which the allocation has not been determined at this juncture and the allocation will be based on our Group's funding requirements at the relevant time.

4. RATIONALE AND JUSTIFICATION FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable our Group to raise funds for the purchase of machineries in relation to the expansion of production capacity and working capital purposes, as set out in Section 3 of this Circular. Our Board is of the opinion that the Proposed Private Placement is the most appropriate mean of fundraising for our Company at this juncture as it would enable our Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings, thereby allowing our Company to preserve its cash flow for reinvestment and/or operational purposes.

Although the Proposed Private Placement will result in a dilution to our existing shareholders' shareholding following the issuance of the Placement Shares to the Placees, the Proposed Private Placement is envisaged to strengthen the capital structure of our Company. Upon completion of the Proposed Private Placement, the NA of our Group will increase from approximately RM43.83 million as at 30 September 2021 (audited) to approximately RM60.25 million as set out in Section 6.3 of this Circular. Further details on the impact of the Proposed Private Placement to our Group and the shareholders of our Company are set out in Section 3 of Appendix I of this Circular.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysia economy

The Malaysian economy registered a positive growth of 3.6% in the fourth quarter of 2021 (3Q 2021: -4.5%; and the actual annual growth rate of 2021: 3.1%). Growth was supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the NRP. The improvement also reflected recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth. On the supply side, all economic sectors recorded improvements in growth, led by the services and manufacturing sectors. On the demand side, growth was driven by higher consumption and trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered an increase of 6.6% (3Q 2021: -3.6%).

Domestic demand grew by 2.3% (3Q 2021: -4.1%) in the fourth quarter of 2021. This was driven by the improvement in private sector expenditure following the loosening of restrictions. On the external front, net exports expanded by 2.6% (3Q 2021: -37.5%) due to higher export growth amid strong external demand. Private consumption growth turned around to register a positive growth of 3.7% (3Q 2021: -4.2%). The turnaround was mainly supported by the relaxation of containment measures. In particular, spending on discretionary items such as restaurants and hotels as well as recreational services rebounded during the quarter. Labour market conditions also improved during the same period, as evidenced by stronger employment and wage growth.

Furthermore, various policy measures provided additional support to consumer spending. Public consumption growth expanded at a slower pace of 4.3% (3Q 2021: 8.1%), attributable to a moderate growth in supplies and services expenditure. However, Government spending remained supported by COVID-related spending and small maintenance and repair works.

For 2022, the Malaysian economy is expected to remain on its recovery path. Growth will be supported by the continued expansion in global demand and higher private sector expenditure given improving labour market conditions and ongoing policy support. Furthermore, the continuation of major investment projects in both private and public sectors will lend support to growth.

The balance of risks remains tilted to the downside due to external and domestic factors. These include weaker-than-expected global growth, a worsening in supply chain disruptions, and the emergence of severe and vaccine resistant COVID-19 variants of concern.

(Source: BNM Quarterly Bulletin, Fourth Quarter 2021, Bank Negara Malaysia)

The Malaysian economy expanded by 7.1% in the first half of 2021. Growth is expected to continue in the second half of the year, particularly in the fourth quarter, as more economic and social sectors operate at full capacity. The expected growth trajectory aligns with the successful vaccination programme under the National COVID-19 Immunisation Programme (PICK) and various stimulus and assistance packages to support the people and revitalise the economy. Overall economic growth is expected to expand between 3% and 4% in 2021. Continuation of the packages to combat the COVID-19 will have spillover effects and boost the economy in 2022. Hence, with strong economic fundamentals and a diversified structure, the domestic economy is forecast to expand between 5.5% and 6.5% in 2022. Nevertheless, the favourable outlook is predicated on other factors, including the successful containment of the pandemic, effective PICK implementation, and strong global economic prospects.

(Source: Economic Outlook 2022, Ministry of Finance, Malaysia)

5.2 Overview and outlook of the manufacturing industry in Malaysia

Growth in the manufacturing sector recorded a marked improvement of 9.1% (3Q 2021: -0.8%; and the actual annual growth rate of the manufacturing sector in 2021: 9.5%). This was driven by continued strength in export oriented industries such as electrical and electronic (“E&E”) and primary related clusters, and recovery in domestic oriented industries such as consumer- and construction-related clusters. Robust demand for E&E products persisted throughout the quarter in line with the continued tech upcycle. Meanwhile, growth in the primary-related cluster was supported by continued demand for refined petroleum, chemical and plastic products. On the domestic front, the relaxation of containment measures and increased consumer confidence amid strong vaccination progress facilitated a recovery in demand for consumer products such as food, clothing and vehicles.

(Source: BNM Quarterly Bulletin, Fourth Quarter 2021, Bank Negara Malaysia)

The manufacturing sector is expected to expand by 4.7% in 2022, attributed to the steady performance of both export- and domestic-oriented industries. As one of the key players in the world semiconductor trade, the stronger global demand for E&E products will continue to provide the impetus for Malaysia’s manufacturing sector. Stricter global healthcare regulations and increasing hygiene awareness will help in boosting production in the rubber and chemical related segments. Concurrently, the anticipation of more vibrant industrial and construction activities as well as higher demand for household-related products are expected to give an additional boost to the sector.

(Source: Economic Outlook 2022, Ministry of Finance, Malaysia)

5.3 Prospects of our Group

As set out in Section 1 of Appendix I of this Circular, our Group’s revenue has been declining since the FYE 31 December 2017, particularly in the 18M-FPE 30 June 2020, whereby the revenue decreased by approximately RM12.00 million or 48.70% (annualised of approximately RM16.22 million or 65.80%) from RM24.65 million in the FYE 31 December 2018 to RM12.65 million (annualised revenue of RM8.43 million) in the 18M-FPE 30 June 2020, mainly due to the loss of contribution of income stream from MPT Solution after the disposal of MPT Solution by our Company in April 2019.

Further to the above, our Company had raised a total proceeds of RM7.54 million from the 20% Private Placement, of which RM6.00 million has been allocated for the extension of our Group’s Factory from the existing 30,181 square feet to approximately 45,000 square feet to cater for the expansion of its production capacity to produce larger precision parts and tools as well as fabricated precision products and components used in dies, moulding and other electronics related industries in line with our Group’s plan to increase sales.

Additionally, our Group intends to allocate approximately RM11.59 million of the proceeds to be raised from the Proposed Private Placement for the purchase of machineries in order to meet the anticipated increase in demand of the abovementioned products.

Further to the above, our Group is focusing on seeking for opportunities in the tooling business industry by producing fabricated precision products on large scale production and components used in medical and electronics related industries such as electronics, laser and test and analytical instrument. Our Group is also currently focusing on prototype and automation segment, whereby, the sales to the medical and electronics related industries is expected to remain robust in the mid-term due to increased demand for storage driven by the popularity of social media and cloud computing.

Our Group's ongoing expansion efforts are expected to enable our Group to capitalise on the prospects of the manufacturing industry, in particular the E&E sector, in the near future which is expected to improve the financial performance of our Group.

In addition, our Group will proactively assess the current market conditions in light of the COVID-19 pandemic and continue its efforts to improve its operational efficiency and put in place effective cost management measures to maintain our Group's competitive edge in the manufacturing industry.

(Source: Management of our Group)

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of our Group are as follows:

	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	893,637,031	70,362,156
To be issued pursuant to the Proposed Private Placement	357,455,000	14,226,709 ⁽¹⁾
Enlarged issued share capital	1,251,092,031	84,588,865

Note:

(1) *Assuming the Placement Shares are issued at the Indicative Issue Price.*

[The remainder of this page has been intentionally left blank]

6.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of our Company are as follows:

	As at the LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽²⁾	No. of Shares ('000)	% ⁽²⁾
Valuevest Ventures Sdn Bhd	74,502	8.34	-	-	74,502	5.95	-	-
Teh Boon Hong	-	-	74,502 ⁽³⁾	8.34	-	-	74,502 ⁽³⁾	5.95
Placees (collectively)	-	-	-	-	357,455	28.57	-	-

Notes:

- (1) Based on 893,637,031 MQ Tech Shares in issue as at the LPD.
- (2) Based on 1,251,092,031 MQ Tech Shares in issue after the Proposed Private Placement.
- (3) Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in Valuevest Ventures Sdn Bhd.

[The remainder of this page has been intentionally left blank]

6.3 NA per Share and gearing

For illustration purposes, based on the audited consolidated statement of financial position of our Company as at 30 September 2021 and assuming that the Proposed Private Placement had been effected on that date, the pro forma effects of the Proposed Private Placement on our Group's NA, NA per Share and gearing are as follows:

	Audited as at 30 September 2021 RM	(I) Subsequent events up to the LPD ⁽¹⁾ RM	(II) After (I) and the Proposed Private Placement RM
Share capital	67,678,965	70,362,156	84,588,865 ⁽²⁾
Asset revaluation reserve	8,055,560	8,055,560	8,055,560
Warrants reserve	8,019,821	-	-
Other reserve	(8,019,821)	-	-
Accumulated losses	(31,906,145)	(31,914,961)	(32,396,961) ⁽³⁾
Equity attributable to the owners of our Company	43,828,380	46,502,755	60,247,464
Number of Shares in issue	847,029,984	893,637,031	1,251,092,031
NA per Share (RM)	0.05	0.05	0.05
Total borrowings	211,398	211,398	211,398
Gearing (times)	Negligible	Negligible	Negligible

Notes:

(1) After taking into account the following:

- (i) issuance of 15,960,700 new Shares arising from the exercise of the share issuance scheme options from 1 October 2021 up to the LPD at the exercise price of RM0.0605 each pursuant to our Company's shares issuance scheme and expired on 13 March 2022;
- (ii) the private placement of 29,605,847 MQ Tech Shares for a total consideration of approximately RM1.614 million which was completed on 13 October 2021 and the expenses incurred in relation to the said private placement amounting to approximately RM0.009 million; and

[The remainder of this page has been intentionally left blank]

(iii) issuance of 1,040,500 new Shares arising from the exercise of MQ Tech's warrants 2016/2021 at the exercise price of RM0.100 each issued by our Company pursuant to the deed poll and expired on 21 November 2021 as follows:

No.	Date of issuance of the new Shares	New Shares arising from the exercise of MQ Tech's warrants 2016/2021
1	2 November 2021	100,000
2	16 November 2021	270,000
3	19 November 2021	530,500
4	23 November 2021	126,000
5	25 November 2021	14,000
	Total	1,040,500

- (2) Based on the issuance of 357,455,000 Placement Shares at the Indicative Issue Price.
- (3) After taking into account the estimated expenses relating to the Proposed Private Placement of approximately RM0.48 million.

[The remainder of this page has been intentionally left blank]

6.4 Earnings and EPS

The Proposed Private Placement will not have any material effect on the consolidated earnings of our Company and EPS for the FYE 30 September 2022. Notwithstanding the above, the Proposed Private Placement is expected to contribute positively to the earnings of our Group as and when the benefits from the utilisation of proceeds as set out in Section 3 of this Circular are realised. However, there will be a corresponding dilution in the EPS of our Group as a result of the increase in the number of MQ Tech Shares issued pursuant to the Proposed Private Placement.

6.5 Convertible securities

Our Company does not have any outstanding convertible securities as at the LPD.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of MQ Tech Shares as traded on the ACE Market of Bursa Securities for the past 12 months from April 2021 to March 2022 are as follows:

	<u>Highest</u>	<u>Lowest</u>
	RM	RM
<u>2022</u>		
March	0.065	0.045
February	0.075	0.055
January	0.135	0.050
<u>2021</u>		
December	0.055	0.035
November	0.065	0.045
October	0.080	0.055
September	0.090	0.050
August	0.070	0.050
July	0.080	0.065
June	0.100	0.060
May	0.095	0.060
April	0.110	0.090
Last transacted market price immediately prior to the announcement of the Proposed Private Placement on 31 March 2022 (RM)		0.050
Last transacted market price as at the LPD (RM)		0.050

(Source: Bloomberg)

8. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals being obtained:

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities, which was obtained vide its letter dated 15 April 2022, subject to the following conditions:

No.	Conditions	Status of compliance
(a)	MQ Tech and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement.	To be complied
(b)	MQ Tech and Mercury Securities to inform Bursa Securities upon completion of the Proposed Private Placement.	To be complied
(c)	MQ Tech to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be complied

- (ii) shareholders of our Company at the forthcoming EGM; and
(iii) any other relevant authorities and/or parties, if required.

9. CONDITIONALITY OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by our Company.

10. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Our Board confirms that there is no other corporate exercise/scheme which has been announced by our Company on Bursa Securities but pending completion as at the date of this Circular, except for the following:

- (i) the Proposed Private Placement, being the subject matter of this Circular;
- (ii) the joint venture between our Company's wholly-owned subsidiary, Star Acres Sdn Bhd ("**SASB**") and Cash Support Sdn Bhd ("**CSSB**") in relation to development of a theme park on a parcel of land in Klebang, Melaka, whereby, on 19 January 2016, SASB entered into a subscription and shareholders' agreement with CSSB ("**SSA 1**") to regulate SASB and CSSB's rights as shareholders of Cash Support Property Sdn Bhd ("**JVCo**") following their subscriptions of new ordinary shares of RM1.00 each in the JVCo which will function as the joint venture company, the completion of which is pending fulfilment of the conditions precedent under SSA 1 by mid-July 2022; and

- (iii) the acquisition of 3,060,000 ordinary shares in Oriental Link Properties (M) Sdn Bhd, representing 51% of the enlarged issued share capital of Oriental Link Properties (M) Sdn Bhd by our Company for a purchase consideration of RM3.65 million pursuant to a share sale agreement entered between our Company and Lee Khoo Eng (“SSA 2”) as announced by our Board on 5 October 2021, the completion of which is pending fulfilment of the conditions precedent under the SSA 2 by end June 2022.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

None of our Directors, major shareholders and/or chief executive of our company as well as persons connected with them has any interest, direct or indirect, in the Proposed Private Placement.

12. DIRECTORS’ STATEMENT / RECOMMENDATION

Our Board, having considered all aspects of the Proposed Private Placement, including but not limited to the proposed utilisation of proceeds, rationale and effects of the Proposed Private Placement as set out in Sections 3, 4 and 6 of this Circular respectively, is of the opinion that the Proposed Private Placement is in the best interest of our Company and the shareholders of our Company.

Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM.

13. TENTATIVE TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the relevant approvals as set out in Section 8 of this Circular being obtained, the Proposed Private Placement is expected to be completed by the third quarter of 2022.

14. DETAILS OF FUND-RAISING EXERCISES IN THE PAST 12 MONTHS

The fund-raising exercise undertaken by us in the past 12 months prior to this Circular is as follows:

Our Company had on 17 June 2021 announced the 20% Private Placement which was undertaken in 3 tranches and deemed completed on 13 October 2021 as follows:

No. of new MQ Tech Shares issued	Issue price per new MQ Tech Share (RM)	Gross proceeds raised (RM'000)	Listing date
74,500,000	0.0505	3,762	3 September 2021
42,000,000	0.0515	2,163	9 September 2021
29,605,847	0.0545	1,614	13 October 2021
Total		7,539	

The details and status of utilisation of the proceeds raised from the 20% Private Placement are as follows:

Description	Amount of proceeds raised (RM'000)	Amount utilised as at the LPD (RM'000)	Balance unutilised as at the LPD (RM'000)	Estimated timeframe for utilisation of proceeds ⁽¹⁾
Expenses for the extension of existing factory ⁽²⁾	6,000	5,000	1,000	Within 12 months
Repayment of unsecured loan ⁽³⁾	1,000	1,000	-	Within 3 months
Working capital	440	440	-	Within 12 months
Expenses relating to the 20% Private Placement	99	99	-	Immediately
Total	7,539	6,539	1,000	

Notes:

(1) From the listing date of the respective tranche of new MQ Tech Shares issued pursuant to the 20% Private Placement, i.e. 3 September 2021, 9 September 2021 and 13 October 2021, respectively.

(2) Relates to extension of the Factory from existing 30,181 square feet to approximately 45,000 square feet to cater for the expansion of our Group's production capacity to produce larger precision parts and tools as well as fabricated precision products and components used in dies, moulding and other electronics related industries. The extension of the Factory commenced on 1 October 2021 and our Group expects the extension of the Factory to be completed by mid-May 2022. As at the LPD, the percentage of completion for the extension of the Factory is approximately 85%.

Further to the above, with the extension of the Factory from existing 30,181 square feet to approximately 45,000 square feet, our Group will be able to install additional machineries to increase our Group's production capacity as detailed in Note 1, Section 3 of this Circular.

(3) Relates to the repayment of shareholder's advances to a former substantial shareholder of our Company, pursuant to a loan agreement dated 21 October 2020. The abovementioned shareholder's advances are unsecured, interest-free and repayable on demand.

15. EGM

Our Company's EGM, the notice of which is enclosed together with this Circular, will be held at Plot 86-B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, 11900 Bayan Lepas, Penang on Wednesday, 11 May 2022 at 11.30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Private Placement.

If you are unable to attend and vote in person at the EGM, you are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Form of Proxy at our Company's registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur in not less than 24 hours before the time and date stipulated for the EGM or at any adjournment thereof.

The lodgement of the Form of Proxy does not preclude you from participating and voting at the EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

Please refer to the appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
MQ TECHNOLOGY BERHAD

TONG SIAN SHYEN
Executive Director / Chief Operating Officer

ADDITIONAL INFORMATION**1. HISTORICAL FINANCIAL INFORMATION OF OUR GROUP**

The summary of the financial information of our Group for the FYE 31 December 2017, FYE 31 December 2018, 18M-FPE 30 June 2020 and 15M-FPE 30 September 2021 as well as the unaudited 3M-FPE 31 December 2020 and 3M-FPE 31 December 2021 are as follows:

	Audited				Unaudited	
	FYE 31 December		18M-FPE 30 June ⁽¹⁾	15M-FPE 30 September ⁽²⁾	3M-FPE 31 December	
	2017 (RM'000)	2018 (RM'000)	2020 (RM'000)	2021 (RM'000)	2020 (RM'000)	2021 (RM'000)
Revenue	26,075	24,647	12,645	10,650	2,290	3,246
(LAT)/ PAT	(3,208)	(5,319)	(12,615)	(1,356)	48	186
NA attributable to the owners of our Company	41,617	42,969	38,851	43,828	36,763	45,732
Issued share capital	48,374	52,521	60,789	67,679	61,754	69,397
Weighted average number of Shares in issue ('000)	414,765	463,401	634,773	734,370	730,530	877,676
No. of Shares in issue ('000)	414,765	497,718	716,540	847,030	730,530	877,676
NA per Share (RM)	0.10	0.09	0.05	0.05	0.05	0.05
(Loss)/Earnings per Share (sen)	(0.77)	(1.15)	(1.99)	(0.18)	Neg	Neg

Notes:

Neg Negligible, being less than 0.01.

(1) On 2 March 2020, our Company announced the change in its financial year end from 31 December to 30 June.

(2) On 3 August 2021, our Company announced the change in its financial year end from 30 June to 30 September.

Financial commentaries**FYE 31 December 2018 vs FYE 31 December 2017**

Our Group recorded a decrease in revenue of RM1.43 million or 5.48% from RM26.08 million in FYE 31 December 2017 to RM24.65 million in FYE 31 December 2018. The decrease is mainly due to the absence of revenue contribution from the United States of America in FYE 31 December 2018 due to the cancellation of orders by our customers from the United States of America.

ADDITIONAL INFORMATION (Cont'd)

Our Group had recorded an increase in the LAT by RM2.11 million or 65.80% from RM3.21 million in FYE 31 December 2017 to RM5.32 million in FYE 31 December 2018. The increase is mainly contributed by an allowance for impairment loss on property, plant and equipment of RM2.37 million in FYE 31 December 2018 (FYE 31 December 2017: Nil) arising from the disposal of MPT Solution, a wholly-owned subsidiary of our Company, whereby a share sale agreement was executed with the purchaser on 4 June 2018 and the disposal had yet to be completed at the end of the FYE 31 December 2018 resulting in the carrying amount of MPT Solution being lower than its fair value less costs to sell.

18M-FPE 30 June 2020 vs FYE 31 December 2018

Our Group had recorded a decrease in revenue of RM16.22 million or 65.80% to an annualised revenue of RM8.43 million in the 18M-FPE 30 June 2020 from RM24.65 million in FYE 31 December 2018 mainly due to the absence of revenue contribution from MPT Solution, a subsidiary involved in tooling fabrication and automation in Thailand, which was disposed on 1 April 2019.

Our Group recorded an increase in the LAT of RM3.09 million or 58.08% to an annualised RM8.41 million in 18M-FPE 30 June 2020 from the LAT recorded in FYE 31 December 2018 of RM5.32 million. This is mainly due to the following:

- (i) lower revenue generated in the 18M-FPE 30 June 2020 as explained above;
- (ii) income tax expense of an annualised RM1.01 million (FYE 31 December 2018: income tax credit of RM0.04 million) due to higher expenses not deductible for tax purposes by RM0.84 million or 89.36% to an annualised RM1.78 million in the 18M-FPE 30 June 2020 as compared to RM0.94 million in FYE 31 December 2018; and
- (iii) higher administrative expenses by RM0.67 million or 7.50% to an annualised RM9.60 million as compared to RM8.93 million in FYE 31 December 2018. The increase in administrative expenses is mainly due to higher allowance for expected credit losses on other receivables by RM2.10 million or 913.04% to an annualised RM2.33 million in the 18M-FPE 30 June 2020 as compared to RM0.23 million in FYE 31 December 2018 as a result of expected lower collection from customers that had been affected by the COVID-19 pandemic.

15M-FPE 30 September 2021 vs 18M-FPE 30 June 2020

Our Group had recorded an increase in revenue of RM0.09 million or 1.07% to an annualised revenue of RM8.52 million in the 15M-FPE 30 September 2021 from annualised revenue of RM8.43 million in the 18M-FPE 30 June 2020 mainly due to increase in the sales of fabricated and precision tooling products resulting from the increase in demand of hard disk which is in line with the increase in demand for digital data storage and usage globally.

Our Group had recorded a decrease in the LAT of RM7.33 million or 87.10% to an annualised LAT of RM1.08 million in the 15M-FPE 30 September 2021 from annualised LAT of RM8.41 million in the 18M-FPE 30 June 2020 mainly due to implementation of cost cutting exercise and reduction of impairment cost from RM3.50 million in the 18M-FPE 30 June 2020 (annualised: RM2.33 million) to RM1.24 million in the 15M-FPE 30 September 2021 (annualised: RM0.99 million).

3M-FPE 31 December 2021 vs 3M-FPE 31 December 2020

Our Group had recorded an increase in revenue of RM0.96 million or 41.75% to RM3.25 million in the 3M-FPE 31 December 2021 from RM2.29 million in the 3M-FPE 31 December 2020 mainly due to increase in the sales of the dies set and fabricated toolings resulting from the increase in demand of hard disk which is in line with the increase in demand for and usage of digital data storage (i-Cloud) globally.

ADDITIONAL INFORMATION (Cont'd)

As a result of the foregoing, our Group had recorded an increase in PAT of RM0.14 million or 287.50% to RM0.19 million in the 3M-FPE 31 December 2021 from RM0.05 million in the 3M-FPE 31 December 2020.

2. STEPS TAKEN OR TO BE UNDERTAKEN BY OUR GROUP TO IMPROVE ITS FINANCIAL SITUATION

We have undertaken the following measures/steps to improve our financial situation:

(a) Cost optimisation to improve financial condition

Our Group is currently adopting a more effective cost management measures to control our Group's operational expenses such as reduction of the number of employees working overtime and reallocation of works among employees to reduce new recruitment. Our Group is also adopting a more vibrant strategy by continuous improving in-house facilities and less reliant on outsourcing work in progress and on time delivery based on schedule which will contribute to lower cost of sales, thus giving good returns. Our Group will regularly review its cost structure as well as to take effective measures to reduce office and administrative expenses for its operations.

(b) Extension of Factory and expansion in capacity for production

Our Group intends to expand its existing factories in order to increase the capacity for productions for its manufacturing division. Upon completion of the said extension and after the purchase of machineries, our Group's billable capacity is expected to increase by at least 50% of the existing billable capacity and will enable our Group to secure more sales orders from manufacturers in dies, moulding and other electronics related industries for the fabrication of larger precision parts and components, thereby increasing our Group's revenue and profits.

Our Group will proactively assess the current market conditions in light of the COVID-19 pandemic and continue its efforts to improve our operational efficiency of our existing business activities.

3. IMPACT OF THE PROPOSED PRIVATE PLACEMENT AND VALUE CREATION OF THE PROPOSED PRIVATE PLACEMENT TO OUR GROUP AND OUR SHAREHOLDERS

The Proposed Private Placement is expected to raise gross proceeds of approximately RM14.23 million which will be used for the purchase of machineries and working capital purposes as set out in Section 3 of this Circular. The Proposed Private Placement will allow our Group to raise funds without incurring additional interest expenses as well as to reduce reliance on bank borrowings which will require our Group to service interests and repay the principal sum on a periodic basis. This will provide our Group with a better financial and liquidity position to preserve our Group's cashflow.

Additionally, upon completion of the Proposed Private Placement, the NA of our Group will increase from approximately RM43.83 million as at 30 September 2021 to approximately RM60.25 million as set out in Section 6.3 of this Circular.

The Proposed Private Placement is expected to contribute positively to the earnings of our Group as and when the benefits from the utilisation of proceeds as set out in Section 3 of this Circular are realised.

ADDITIONAL INFORMATION (Cont'd)

Notwithstanding the above, the consolidated EPS of our Group shall be correspondingly diluted as a result of the increase in the number of Shares arising from the Proposed Private Placement in the future in the event the earnings of our Group does not increase in line with the increased number of MQ Tech Shares to be issued pursuant the Proposed Private Placement.

Further details on the effects of the Proposed Private Placement on the NA and gearing as well as the earnings and EPS of our Group are set out in Sections 6.3 and 6.4 of this Circular respectively.

4. ADEQUACY OF THE PROPOSED PRIVATE PLACEMENT IN ADDRESSING OUR GROUP'S FINANCIAL REQUIREMENTS

Our Board is of the view that the primary financial concerns of our Group is mainly on the funding requirement for the purchase of machineries and working capital purposes as set out in Section 3 of this Circular and that the Proposed Private Placement is an expeditious way to address our Group's funding requirement at this juncture.

Our Board believes that, barring any unforeseen circumstances, the proposed utilisation of proceeds from the Proposed Private Placement, as set out in Section 3 of this Circular will adequately address the financial concerns of our Group.

[The remainder of this page has been intentionally left blank]

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

Mercury Securities, being the Principal Adviser and Placement Agent to our Company for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Mercury Securities confirms that there is no conflict of interest which exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as Principal Adviser and Placement Agent to our Company for the Proposed Private Placement.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**3.1 Material commitments**

There are no material commitments incurred or known to be incurred by our Group, which may have a material impact on the financial position of our Group as at the LPD.

3.2 Contingent liabilities

There are no contingent liability incurred or known to be incurred by our Group as at the LPD, which, upon becoming enforceable, may have a material impact on the financial position of our Group.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings, pending or threatened against our Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the business or financial position of our Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at our Company's registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Malaysia, during normal business hours on Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) the Constitution of our Company;
- (ii) the audited consolidated financial statements of our Company for the 18M-FPE 30 June 2020, 15M-FPE 30 September 2021 and the latest unaudited consolidated financial statements of our Company for the 3M-FPE 31 December 2021; and
- (iii) the letters of consent and declaration of conflict of interest referred to in Section 2 of this Appendix II.



TECHNOLOGY BERHAD

MQ TECHNOLOGY BERHAD

(Incorporated in Malaysia)

(Registration No. 200301033383 (635804-H))

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of MQ Technology Berhad (“**MQ Tech**” or “**Company**”) will be held at Plot 86-B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, 11900 Bayan Lepas, Penang on Wednesday, 11 May 2022 at 11.30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 357,455,000 NEW ORDINARY SHARES IN MQ TECH (“MQ TECH SHARES” OR “SHARES”) REPRESENTING APPROXIMATELY 40% OF THE TOTAL NUMBER OF ISSUED SHARES OF MQ TECH (“PROPOSED PRIVATE PLACEMENT”)

“**THAT**, subject to and conditional upon the approvals being obtained from all the relevant authorities and/or parties (if any), approval be and is hereby given to MQ Tech to issue and allot up to 357,455,000 new MQ Tech Shares, representing approximately 40% of the Company’s existing total issued Shares by way of private placement to independent third party investor(s) to be identified later, in one or more tranches at an issue price for each tranche to be determined and fixed by the Board of Directors of MQ Tech (“**Board**”) at a later date after all the relevant approvals have been obtained (“**Price-Fixing Date**”) upon such terms and conditions as set out in the circular to the shareholders of the Company dated 22 April 2022 (“**Circular**”).

THAT the issue price for each tranche of the Placement Shares shall not be at a discount of more than 20% from the 5-day volume weighted average market price of the MQ Tech Shares immediately preceding the Price-Fixing Date;

THAT the Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing MQ Tech Shares in issue, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of such Placement Shares;

THAT the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purpose as set out in the Circular and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of the utilisation of such proceeds derived from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company, subject to the compliance to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant authorities (if required);

THAT the Board be and is hereby authorised to do all acts and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements that are necessary to give full effect to the Proposed Private Placement with full powers to assent to any conditions, variations, modifications and/ or amendments deemed necessary or expedient in the interest of the Company and/or as may be required by the relevant authorities and to take all steps and actions they consider fit, necessary, expedient or as may be required to give full effect to and complete the Proposed Private Placement;

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein and shall continue in full force and effect until all the Placement Shares to be issued pursuant to or in connection with the Proposed Private Placement have been duly allotted and issued in accordance with the terms of the Proposed Private Placement.”

BY ORDER OF THE BOARD

Wong Youn Kim (MAICSA 7018778) (SSM PC No.: 201908000410)
Company Secretary

Kuala Lumpur
22 April 2022

Notes:

- (i) *For the purpose of determining who shall be entitled to attend the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 5 May 2022. Only a member whose name appears on this Record of Depositors shall be entitled to attend the EGM or appoint a proxy to attend, speak or vote on his/her behalf.*
- (ii) *A member entitled to attend and vote at the EGM is entitled to appoint proxy/proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company.*
- (iii) *A member may appoint not more than two (2) proxies to attend the same EGM. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.*
- (iv) *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
- (v) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.*
- (vi) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
- (vii) *The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the Company’s registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 24 hours before the time set for holding the EGM or at any adjournment thereof.*



TECHNOLOGY BERHAD
MQ TECHNOLOGY BERHAD

(Registration No. 200301033383 (635804-H))
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.	
No. of Shares held	

*I/We _____ *NRIC/ Company No. _____
(FULL NAME IN BLOCK CAPITALS)

of _____
(FULL ADDRESS)

Being *a member / members of MQ TECHNOLOGY BERHAD (Registration No. 200301033383 (635804-H)) hereby appoint

_____ NRIC No. _____
(FULL NAME IN BLOCK CAPITALS)

of _____
(FULL ADDRESS)

or failing *him/her _____ NRIC No. _____
(FULL NAME IN BLOCK CAPITALS)

of _____
(FULL ADDRESS)

or failing *him/ her, the Chairman of the Meeting as *my/ our proxy to participate, speak and vote on *my/ our behalf at the Extraordinary General Meeting of MQ Technology Berhad (“**Company**”) to be held at Plot 86-B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, 11900 Bayan Lepas, Penang on Wednesday, 11 May 2022 at 11.30 a.m. or at any adjournment thereof to vote, in the manner indicated below:-

*My/ our proxy is to vote as indicated below:-

	FOR	AGAINST
ORDINARY RESOLUTION – PROPOSED PRIVATE PLACEMENT		

(Please indicate with an “X” in the appropriate boxes on how you wish your vote to be casted. Unless voting instructions are indicated in the space above, the proxy will vote as he/ she thinks fit.)

Signature/ Common Seal of Member

Date:

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:-		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Notes:

- (i) For the purpose of determining who shall be entitled to attend the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 5 May 2022. Only a member whose name appears on this Record of Depositors shall be entitled to attend the EGM or appoint a proxy to attend, speak or vote on his/her behalf.
- (ii) A member entitled to attend and vote at the EGM is entitled to appoint proxy/proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company.
- (iii) A member may appoint not more than two (2) proxies to attend the same EGM. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.
- (iv) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.
- (vi) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- (vii) The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the Company’s registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 24 hours before the time set for holding the EGM or at any adjournment thereof.

1st fold here

**Affix
Stamp**

MQ TECHNOLOGY BERHAD
200301033383 (635804-H)
C/O HMC Corporate Services Sdn Bhd
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

Then fold here