

**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 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.

This Circular has been reviewed by Mercury Securities Sdn Bhd, who is the Principal Adviser to MQ Technology Berhad for the Proposals (as defined herein).

# MQ

TECHNOLOGY BERHAD

**MQ TECHNOLOGY BERHAD**

(Registration No. 200301033383 (635804-H))

(Incorporated in Malaysia)

## CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) **PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF MQ TECHNOLOGY BERHAD (“MQ TECH” OR “COMPANY”) OF RM50.00 MILLION PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 (“ACT”) (“PROPOSED SHARE CAPITAL REDUCTION”);**
- (II) **PROPOSED CONSOLIDATION OF EVERY 10 EXISTING ORDINARY SHARES IN MQ TECH (“MQ TECH SHARES” OR “SHARES”) INTO 1 MQ TECH SHARE (“CONSOLIDATED SHARE(S)”) (“PROPOSED SHARE CONSOLIDATION”); AND**
- (III) **PROPOSED ISSUANCE OF REDEEMABLE CONVERTIBLE BONDS (“BONDS”) WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO RM150.00 MILLION (“PROPOSED ISSUANCE OF BONDS”)**

**(COLLECTIVELY REFERRED TO AS “PROPOSALS”)**

**AND**

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*



**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 Unit 310, Block C, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor Darul Ehsan on Monday, 9 September 2024 at 11.00 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 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia 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 will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Sunday, 8 September 2024 at 11.00 a.m.

Date and time of the EGM : Monday, 9 September 2024 at 11.00 a.m.

This Circular is dated 16 August 2024

## DEFINITIONS

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

<b>Act</b>	:	Companies Act, 2016
<b>Board</b>	:	Board of Directors
<b>Bonds</b>	:	Redeemable convertible bonds
<b>Bond Holder(s)</b>	:	Holder(s) of the Bonds
<b>Bonds Subscription Notice</b>	:	Notice to be issued by the Subscriber to our Company to request for the issuance of the Bonds under the Subscription Agreement, the form of which is set out in the Subscription Agreement, subject to the terms of the Subscription Agreement
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
<b>Business Day(s)</b>	:	A day on which banks are open for business in Kuala Lumpur, Malaysia and Singapore and Bursa Securities is open for trading, ending at 5.00 p.m. (Malaysia Standard Time or MST)
<b>By-Laws</b>	:	By-laws which governs the terms and conditions of the SIS Options
<b>Circular</b>	:	This circular to the shareholders of our Company dated 16 August 2024
<b>Closing Date</b>	:	In respect of each sub-tranche of the Bonds, the date on which such sub-tranche of the Bonds is subscribed for and issued pursuant to the Subscription Agreement
<b>CMSA</b>	:	Capital Markets and Services Act, 2007
<b>Constitution</b>	:	Constitution of our Company
<b>Consolidated Share(s)</b>	:	New MQ Tech Share(s) after the Proposed Share Consolidation
<b>Conversion Price</b>	:	The price at which each Share shall be issued upon conversion of the Bonds, as set out in the Subscription Agreement
<b>Conversion Rights</b>	:	The right of a Bond Holder to convert any Bonds
<b>Conversion Share(s)</b>	:	New MQ Tech Share(s) to be issued pursuant to the conversion of the Bonds at the conversion terms, subject to the terms and conditions as set out in the Subscription Agreement
<b>Directors</b>	:	Directors of our Company
<b>EGM</b>	:	Extraordinary general meeting of our Company
<b>Entitlement Date</b>	:	Entitlement date to be determined and announced later by our Board
<b>EPS</b>	:	Earnings per MQ Tech Share
<b>Exercise Notice</b>	:	Exercise notice in the form set out in the Subscription Agreement
<b>Factory</b>	:	Our Group existing factory and office premises located at 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

## DEFINITIONS *(Cont'd)*

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<b>FPE</b>	:	Financial period ended / ending, as the case may be
<b>Fulfilment Date</b>	:	Date falling 5 calendar months from the date of the Subscription Agreement, or such other date as the Parties may agree in writing
<b>FYE</b>	:	Financial year ended / ending, as the case may be
<b>Illustrative Conversion Price</b>	:	Illustrative Conversion Price of approximately RM0.4586
<b>Listing Requirements</b>	:	ACE Market Listing Requirements of Bursa Securities
<b>Lodgement</b>	:	The lodgement of all information and documents as may be specified in the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the Securities Commission and in compliance with the Act, the CMSA, the Listing Requirements, the LOLA Guidelines and such other applicable laws and regulations for the issuance of the Bonds
<b>LOLA Guidelines</b>	:	Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC
<b>LPD</b>	:	8 August 2024, being the latest practicable date prior to the date of this Circular
<b>Main Tranche Bonds</b>	:	The main tranche(s) of the Proposed Issuance of Bonds comprising the Main Tranche 1 Bonds, Main Tranche 2 Bonds and Main Tranche 3 Bonds
<b>Main Tranche 1 Bonds</b>	:	Main Tranche 1 Bonds is of an aggregate nominal value of up to RM50.00 million, comprising multiple Sub-Tranche 1 Bonds
<b>Main Tranche 2 Bonds</b>	:	Main Tranche 2 Bonds is of an aggregate nominal value of up to RM50.00 million, comprising multiple Sub-Tranche 2 Bonds
<b>Main Tranche 3 Bonds</b>	:	Main Tranche 3 Bonds is of an aggregate nominal value of up to RM50.00 million, comprising multiple Sub-Tranche 3 Bonds
<b>Market Day(s)</b>	:	A day between Monday and Friday (inclusive both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
<b>Maturity Date</b>	:	The date falling 36 months from the Closing Date of the first Sub-Tranche 1 Bonds
<b>Maximum Conversion Shares or MCS</b>	:	Such number of Shares representing 200% of the total issued and paid-up ordinary shares of our Company (excluding treasury shares) after completion of the Proposed Share Consolidation and as at the Closing Date of the first Sub-Tranche 1 Bonds, which shall be up to 327,109,900 Conversion Shares (subject to further corresponding adjustments in the event of stock splits, consolidation and/or re-classification of the Shares)
<b>Maximum Scenario</b>	:	1,665,456,631 Shares as at the LPD will be consolidated into 166,545,663 Consolidated Shares into assuming all outstanding SIS Options are exercised into new Shares prior to the Entitlement Date

## DEFINITIONS *(Cont'd)*

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<b>Melaka Land</b>	:	Part of leasehold land in Klebang, Melaka measuring up to approximately 7.155 acres within a larger parcel of land (measuring approximately 10.727 acres) identified as PN 63030, Lot 1, Kawasan Bandar XLV, District of Melaka Tengah, State of Melaka
<b>Mercury Securities or Principal Adviser</b>	:	Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-W))
<b>Minimum Conversion Price or MCP</b>	:	RM0.10, being the minimum Conversion Price for the Bonds to be converted into Conversion Shares
<b>Minimum Scenario</b>	:	1,635,549,531 Shares as at the LPD will be consolidated into 163,554,953 Consolidated Shares into assuming none of the outstanding SIS Options are exercised into new Shares prior to the Entitlement Date
<b>MPTSB</b>	:	Microlead Precision Technology Sdn Bhd (Registration No. 199501041104 (370308-U)), a wholly-owned subsidiary of MQ Tech
<b>MQ Tech or Company</b>	:	MQ Technology Berhad (Registration No. 200301033383 (635804-H))
<b>MQ Tech Group or Group</b>	:	Collectively, our Company and our subsidiaries
<b>MQ Tech Share(s) or Share(s)</b>	:	Ordinary share(s) in our Company
<b>NA</b>	:	Net assets
<b>Parties</b>	:	Collectively, our Company and Subscriber
<b>Proposals</b>	:	Collectively, the Proposed Share Capital Reduction, Proposed Share Consolidation and Proposed Issuance of Bonds
<b>Proposed Development Project</b>	:	Proposed development which comprises of 2 blocks of 27-storey resort suites with each block consist of 25 floors of total 500 resort suite units and 2 floors of total 40 shop lot unites, as well as 1 block of 9-storey carpark consist of 1,806 carpark bays on the Melaka Land
<b>Proposed Issuance of Bonds</b>	:	Proposed issuance of Bonds with an aggregate principal amount of up to RM150.00 million
<b>Proposed Share Capital Reduction</b>	:	Proposed reduction of the issued share capital of MQ Tech of RM50.00 million pursuant to Section 116 of the Act
<b>Proposed Share Consolidation</b>	:	Proposed consolidation of every existing 10 MQ Tech Shares into 1 Consolidated Share
<b>SASB</b>	:	Star Acres Sdn Bhd (Registration No. 201401043508 (1119688-A)), a wholly-owned subsidiary of MQ Tech
<b>SC</b>	:	Securities Commission Malaysia
<b>SIS Options</b>	:	Share issuance scheme options
<b>Sub-Tranche 1 Bonds</b>	:	Multiple sub-tranches with a minimum nominal value of RM500,000 each within the Main Tranche 1 Bonds of RM50.00 million

## DEFINITIONS *(Cont'd)*

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<b>Sub-Tranche 2 Bonds</b>	:	Multiple sub-tranches with a minimum nominal value of RM500,000 each within the Main Tranche 2 Bonds of RM50.00 million
<b>Sub-Tranche 3 Bonds</b>	:	Multiple sub-tranches with a minimum nominal value of RM500,000 each within the Main Tranche 3 Bonds of RM50.00 million
<b>Subscriber or Triton</b>	:	Triton Capital Fund VCC (Registration no: T20VC0036F), an umbrella variable capital company incorporated in Singapore under the laws of Singapore on 26 March 2020, acting on behalf of and for the account of TCF Fund A
<b>Subscription Agreement</b>	:	A conditional subscription agreement dated 7 June 2024 entered into between the Parties in relation to the Proposed Issuance of Bonds
<b>TARP</b>	:	Theoretical adjusted reference price
<b>VWAP</b>	:	Volume weighted average market price
<b>Warranties</b>	:	All the representations, warranties, undertakings and covenants of our Company including the representations, warranties, undertakings and covenants set out in the Subscription Agreement

## CURRENCY

RM and sen : Ringgit Malaysia and sen

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

References to “**you**” or “**your**” in this Circular 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. Any reference to persons in this Circular shall include corporations, unless otherwise specified.

Any reference to any statutes, rules, regulations, enactments or rules of the stock exchange in this Circular 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.

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.

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## EXECUTIVE SUMMARY

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

Key information	Description	Reference to Circular
<p><b>Summary of the Proposals</b></p>	<p><b><u>Proposed Share Capital Reduction</u></b></p> <p>The Proposed Share Capital Reduction entails the reduction of RM50.00 million of our Company's issued share capital pursuant to Section 116 of the Act. The corresponding credit of RM50.00 million arising from such cancellation will be utilised to reduce the accumulated losses of our Company and the balance (if any) will be credited to the retained earnings account of our Company which may be utilised in such manner as our Board deems fit and in the best interest of our Company, as permitted by the relevant and applicable laws, Listing Requirements as well as our Constitution.</p> <p><b><u>Proposed Share Consolidation</u></b></p> <p>The Proposed Share Consolidation entails the consolidation of every 10 existing MQ Tech Shares held by the shareholders of our Company, whose name appear in the Record of Depositor of our Company on the Entitlement Date, into 1 Consolidated Share.</p> <p>As at the LPD, MQ Tech has:</p> <ul style="list-style-type: none"> <li>(i) issued share capital of RM102,803,256 comprising 1,635,549,531 Shares. Our Company does not have any treasury shares; and</li> <li>(ii) 29,907,100 outstanding SIS Options.</li> </ul> <p>The Company does not intend to grant any SIS Options prior to the completion of the Proposed Share Consolidation.</p> <p><b><u>Proposed Issuance of Bonds</u></b></p> <p>The Proposed Issuance of Bonds entails the issuance of Bonds with an aggregate nominal value of up to RM150.00 million, which will mature on the Maturity Date.</p> <p>The price at which each MQ Tech Share shall be issued upon conversion of the Bonds, shall be 80% of the average Closing Price per Share on any 3 consecutive Business Days as selected by the Bond Holder during the 40 Business Days immediately preceding the relevant Conversion Date on which the Shares were traded on the ACE Market of Bursa Securities provided that the Conversion Price for each Share shall not be less than the MCP. If the Conversion Price for each Share calculated is less than the MCP, the Conversion Price for each Share shall be equal to the MCP.</p> <p>The maximum number of Shares which may be issued pursuant to the conversion of the Bonds which shall be up to 327,109,900 Shares (subject to corresponding adjustments in the event of stock splits, consolidation and/or re-classification of the Shares).</p>	<p>Sections 2.1, 2.2 and 2.3</p>

**EXECUTIVE SUMMARY (Cont'd)**

Key information	Description	Reference to Circular
<p><b>Rationale and justifications for the Proposals</b></p>	<p><b><u>Proposed Share Capital Reduction</u></b></p> <p>The Proposed Share Capital Reduction will enable our Company and our Group to rationalise our financial positions by reducing our accumulated losses via cancellation of the issued share capital to reflect the value of the underlying assets and financial position of our Company and our Group more accurately.</p> <p><b><u>Proposed Share Consolidation</u></b></p> <p>The Proposed Share Consolidation will enhance our Company's share capital structure as the consolidation of the existing MQ Tech Shares will reduce the number of our Company shares available in the market. Hence, our Company shall benefit from easier management of a smaller number of MQ Tech Shares and all else being equal, would be indifferent to the shareholders as the Proposed Share Consolidation will not have any impact on the market value of MQ Tech Shares as disclosed in Section 2.2.2 of this Circular.</p> <p><b><u>Proposed Issuance of Bonds</u></b></p> <p>Our Board is of the view that the Proposed Issuance of Bonds is the most appropriate avenue of raising funds for the proposed utilisation as set out in Section 3 of this Circular based on the following rationale:</p> <ul style="list-style-type: none"> <li>(i) the Proposed Issuance of Bonds will enable MQ Tech to raise funds expeditiously and cost effectively as our Company has a pre-identified investor for the Proposed Issuance of Bonds, which allows our Company to save costs on road shows and marketing for potential investors;</li> <li>(ii) the Proposed Issuance of Bonds will enable MQ Tech to raise funds via the hybrid market, that is between the debt market where gearing and security or rating may be an issue, and the equity market, where current market conditions may not be conducive, as it provides flexibility to raise funds in stages when the needs for funds arise, considering that our Company has no intention to raise the entire RM150.00 million immediately;</li> <li>(iii) provides greater certainty in raising the funds required as compared to other forms of equity fund-raising such as a private placement or a rights issue which is dependent upon the prevailing market sentiment and economic conditions. Moreover, underwriting and undertaking arrangements for such other forms of equity fund-raising would be difficult to procure;</li> </ul>	<p>Section 4</p>

**EXECUTIVE SUMMARY (Cont'd)**

Key information	Description	Reference to Circular
<p><b>Rationale and justifications for the Proposals (Cont'd)</b></p>	<p>(iv) the multiple tranches issuance provides MQ Tech the flexibility to drawdown as and when the need for funds arises and dilution to the existing shareholders' shareholdings will occur progressively over the tenure of the Bonds as compared to immediate full dilution effect through fund raising via issuance of new Shares or other convertible instruments such as redeemable convertible preference shares;</p> <p>(v) In the event, our Company has sufficient funds after Main Tranche 1 Bonds or Main Tranche 2 Bonds and does not wish to continue with the remaining tranches of the Proposed Issuance of Bonds, it has the right not to proceed further with the Proposed Issuance of Bonds as the drawdown of Main Tranche 2 Bonds or Main Tranche 3 Bonds is at the option of our Company. Further, the Proposed Issuance of Bonds has an identified ready investor, namely Triton Capital Fund VCC, to subscribe for the entire Bonds throughout the tenure of the Proposed Issuance of Bonds;</p> <p>(vi) the Proposed Issuance of Bonds will increase the liquidity of MQ Tech Shares upon conversion of the Bonds and provide opportunity for new investors to participate in the equity of MQ Tech; and</p> <p>(vii) the Proposed Issuance of Bonds will improve the NA of MQ Tech upon conversion of Bonds.</p>	<p>Section 4</p>
<p><b>Approvals required</b></p>	<p>The Proposals are subject to the following approvals being obtained:</p> <p>(i) Bursa Securities for the:</p> <p style="padding-left: 40px;">(a) Proposed Share Consolidation; and</p> <p style="padding-left: 40px;">(b) listing of and quotation for the Conversion Shares pursuant to the Proposed Issuance of Bonds on the ACE Market of Bursa Securities.</p> <p>The approval of Bursa Securities was obtained vide its letter dated 7 August 2024 and is subject to the conditions as set out in Section 8 of this Circular;</p> <p>(ii) MQ Tech's shareholders at the forthcoming EGM to convened for the Proposals;</p> <p>(iii) the sanction of the High Court of Malaya for the Proposed Share Capital Reduction; and</p> <p>(iv) any other approval(s) from any other relevant parties / authorities, if required.</p>	<p>Section 8</p>

**EXECUTIVE SUMMARY (Cont'd)**

<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
<b>Conditionality</b>	The Proposed Share Capital Reduction is not conditional upon the Proposed Share Consolidation or Proposed Issuance of Bonds and vice versa. The Proposed Issuance of Bonds is conditional upon the Proposed Share Consolidation but not vice versa. The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by our Company.	Section 8
<b>Interests of directors, major shareholders, chief executive and/or persons connected with them</b>	None of our Directors, major shareholders, chief executive and/or persons connected with them has any interest, whether direct or indirect, in the Proposals.	Section 10
<b>Directors' statement / recommendation</b>	<p>Our Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of our Company.</p> <p>Accordingly, our Board recommends that our shareholders to vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.</p>	Section 11

**[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 5, Tower 8, Avenue 5, Horizon 2  
Bangsar South City  
59200 Kuala Lumpur  
Wilayah Persekutuan Kuala Lumpur  
Malaysia

16 August 2024

**Board of Directors**

Dato' Nurulhidayah Binti Ahmad Zahid (*Independent Non-Executive Chairman*)

Dato' Lim Char Boo (*Senior Independent Non-Executive Vice Chairman*)

Tong Sian Shyen (*Managing Director*)

Terence Cheah Eu Lee (*Executive Director*)

Gerald Nicholas Tan Eng Hoe (*Independent Non-Executive Director*)

Dr. Koay Boon Hooi (*Independent Non-Executive Director*)

**To: The shareholders of MQ Tech**

Dear Sir/ Madam,

- (I) **PROPOSED SHARE CAPITAL REDUCTION;**
  - (II) **PROPOSED SHARE CONSOLIDATION; AND**
  - (III) **PROPOSED ISSUANCE OF BONDS**
- 

**1. INTRODUCTION**

On 7 June 2024, Mercury Securities had, on behalf of our Board, announced that our Company proposes to undertake the Proposals.

On 7 August 2024, Mercury Securities had, on behalf of our Board, announced that Bursa Securities has vide its letter dated 7 August 2024, resolved to approved the following:

- (i) the Proposed Share Consolidation; and
- (ii) the listing of and quotation for up to 327,109,900 Conversion Shares on the ACE Market of Bursa Securities,

subject to the terms and conditions set out in Section 8 of this Circular.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS, TO SET OUT OUR BOARD'S RECOMMENDATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM TO BE CONVENED. 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 CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM TO BE CONVENED.**

## **2. DETAILS OF THE PROPOSALS**

### **2.1 Proposed Share Capital Reduction**

The Proposed Share Capital Reduction entails the reduction of RM50.00 million of our Company's issued share capital pursuant to Section 116 of the Act. The corresponding credit of RM50.00 million arising from such cancellation will be utilised to reduce the accumulated losses of our Company and the balance (if any) will be credited to the retained earnings account of our Company which may be utilised in such manner as our Board deems fit and in the best interest of our Company, as permitted by the relevant and applicable laws, Listing Requirements as well as our Constitution.

For illustration purposes, the proforma effects of the Proposed Share Capital Reduction on our Company's and our Group's accumulated losses based on the audited financial statements for the financial year ended 30 September 2023 and the unaudited financial statements for the 6-month FPE 31 March 2024 of our Company and our Group are as follows:

	<b>Audited</b>		<b>Unaudited</b>	
	<b>As at 30 September 2023</b>		<b>As at 31 March 2024</b>	
	<b>Company level</b>	<b>Group level</b>	<b>Company level</b>	<b>Group level</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Accumulated losses	(31,242)	(44,789)	(31,876)	(47,135)
Add: Credit from Proposed Share Capital Reduction	50,000	50,000	50,000	50,000
Less: Estimated expenses for the Proposals <sup>(1)</sup>	(3,562)	(3,562)	(3,562)	(3,562)
<b>Resultant retained earnings / accumulated losses</b>	15,196	1,649	14,562	(697)

**Note:**

(1) *Based on the estimated expenses for the Proposals under Scenario 2 as set out in Section 3 of this Circular.*

An order by the High Court of Malaya will be sought to confirm the Proposed Share Capital Reduction pursuant to Section 116 of the Act after the approval being obtained from the shareholders of our Company for the Proposed Share Capital Reduction at an EGM to be convened.

The effective date of the Proposed Share Capital Reduction will be the date of lodgement of the sealed court order from the High Court of Malaya for the Proposed Share Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

The Proposed Share Capital Reduction will not result in the following:

- (i) any adjustment to the reference share price of the MQ Tech Shares;
- (ii) any change in the total number of MQ Tech Shares in issue or the number of Shares held by our shareholders;
- (iii) any payment to our shareholders; and

- (iv) any cash outflow or change in NA of our Group, save for the estimated expenses to be incurred in relation to the Proposals.

## 2.2 Proposed Share Consolidation

### 2.2.1 Basis and number of Consolidated Shares

The Proposed Share Consolidation entails the consolidation of every 10 existing MQ Tech Shares held by the shareholders of our Company, whose name appear in the Record of Depositor of our Company on the Entitlement Date, into 1 Consolidated Share.

As at the LPD, MQ Tech has:

- (i) issued share capital of RM102,803,256.20 comprising 1,635,549,531 Shares. Our Company does not have any treasury shares; and
- (ii) 29,907,100 outstanding SIS Options.

Our Company does not intend to grant any SIS Options prior to the completion of the Proposed Share Consolidation. For illustration purposes, pursuant to the Proposed Share Consolidation:

- (i) the 1,635,549,531 Shares as at the LPD (assuming none of the outstanding SIS Options are exercised into new Shares prior to the Entitlement Date) will be consolidated into 163,554,953 Consolidated Shares; and
- (ii) the 1,665,456,631 Shares as at the LPD (assuming all of the outstanding SIS Options are exercised into new Shares prior to the Entitlement Date) will be consolidated into 166,545,663 Consolidated Shares.

The actual number of Consolidated Shares will be determined based on the total number of issued shares of our Company as at the Entitlement Date after taking into consideration any new Shares that may be issued arising from the exercise of any outstanding SIS Options. Any fractional entitlements for the Consolidated Shares will be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit, expedient and in the best interest of our Company.

### 2.2.2 TARP of Consolidated Shares

The Proposed Share Consolidation will result in an adjustment to the reference share price of MQ Tech Shares listed and quoted on the ACE Market of Bursa Securities.

For illustration purposes, based on the last transacted market price of MQ Tech Shares as at the LPD of RM0.010, the TARP of MQ Tech Shares upon completion of the Proposed Share Consolidation is as follows:

	Minimum Scenario		Maximum Scenario	
	As at the LPD	After Proposed Share Consolidation	As at the LPD	After Proposed Share Consolidation
<b>No. of MQ Tech Shares</b>	1,635,549,531	163,554,953	1,665,456,631	166,545,663
<b>Closing market price / TARP<sup>(1)</sup></b>	0.010	0.10 <sup>(1)</sup>	0.010	0.10 <sup>(1)</sup>
<b>Total market value of MQ Tech Shares<sup>(2)</sup></b>	<b>16,335,495</b>	<b>16,335,495</b>	<b>16,335,495</b>	<b>16,335,495</b>

**Notes:**

- (1)  $\frac{\text{TARP per MQ Tech Share}}{\text{Market price per MQ Tech Share}} = \frac{\text{No. of Shares before the Proposed Share Consolidation}}{\text{No. of Consolidated Shares}}$
- (2)  $\text{Total market value of MQ Tech Shares} = \text{No. of MQ Tech Shares} \times \text{Market / TARP per MQ Tech share}$

Based on the above, the illustration for an assumed shareholding of 1,000 Shares is as follows:

	<u>As at the LPD</u>	<u>After the Proposed Share Consolidation</u>
No. of MQ Tech Shares	1,000	100
Closing market price / TARP (RM)	0.010	0.10
<b>Total market value of shareholding (RM)</b>	<b>10.00</b>	<b>10.00</b>

Based on the illustrations above, the Proposed Share Consolidation will reduce the number of Shares. However, it will not have any impact on the total market value of the securities held by our securities holders.

### 2.2.3 Adjustment to the exercise price and number of outstanding SIS Options

Pursuant to the By-Laws, the Proposed Share Consolidation will give rise to adjustments to the exercise price and number of outstanding SIS Options. The adjustments will be made in accordance with the provision in accordance with the provisions of the By-Laws.

Any necessary adjustments arising from the Proposed Share Consolidation in relation to the outstanding SIS Options will only be finalised on the Entitlement Date for the Proposed Share Consolidation.

For illustration purposes, assuming all of the 29,907,100 outstanding SIS Options are not exercised prior to the Entitlement Date, the number of outstanding SIS Options will be adjusted downwards to 2,990,710 outstanding SIS Options upon completion of the Proposed Share Consolidation. Accordingly, the existing exercise prices in relation to the respective outstanding SIS Options will be adjusted, as illustrated in the following table:

<u>As at the LPD</u>		<u>After the Proposed Share Consolidation</u>	
<u>Outstanding balance</u>	<u>Exercise price</u>	<u>Adjusted outstanding balance<sup>(1)</sup></u>	<u>Adjusted exercise price<sup>(2)</sup></u>
29,907,100	RM0.015	2,990,710	RM0.15

**Notes:**

- (1)  $\text{Adjusted number of SIS Options} = \text{Existing number of SIS Options} \times \frac{\text{No. of Consolidated Shares}}{\text{No. of Shares as at the LPD}}$
- (2)  $\text{Adjusted exercise price} = \text{Existing exercise price of SIS Options} \times \frac{\text{No. of Shares as at the LPD}}{\text{No. of Consolidated Shares}}$

The details on the actual adjustments to the exercise price and the number of SIS Options shall be set out in a notice of adjustments to the entitled grantees, which shall be despatched within 21 Market Days pursuant to Clause 14.1 of the By-Laws from the effective date of such adjustments. The adjustment is effective on the Market Day on which the Proposed Share Consolidation becomes effective (being the date when the Consolidated Shares are traded on Bursa Securities).

## 2.2.4 Ranking of the Consolidated Shares

The Consolidated Shares shall rank equally in all respects with one another.

## 2.2.5 Suspension of trading of MQ Tech Shares

No suspension will be imposed on the trading of our Shares on the ACE Market of Bursa Securities pursuant to the Proposed Share Consolidation.

## 2.2.6 Procedures for the implementation of Proposed Share Consolidation

The Consolidated Shares will be listed and quoted on the ACE Market of Bursa Securities on the next Market Day following the Entitlement Date.

The notices of allotment of Consolidated Shares will be issued and despatched to the entitled shareholders within 4 Market Days after listing of and quotation for the Consolidated Shares on the ACE Market of Bursa Securities, or such other period as may be prescribed by Bursa Securities.

## 2.3 Proposed Issuance of Bonds

On 7 June 2024, MQ Tech had entered into the Subscription Agreement with Triton, pursuant to which the Bonds will be issued by our Company in 3 main tranches, subject to the terms and conditions of the Subscription Agreement.

The Bonds are transferable and/or tradable in accordance with the terms and conditions of the Subscription Agreement. The Bonds may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to a person to whom an offer or invitation to subscribe for the Bonds and to whom the Bonds are issued, which would fall within any one of the categories of persons specified in Guidelines on Categories of Sophisticated Investors issued by the SC, read together with of the applicable provisions of the CMSA and subject to the applicable law, order, regulation or official directive of the SC from time to time (including any amendments, supplementals and variation thereto) ("**Eligible Transferee**"). While it is not the primary intention for Triton to transfer or sell the Bonds, Triton may transfer the Bonds should there be an Eligible Transferee who desires to purchase the Bonds, and such transfer is on terms as may be mutually agreed between Triton and the Eligible Transferee. To facilitate such transfer, Triton is required to complete and issue a transfer form (a form of which is set out in the Subscription Agreement) to MQ Tech ("**Bonds Transfer Form**"), and to surrender the relevant Bonds certificates to MQ Tech for cancellation. The Bonds Transfer Form indicates, amongst others, the number of Bonds to be transferred, and details the identity of the Eligible Transferee for Bonds to issue new Bonds certificate(s). Separately, Triton will also enter into a sale and purchase agreement with the Eligible Transferee for the sale and transfer of the Bonds ("**Bonds SPA**"). The Bonds SPA will bound the Eligible Transferee to similar terms and conditions as set out in the Subscription Agreement, including but not limited to the conversion price mechanism and conversion of the Bonds.

The Bonds will be privately placed to and purchased by the Subscriber. The Bonds may be converted into the Conversion Shares which are unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank equally in all respects with all other existing Share(s) except that the Conversion Shares shall not be entitled to any dividends, rights and/or other distributions that may be declared, made or paid prior to the date of allotment and issuance of the Conversion Shares, in accordance with the provisions of the Subscription Agreement.

The Bonds which are not redeemed, purchased, converted or cancelled by our Company will be redeemed by our Company, subject to there being no Event of Default (as defined in Section 2.3.1 of this Circular), at 100% of their nominal value on the Maturity Date. Our Company shall at least one month prior to the Maturity Date, despatch to all the Bond Holders a notice of the Maturity Date, subject to the terms and conditions of the Subscription Agreement.

### 2.3.1 Salient terms of the Bonds

Unless otherwise stated, the terms used in this section shall have the same meanings as those defined in the Subscription Agreement.

The salient terms of the Bonds are as follows:

<b>Issue instrument</b>	:	2.0% Bonds due in 2027
<b>Issue size</b>	:	<p>Up to RM150.00 million in aggregate nominal value, divided into 3 Main Tranches Bonds, in the following manner:</p> <p>(i) main tranche 1 bonds is of an aggregate nominal value of up to RM50.00 million, comprising multiple sub-tranches each with a minimum nominal value of RM500,000.00;</p> <p>(ii) main tranche 2 bonds is of an aggregate nominal value of up to RM50.00 million, comprising multiple sub-tranches each with a minimum nominal value of RM500,000.00; and</p> <p>(iii) main tranche 3 bonds is of an aggregate nominal value of up to RM50.00 million, comprising multiple sub-tranches each with a minimum nominal value of RM500,000.00.</p> <p>The issuance of Main Tranche 2 Bonds and Main Tranche 3 Bonds shall be at the discretion of our Company in accordance with the terms and conditions of the Subscription Agreement.</p>
<b>Tenure</b>	:	<p>36 months (3 years) from the Closing Date* of the first Sub-Tranche 1 Bond of the Main Tranche 1 Bonds ("<b>Maturity Date</b>")</p> <p><b>*Note:</b></p> <p><i>"Closing Date" means, in respect of each sub-tranche of the Bonds, the date on which such sub-tranche of the Bonds is subscribed for and issued pursuant to the Subscription Agreement.</i></p>
<b>Interest rate</b>	:	<p>The Bonds shall bear interest from the respective dates on which they are issued and registered in accordance with the terms and conditions as set out in the Subscription Agreement at the rate of 2.0% per annum, payable semi-annually in arrears on 30 June and 31 December in each year with the last payment of interest being made on the Maturity Date.</p> <p>For the avoidance of doubt, there will be no further accrual of interest upon conversion of the Bonds. However, all interest accrued prior to the aforesaid conversion remains payable by our Company.</p>
<b>Method of issue</b>	:	The Bonds will be privately placed to and subscribed by the Subscriber. No offering circular, information memorandum or prospectus will be issued by our Company for the proposed placement of the Bonds.

<b>Bond Issue Price</b>	: In relation to each Bond, the amount equivalent to 100% of the nominal value of the Bond.
<b>Issue and subscription of the sub-tranches of Main Tranche 1 Bonds</b>	: In respect of the first Sub-Tranche 1 Bonds, on the date falling on or before five (5) Business Days <sup>(1)</sup> immediately after the fulfilment of the last condition precedent or such other date as the Parties may agree in writing, such date being the Closing Date for such first Sub-Tranche 1 Bonds, in accordance with the Bonds Subscription Notice <sup>(2)</sup> issued by the Subscriber. Thereafter, in respect of each subsequent Sub-Tranche(s) 1 Bonds, on or before the fifth (5 <sup>th</sup> ) Business Day after the Conversion Date (as defined herein) of the last Bond in the preceding Sub-Tranche(s) 1 Bond, or such other date as the Parties may agree in writing, such date being the Closing Date for such subsequent Sub-Tranche(s) 1 Bonds, in accordance with the Bonds Subscription Notice issued by the Subscriber.  <b>Notes:</b>  (1) <i>“Business Day” means a day on which banks are open for business in Kuala Lumpur, Malaysia and Singapore and Bursa Securities is open for trading, ending at 5.00 p.m. (Malaysia Standard Time or MST);</i>  (2) <i>“Bonds Subscription Notice” means the notice to be issued by the Subscriber to our Company to request for the issuance of the Bonds under the Subscription Agreement, the form of which is set out in the Subscription Agreement.</i>
<b>Options in respect of Main Tranche 2 Bonds and Main Tranche 3 Bonds</b>	: Our Company may issue an Exercise Notice in the form set out in the Subscription Agreement at any time during the relevant Option Period (as defined hereinafter) to require the Subscriber to subscribe for Main Tranche 2 Bonds and Main Tranche 3 Bonds (the “Options”, and each, an “Option”) at the amount equivalent to 100% of the nominal value of the Bond (“Bond Issue Price”), as set out below:  (i) in respect of Main Tranche 2 Bonds, the Option shall be exercised by our Company during the period of thirty (30) calendar days commencing from the Conversion Date of the last Sub-Tranche 1 Bond; and  (ii) in respect of Main Tranche 3 Bonds, the option shall be exercised by our Company during the period of thirty (30) calendar days commencing from the Conversion Date of the last Sub-Tranche 2 Bonds,  (each, an “Option Period”).  Unless otherwise agreed by the Parties, if the Subscriber does not receive the Exercise Notice in respect of Main Tranche 2 Bonds or Main Tranche 3 Bonds within the respective prescribed Option Period, the Options in respect of Main Tranche 2 Bonds or Main Tranche 3 Bonds, as the case may be, shall lapse and cease to have any force or effect whatsoever and the Subscriber will have no obligation to subscribe and pay for any of the relevant Main Tranche Bonds.  Notwithstanding anything to the contrary hereabove, each Option may, with the Subscriber’s consent in writing, be exercised by the Company regardless that:  (i) in respect of Main Tranche 2 Bonds, the Sub-Tranche 1 Bonds have yet to be fully converted; and

	(ii) in respect of Main Tranche 3 Bonds, the Sub-Tranche 2 Bonds have yet to be fully converted.
<b>Issuance of Main Tranche 2 Bonds and Main Tranche 3 Bonds</b>	<p>: Upon receipt of the Exercise Notice from our Company in respect of Main Tranche 2 Bonds within the prescribed Option Period, and subject to satisfaction of the conditions precedent set out in the Subscription Agreement, the Subscriber shall issue a Bonds Subscription Notice within ten (10) Business Days from the Exercise Notice, to subscribe, and our Company shall issue, at the Bond Issue Price:</p> <p>(a) the first Sub-Tranche 2 Bonds (together with other Sub-Tranche(s) 2 Bonds, if so requested by the Subscriber in the Bonds Subscription Notice) on or before the fifth (5th) Business Day following the date of the Bonds Subscription Notice or such other date as the Parties may agree in writing, such date being the Closing Date for such Sub-Tranche(s) 2 Bonds; and</p> <p>(b) thereafter, in respect of subsequent Sub-Tranche(s) 2 Bonds, on or before the fifth (5th) Business Day after the Conversion Date of the last Bond in the preceding Sub-Tranche(s) 2 Bonds or such other date as the Parties may agree in writing, such date being the Closing Date for such subsequent Sub-Tranche(s) 2 Bonds, in accordance with the Bonds Subscription Notice issued by the Subscriber.</p> <p>Upon receipt of the Exercise Notice from our Company in respect of Main Tranche 3 Bonds within the prescribed Option Period, and subject to satisfaction of the conditions precedent set out in the Subscription Agreement, the Subscriber shall issue a Bonds Subscription Notice within ten (10) Business Days from the Exercise Notice, to subscribe, and our Company shall issue, at the Bond Issue Price:</p> <p>(a) the first Sub-Tranche 3 Bonds (together with other Sub-Tranche(s) 3 Bonds, if so requested by the Subscriber in the Bonds Subscription Notice) on or before the fifth (5th) Business Day following the date of the Bonds Subscription Notice or such other date as the Parties may agree in writing, such date being the Closing Date for such Sub-Tranche(s) 3 Bonds; and</p> <p>(b) thereafter, in respect of subsequent Sub-Tranche(s) 3 Bonds, on or before the fifth (5th) Business Day after the Conversion Date of the last Bond in the preceding Sub-Tranche(s) 3 Bonds or such other date as the Parties may agree in writing, such date being the Closing Date for such subsequent Sub-Tranche(s) 3 Bonds, in accordance with the Bonds Subscription Notice issued by the Subscriber.</p>
<b>Concurrent subscription of sub-tranches</b>	<p>: Notwithstanding any provisions in the Subscription Agreement, other than the first Sub-Tranche 1 Bonds, the first Sub-Tranche 2 Bonds and the first Sub-Tranche 3 Bonds, in respect of each and all subsequent Sub-Tranche(s) 1 Bonds, Sub-Tranche(s) 2 Bonds and Sub-Tranche(s) 3 Bonds:</p> <p>(a) the Subscriber shall be entitled (at its election) to subscribe for one or multiple of such subsequent sub-tranche(s) concurrently notwithstanding the last Bonds comprised within the immediately preceding sub-tranche of the Bonds subscribed by the Subscriber has yet to be converted, by stipulating such intention in the Bonds Subscription Notice to be issued to our Company; and</p>

		(b) our Company shall be obliged to issue such sub-tranche(s) of the Bonds on or before the fifth (5th) Business Day on receipt of such Bonds Subscription Notice issued by the Subscriber or such other date as the Parties may agree in writing, such date being the Closing Date of such subsequent sub-tranche(s) of the Bonds.
<b>Conversion terms</b>	:	<p>The Bonds may be converted into duly authorised, validly issued, fully-paid and unencumbered Shares, at the option of the Bond Holder thereof.</p> <p>The number of Conversion Shares arising from the conversion of the Bonds to which a Bond Holder is entitled on conversion of the Bonds shall be determined by dividing the aggregate nominal value of the Bonds held by the Bond Holder with the applicable Conversion Price (as defined hereinafter), in effect on the relevant Conversion Date. The applicable accrued interest thereon up to and including the Conversion Date will be payable to the Bond Holder in cash on the Conversion Date.</p> <p>Fractions of a Conversion Share will not be issued on conversion and no adjustment or cash payment will be made in respect thereof.</p>
<b>Maximum Conversion Shares</b>	:	<p>Our Company shall not issue any Bonds to the Subscriber pursuant to a Bonds Subscription Notice ("<b>Relevant Bonds Subscription Notice</b>") delivered by the Subscriber in accordance with the terms of the Subscription Agreement, if as of the date of our Company's receipt of the Relevant Bonds Subscription Notice, the aggregate number of the Conversion Shares already issued and to be issued will exceed the maximum permitted number of Conversion Shares, being the maximum number of Conversion Shares will be issued pursuant to the conversion of the Bonds which shall be up to 327,109,900 number of Conversion Shares, representing approximately 200% of the total issued shares of MQ Tech (excluding treasury shares, if any) after completion of the Proposed Share Consolidation and as at the Closing Date of the first Sub-Tranche 1 Bonds (subject to corresponding adjustments in the event of stock splits, consolidation and/or re-classification of the Shares) or any other number of Conversion Shares as may be approved by Bursa Securities and/or the registered holders of the Shares for the time being ("<b>Shareholders</b>") at general meeting.</p>
<b>Conversion Period</b>	:	<p>Any time, from and including the respective dates on which the Bonds are issued and registered in accordance with the Subscription Agreement up to the close of business (at the place where the Bond is deposited for conversion, namely, Malaysia) on the day falling seven (7) calendar days prior to the Maturity Date ("<b>Conversion Period</b>").</p>
<b>Conversion Price</b>	:	<p>The Conversion Price shall be 80% of the average Closing Price* per Share on any three (3) consecutive Business Days as selected by the Bond Holder during the forty (40) Business Days immediately preceding the relevant Conversion Date on which Shares were traded on the ACE Market provided that the Conversion Price for each Share shall not be less than the Minimum Conversion Price. If the Conversion Price for each Share calculated is less than the MCP, the Conversion Price for each Share shall be equal to the MCP.</p> <p><b>*Note:</b></p> <p><i>"Closing Price" means, in respect of a Share, on any particular Business Day, the closing price of the Shares on the ACE Market for one Share on that day (as adjusted pursuant to the Subscription Agreement) PROVIDED THAT in the event that there has been no trading of the Shares on that day the "Closing Price" shall mean the closing price of one Share (as adjusted pursuant to the Subscription</i></p>

		<p>Agreement) on the preceding Business Day on which there was trading of the Shares and PROVIDED FURTHER THAT in the event that trading of the Shares is suspended, the "Closing Price" means, in respect of a Share, the last reported trading price of one Share (as adjusted pursuant to the Subscription Agreement) on the Business Day immediately prior to such suspension.</p>
<b>Conversion Date</b>	:	<p>The date on which the Conversion Notice is received by our Company via email, provided that if the Conversion Notice is received by our Company via email after 2.00 p.m. Malaysia time on such Business Day, the "Conversion Date" shall be the Business Day immediately after such Business Day.</p>
<b>Conditions precedent to the closing of the first Sub-Tranche 1 Bonds</b>	:	<p>Notwithstanding any other provisions in the Subscription Agreement, the Subscriber shall not be obliged to subscribe and pay for the first Sub-Tranche 1 Bonds unless the following conditions precedent shall have been satisfied on or before the date falling five (5) calendar months from the date of the Subscription Agreement, or such other date as the Parties may agree in writing, or otherwise waived by the Subscriber, if capable of being waived:</p> <p>(a) on the date of the Subscription Agreement, there shall have been delivered to the Subscriber, a list setting out the names of the substantial shareholders of our Company and their respective shareholdings in our Company dated the date of the Subscription Agreement, in such form and substance reasonably satisfactory to the Subscriber, which is certified to be true and accurate by a director or company secretary of our Company;</p> <p>(b) on or before the Closing Date of the first Sub-Tranche 1 Bonds, the approvals of Shareholders for the Proposed Share Consolidation and invitation for subscription, or the issue, of the Bonds and the allotment and the issue of the Conversion Shares in accordance with the terms and conditions of the Subscription Agreement and all other matters in relation to and in connection therewith ("<b>Shareholders' Approval</b>") shall have been obtained at a general meeting of our Company and, where such approvals are obtained subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled on or before the Closing Date of the first Sub-Tranche 1 Bonds, they are fulfilled. In addition, such approvals shall not be amended, withdrawn, revoked, rescinded or cancelled;</p> <p>(c) on or before the Closing Date of the first Sub-Tranche 1 Bonds, all necessary approvals, consents, certification and/or waiver of Bursa Securities or any other regulatory authorities or governmental bodies and any third party where required, including financier, counterparty to a contract to which our Company or its subsidiary is a party, for Proposed Share Consolidation and the issuance of the Bonds, the allotment and issue of the Conversion Shares upon the exercise of the right of a Bond Holder to convert any Bonds ("<b>Conversion Rights</b>"), the listing of the Conversion Shares on the ACE Market and such other approvals in relation thereto and in connection therewith (collectively, "<b>Approvals</b>") for the transactions contemplated under the Subscription Agreement shall have been duly obtained and such Approvals shall not be amended, withdrawn, revoked, rescinded or cancelled and, where such Approvals are obtained subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled</p>

	<p>on or before the Closing Date of the first Sub-Tranche 1 Bonds, they are fulfilled;</p> <p>(d) on or before the Closing Date of the first Sub-Tranche 1 Bonds, the lodgement of all information and documents as may be specified in LOLA Guidelines and in compliance with the Act, the CMSA, the Listing Requirements, the LOLA Guidelines and such other applicable laws and regulations for the issuance of the Bonds shall have been duly performed and such Lodgement shall not be amended, withdrawn, revoked, rescinded or cancelled and, where such Lodgement is subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled on or before the Closing Date of the first Sub-Tranche 1 Bonds, they are fulfilled;</p> <p>(e) (i) the Warranties shall be accurate and correct in all respects at, and as if made on, the Closing Date of the Sub-Tranche 1 Bonds; and (ii) our Company shall have performed all of its undertakings or obligations hereunder to be performed on or before the Closing Date of the first Sub-Tranche 1 Bonds;</p> <p>(f) all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents), for the transactions contemplated under the Subscription Agreement (in particular but without limitation the issue by our Company and the subscription by the Subscriber of the Bonds, including any Shareholders or directors' approval and other regulatory and/or corporate approvals and consents required by the Subscriber) having been obtained in form and substance satisfactory to the Subscriber (in the reasonable opinion of the Subscriber) and remaining valid and subsisting as at the Closing Date of the first Sub-Tranche 1 Bonds;</p> <p>(g) the Proposed Share Consolidation having been duly and effectively implemented by our Company; and</p> <p>(h) there shall have been delivered to the Subscriber, each in form and substance satisfactory to the Subscriber certified on or dated, as the case may be, on the Closing Date of the first Sub-Tranche 1 Bonds:</p> <p>(i) the following documents:</p> <p>(aa) annual financial reports for the financial year immediately preceding the relevant Closing Date;</p> <p>(bb) annual financial reports in item (aa) above are dated more than three (3) months preceding the relevant Closing Date, copies of the interim accounts of our Company as publicly released;</p> <p>(cc) in respect of the Closing Date of the first Sub-Tranche of Main Tranche 1 Bonds, the announcements issued by our Company to Bursa Securities from the date of the Subscription Agreement up to the relevant Closing Date, and in respect of the Closing Date of the remaining sub-tranches, the announcements issued by our Company to Bursa Securities between the Closing Date of the immediately preceding sub-tranche up to the relevant Closing Date;</p>
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	<p>(dd) a list (substantially in the form and substance reasonably satisfactory to the Subscriber) setting out the outstanding term loans and other loans of our Company as at a date not earlier than seven (7) Business Days before each relevant Closing Date of the first sub-tranche of Main Tranche 1 Bonds, Main Tranche 2 Bonds and Main Tranche 3 Bonds (whichever is applicable);</p> <p>(ee) a list (substantially in the form and substance reasonably satisfactory to the Subscriber) setting out the names of the substantial shareholders of our Company and their respective shareholdings in our Company dated as at each relevant Closing Date of the first sub-tranche of Main Tranche 1 Bonds, Main Tranche 2 Bonds and Main Tranche 3 Bonds (whichever is applicable) and/or such other Closing Date of sub-tranche of the Bonds as and when the Subscriber may require from time to time, which is certified to be true and accurate in all material respects as at that date by two (2) directors of our Company;</p> <p>(ff) a list (substantially in the form and substance reasonably satisfactory to the Subscriber) disclosing all existing and outstanding securities convertible into securities of the same class as the new Shares arising from the conversion of the Bonds by the Subscriber securities substantially similar to the Bonds that have been issued by our Company to other persons other than the Subscriber prior to the issuance of the Bonds as at a date not earlier than seven (7) Business Days before each Closing Date of the first sub-tranche of Main Tranche 1 Bonds, Main Tranche 2 Bonds and Main Tranche 3 Bonds (where applicable), which is certified to be true and accurate in all material respects as at that date by two (2) directors of our Company;</p> <p>(gg) a duly executed facility agreement entered into between our Company, the principal adviser/lead arranger/lead manager and the facility agent in respect of the Bonds (as subsequently amended, modified and/or supplemented);</p> <p>(hh) a duly executed trust deed entered into between our Company and the trustee constituting the Bonds issued thereunder (as subsequently amended, modified and/or supplemented);</p> <p>(ii) a duly executed securities lodgement form for the Central Securities Depository and Paying Agency Services as set out in Appendix 1 of the Central Securities Depository and Paying Agency Rules; and</p> <p>(jj) a copy of the acknowledgement receipt from the Securities Commission on the Lodgement.</p>
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	<ul style="list-style-type: none"> <li>(ii) a legal opinion (substantially in the form and substance as set out in the Subscription Agreement) of a firm of legal advisers to our Company in relation to Malaysian law, as shall be acceptable to the Subscriber, dated not earlier than seven (7) Business Days before the Closing Date of the first Sub-Tranche 1 Bonds;</li> <li>(iii) certified true copies of (aa) the resolutions of the directors of our Company; and (bb) the resolutions of the Shareholders (all duly certified by a director or a company secretary of our Company), approving the issuance of the Bonds and the allotment and issue of the Conversion Shares in accordance with the terms of the Subscription Agreement;</li> <li>(iv) certified true copies of the Approvals (all duly certified by a director or a company secretary of our Company);</li> <li>(v) a verification certificate, dated not earlier than seven (7) Business Days before the Closing Date, duly signed by two (2) directors or a director and the company secretary of our Company, affirming the compliance of the conditions precedent in the Subscription Agreement;</li> <li>(vi) such other documents, opinions and certificates required to be provided to the Subscriber under the provisions of the Subscription Agreement and/or as the Subscriber may reasonably require in relation to the Bonds issuance.</li> </ul> <p>If any of the conditions precedent are not satisfied or waived by the Subscriber, if capable of being waived, on or before the Fulfilment Date in respect of the first Sub-Tranche 1 Bonds, the Subscription Agreement shall ipso facto cease and the Parties shall be released and discharged from their respective obligations under the Subscription Agreement except for (a) the liability of the costs and expenses of our Company or the Subscriber as set out in the Subscription Agreement; (b) the obligations of our Company to bear, liable to or reimburse the Subscriber of the reasonable losses, claims, liabilities, costs, charges, expenses, actions or demands (including reasonable legal costs) (“<b>Losses</b>”) in connection with the transactions contemplated in the Subscription Agreement which the Subscriber may suffer or incur exclusively and directly; and (c) any antecedent breaches.</p>
<p><b>Conditions to the closings of the Main Tranche 1 Bonds, Main Tranche 2 Bonds and Main Tranche 3 Bonds (other than the first Sub-Tranche 1 Bonds)</b></p>	<p>: Notwithstanding any other provisions in the Subscription Agreement, the Subscriber shall not be obliged to subscribe and pay for any of the Main Tranche 1 Bonds, Main Tranche 2 Bonds and Main Tranche 3 Bonds (other than the first Sub-Tranche 1 Bonds) unless the following conditions shall have been satisfied on or prior to each applicable Closing Date in respect of such remaining sub-tranches or otherwise waived by the Subscriber, if capable of being waived:</p> <ul style="list-style-type: none"> <li>(a) the Shareholders’ Approval shall remain effective and not have been amended, withdrawn, revoked, rescinded or cancelled and, where such approvals are obtained subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled;</li> </ul>

	<p>(b) all Approvals for the transactions contemplated under the Subscription Agreement, obtained by our Company shall not have been amended, withdrawn, revoked, rescinded or cancelled on or prior to each subsequent Closing Date and, where any of such Approvals is obtained subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled;</p> <p>(c) the Lodgement performed by our Company shall not have been amended, withdrawn, revoked, rescinded or cancelled on or prior to each subsequent Closing Date and, where such Lodgement is subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled;</p> <p>(d) at each subsequent Closing Date, (i) all the representations, warranties, undertakings and covenants of our Company including the Warranties set out in the Subscription Agreement shall be accurate and correct in all respects at, and as if made on, that Closing Date; (ii) our Company shall have performed all of its undertakings or obligations hereunder to be performed on or before that Closing Date; and (iii) there shall have been delivered to the Subscriber a certificate, dated as at that Closing Date, duly signed by two (2) directors or a director and the company secretary of our Company, affirming the compliance of the aforementioned;</p> <p>(e) unless waived in writing by the Subscriber, the following shall have been delivered to the Subscriber, each in form and substance satisfactory to the Subscriber, on or before that Closing Date the documents listed in the Subscription Agreement and such other documents, opinions and certificates required to be provided to the Subscriber under the provisions of the Subscription Agreement and/or as the Subscriber may reasonably require.</p> <p>If any of the conditions precedent above are not satisfied or waived by the Subscriber, if capable of being waived, on or before the applicable Closing Date in respect of such sub-tranche of the Bonds, the Subscriber shall have the right to (a) fix a new Closing Date in respect of such sub-tranche of the Bonds; or (b) elect not to proceed with completion of the Subscription Agreement, in which event, the Subscription Agreement shall ipso factor cease and the Parties shall be released and discharged from their respective obligations under the Subscription Agreement, except for (i) the liability of our Company for the payment of costs and expenses as set out in the Subscription Agreement; (ii) any outstanding interest (if any); (iii) the obligations of our Company to bear, liable to or reimburse the Subscriber of the Losses in connection with the transactions contemplated in the Subscription Agreement which the Subscriber may suffer or incur exclusively and directly; and (iv) any antecedent breaches.</p>
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<p><b>Rights of the Bond Holders to participate in the securities of our Company</b></p>	<p>: Our Company or any subsidiary (if applicable) may offer and sell any securities convertible into securities of the same class as the Issued Shares (as hereinafter defined) or securities substantially similar to the Bonds ("<b>Equity-linked Securities</b>") provided that, in respect of any proposed private placement of such Equity-linked Securities:</p> <p>(a) our Company shall, and our Company shall procure that the relevant subsidiary of the Company ("<b>Subsidiary</b>") (if applicable) shall, offer and sell such Equity-linked Securities to the Bond Holders prior to offering such Equity-linked Securities to any other person (the "<b>Right of First Refusal</b>"); and</p> <p>(b) the Equity-linked Securities shall not be convertible into Issued Shares at a price which is below the Minimum Conversion Price, unless prior written consent of the Bond Holders have been obtained.</p> <p>For the avoidance of doubt, the term "<b>Equity-linked Securities</b>" shall exclude (i) any Shares, rights issues, warrants relating to the Shares, or convertible preference shares, issued to shareholders without preference among the shareholders (but so that the exclusion of shareholders who are overseas or on other grounds approved by Bursa Securities shall be deemed not to be a preference of the other shareholders); or (ii) any new securities convertible into securities of the same class as the Issued Shares or securities substantially similar to the Bonds in respect of which our Company or any Subsidiary (if applicable) is restricted from doing all of the (a) and (b) provided above by law, the Listing Requirements or any other applicable regulations.</p> <p>The Right of First Refusal is only exercisable by the Bond Holders from and including the date of receipt by such Bond Holders of a notice in writing from our Company setting out the details of such offer to and including the date falling fourteen (14) Business Days thereafter.</p>
<p><b>Ranking of the Bonds</b></p>	<p>: The Bonds rank at least <i>pari passu</i> in priority of payment with all other unsecured and unsubordinated indebtedness of our Company.</p> <p>In the event of liquidation and/or winding up of our Company, the Subscriber will be paid ahead of the shareholders of our Company.</p>
<p><b>Events of default</b></p>	<p>: For so long as there are any Bonds outstanding, if any of the following events (each, an "<b>Event of Default</b>") occurs:</p> <p>(a) any of the approvals, consents and / or waivers required to be obtained by our Company under the Subscription Agreement are not obtained when it is required to be obtained or are amended, withdrawn, revoked, rescinded or cancelled;</p> <p>(b) where any of the approvals required to be obtained by our Company under the Subscription Agreement were obtained subject to any conditions which were required to be fulfilled, such conditions were not fulfilled when it is required to be fulfilled;</p> <p>(c) there is a default in any payment by our Company in relation to the terms of payment of interest and / or principal value due in respect of the Bonds as detailed in the Subscription Agreement;</p> <p>(d) the Closing Price per Share remains below the MCP for more than ten (10) consecutive Business Days;</p>

	<p>(e) there is default by our Company in the performance or observance of any covenant, condition, provision or obligation (including the performance of its obligations to allot and issue Shares arising from the conversion of the Bonds as and when the Bond Holders exercise its Conversion Rights in accordance with the conditions of the Subscription Agreement) contained in the Bonds and on its part to be performed or observed (other than the covenant to pay the nominal value and interest in respect of any of the Bonds) and such default continues for the period of seven (7) business days following the service by any Bond Holders on our Company of notice requiring the same to be remedied;</p> <p>(f) any other notes, debentures, bonds or other instruments of indebtedness or any other loan indebtedness (hereinafter collectively called "<b>Indebtedness</b>") of our Company or any of its Subsidiaries become or becomes prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or steps are taken to enforce any security therefor, or our Company or any of its Subsidiaries defaults in the repayment of any such Indebtedness at the maturity thereof or at the expiration of any applicable grace period therefor or any guarantee of or indemnity in respect of any Indebtedness of others given by our Company or any of its Subsidiaries shall not be honoured when due and called upon, and such default results in a material adverse effect<sup>(1)</sup>;</p> <p>(g) a resolution is passed or an order of a court of competent jurisdiction is made that our Company be wound up or dissolved (otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation that is approved by the Shareholders, as the case may be, and upon which the continuing corporation effectively assumes the entire obligations of our Company, as the case may be, under the Bonds);</p> <p>(h) a resolution is passed or an order of a court of competent jurisdiction is made that any Subsidiary be wound up or dissolved (otherwise than (i) for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation (other than as described in (ii) below) the terms of which have previously been approved in writing by the majority Bond Holders, (ii) for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction with or into our Company or another Subsidiary of our Company, or (iii) by way of a voluntary winding up or dissolution where there are surplus assets in such Subsidiary and such surplus assets attributable to our Company and/or any Subsidiary are distributed to our Company and/or such Subsidiary);</p> <p>(i) our Company or any Subsidiary makes any scheme of arrangement with its creditors or where a scheme of arrangement under Section 366 of the Act (where applicable) has been instituted against our Company or any subsidiary;</p> <p>(j) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the MQ Tech Group;</p>
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	<p>(k) (i) our Company or any subsidiary without any lawful cause stops payment (within the meaning of any applicable bankruptcy or insolvency law) or is unable to pay its debts as and when they fall due; or (ii) our Company or any subsidiary (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or reorganisation as is referred to in paragraphs (g) or (h) above) ceases or through an official action of the board of directors of our Company or any subsidiary, as the case may be, threatens to cease to carry on its business, and such action has a material adverse effect on our Group;</p> <p>(l) proceedings shall have been initiated against our Company or any Subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of fourteen (14) days;</p> <p>(m) our Company or any subsidiary shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or insolvency, or a decree of commencement of composition or reorganisation or other similar procedures, or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors, and such action has a material adverse effect on our Group;</p> <p>(n) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of our Company or any Subsidiary, which is material in its effect upon the operations of either our Company or such Subsidiary, as the case may be, and is not discharged within fourteen (14) days thereof;</p> <p>(o) the delisting of the Shares on the ACE Market of Bursa Securities or a suspension of trading of such Shares on the ACE Market of Bursa Securities for a period of five (5) consecutive Business Days or more save for trading halts made at the request of our Company for pending corporate announcements;</p> <p>(p) the ratio of Borrowings<sup>(2)</sup> to Net Worth<sup>(3)</sup> exceeds one (1) time;</p> <p>(q) the Net Worth is less than RM30,000,000.00;</p> <p>(r) for so long as there are any Bonds outstanding our Company engages in any transaction with any hedge fund operating or originating from any part of the world; or</p> <p>(s) any credit facilities granted to our Company or any of its subsidiaries are withdrawn, terminated or suspended for any reason whatsoever, and such action has a material adverse effect on our Group,</p> <p>(t) an event of default shall have occurred in respect of any notes, debentures, bonds, redeemable preference shares or other similar securities, financing or credit facilities to which a Company or any Subsidiary is a party;</p> <p>(u) there shall have been a delisting or an order for delisting or a threatened delisting of our Company from the ACE Market of Bursa Securities; or</p>
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	<p>(v) if there shall have been any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, or affecting the properties, of our Company or any of its Subsidiaries and which materially and adversely affects our Company or our Company and its Subsidiaries, taken as a whole, to perform its obligations under the Subscription Agreement, these Conditions and the Bonds,</p> <p>then any Bonds may, by notice in writing (“<b>Default Notice</b>”) given to our Company at the designated office by the Bond Holder thereof, be declared immediately due and payable whereupon it shall become immediately due and payable at 118% of its nominal value, together with accrued interest as set out in the Subscription Agreement, without further formality (“<b>Default Redemption Amount</b>”). Interests shall accrue on the Default Redemption Amount on a daily basis at the rate of 3.0% per month (“<b>Default Interest</b>”) commencing from the business day immediately following the date of the Default Notice up to and including the date on which the Bond Holder receives full payment of the Default Redemption Amount, together with accrued Default Interest.</p> <p>For information, in the Event of Default, the Bond Holder may still be able to convert the Bonds if the Bonds not declared immediately due and payable pursuant to this Event of Default clause.</p> <p>In the event of liquidation of our Company, pursuant to this Event of Default clause, the Bonds may, by Default Notice given to our Company, be declared immediately due and payable whereupon it shall become immediately due and payable at 118% of its nominal value, together with accrued interest.</p> <p>Notwithstanding the above, at the option of the Bond Holder, Bond Holder may still be able to convert the Bonds into duly authorised, validly issued, fully-paid and unencumbered Shares during the Conversion Period pursuant to the Subscription Agreement in the event of liquidation of MQ Tech but prior to the Bonds be declared immediately due and payable.</p> <p><b>Notes:</b></p> <p>(1) <b>“Material adverse effect”</b> means in relation to an event or circumstance that, in the sole opinion of the Subscriber, has a material adverse effect on:</p> <ul style="list-style-type: none"> <li>(a) the financial condition, assets, prospects or business of our Group or on the consolidated financial condition, assets, prospects or business of our Group;</li> <li>(b) the ability of our Company and Subsidiaries to perform and carry out our business operation; or</li> <li>(c) the ability of our Company to perform any of our obligations under the Subscription Agreement.</li> </ul> <p>(2) <b>“Borrowings”</b> means, without duplication, at any time, as stated in the most recent audited consolidated accounts of our Company (“<b>Accounts</b>”): (i) all obligations of our Company or any of its subsidiaries for borrowed money, (ii) all obligations of such person evidenced by the Bonds, notes or other similar instruments, (iii) all obligations of such person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such person as lessee which are capitalised in accordance with the accounting principles under which the Accounts are prepared, (v) all obligations of such person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vi) all non-contingent obligations of such person to reimburse any bank or other</p>
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	<p>person in respect of amounts paid under a letter of credit or similar instrument and (vii) all borrowings of others guaranteed by our Company or any of its subsidiary;</p> <p>(3) <b>"Net Worth"</b> means, at any time, as stated in the Accounts, the aggregate of the amounts shown in the Accounts as paid up or credited as paid up on the issued share capital of our Company and standing to the credit of retained earnings and other capital and revenue reserves and includes minority interests therein; less any amount which is attributable to any debit balance in its statement of profit and loss as shown in the Accounts to the extent not already charged against retained earnings.</p>															
<p><b>Redemption Option</b></p>	<p>: The Bonds which are not redeemed or purchased, converted or cancelled by our Company will be redeemed by our Company, subject to there being no Event of Default, at 100% of their nominal value on the Maturity Date. Our Company shall at least one month prior to the Maturity Date, despatch to the Bond Holders, a notice of the Maturity Date.</p> <p>Subject to there being no Event of Default, our Company may at any time and from time to time, purchase the Bonds at 115% of its nominal value, or such other amount as may be agreed between our Company and the relevant Bond Holder.</p> <p>If, on presentation of any Bonds for conversion pursuant to the Subscription Agreement, the Conversion Price is less than or equal to 70% of the average of the daily traded VWAP per Share for a period of forty (40) consecutive Business Days prior to the relevant Closing Date (as set out in the Subscription Agreement) in respect of each first sub-tranche of the respective tranches of the Bonds (the <b>"Conversion Downside Price"</b>), our Company may redeem such Bonds (and only such Bonds) presented by the Bond Holders to our Company for conversion in cash at an amount calculated in accordance with the formula set out below (the <b>"Conversion Redemption Amount"</b>) by giving notice of the same to the relevant Bond Holders.</p> $R = N \times \{P + [8\% * P \times (D/365)] + I\}$ <p>Where:</p> <table border="1" data-bbox="544 1352 1345 1765"> <tr> <td data-bbox="544 1352 676 1391">"R"</td> <td data-bbox="676 1352 715 1391">:</td> <td data-bbox="715 1352 1345 1391">The Conversion Redemption Amount</td> </tr> <tr> <td data-bbox="544 1391 676 1509">"D"</td> <td data-bbox="676 1391 715 1509">:</td> <td data-bbox="715 1391 1345 1509">The number of days elapsed since the relevant closing date in respect of each sub-tranche of the Bonds</td> </tr> <tr> <td data-bbox="544 1509 676 1576">"N"</td> <td data-bbox="676 1509 715 1576">:</td> <td data-bbox="715 1509 1345 1576">The number of Bonds presented for conversion</td> </tr> <tr> <td data-bbox="544 1576 676 1666">"P"</td> <td data-bbox="676 1576 715 1666">:</td> <td data-bbox="715 1576 1345 1666">The face value of the Bonds presented for conversion</td> </tr> <tr> <td data-bbox="544 1666 676 1765">"I"</td> <td data-bbox="676 1666 715 1765">:</td> <td data-bbox="715 1666 1345 1765">The remaining unpaid interest accrued on the Bonds presented for conversion</td> </tr> </table> <p><b>Note:</b></p> <p>* The 8% interest in respect of our Company's redemption option is based on the commercial perspective after the parties having considered, amongst others, our Company's commercial and financial requirements and the Subscriber's cost of funding.</p>	"R"	:	The Conversion Redemption Amount	"D"	:	The number of days elapsed since the relevant closing date in respect of each sub-tranche of the Bonds	"N"	:	The number of Bonds presented for conversion	"P"	:	The face value of the Bonds presented for conversion	"I"	:	The remaining unpaid interest accrued on the Bonds presented for conversion
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"N"	:	The number of Bonds presented for conversion														
"P"	:	The face value of the Bonds presented for conversion														
"I"	:	The remaining unpaid interest accrued on the Bonds presented for conversion														

<b>Form and denomination</b>	:	The Bonds are issued in multiples of RM50,000.00.
<b>Transferability</b>	:	The Bonds may be tradable and / or transferable in accordance with the terms and conditions of the Bonds.
<b>Rating</b>	:	The Bonds will not be rated.
<b>Listing</b>	:	<p>The Bonds will not be listed on Bursa Securities.</p> <p>An application will be made to Bursa Securities for the listing of and quotation for the Conversion Shares on the ACE Market of Bursa Securities. Upon obtaining the approval from Bursa Securities, the Conversion Shares, as and when issued, will be listed on the ACE Market of Bursa Securities.</p>
<b>Termination</b>	:	<p>The Subscriber may, by notice in writing to our Company and copied to the facility agent and the principal adviser, terminate the Subscription Agreement at any time, in the following circumstances:</p> <p>(a) there shall have come to the notice of the Subscriber any breach of, or any event rendering untrue or incorrect in any material respect, any of the representations, warranties, undertakings and covenants set forth in the Subscription Agreement including any of the Warranties or the failure to perform any of our Company's undertakings or obligations under the Agreement;</p> <p>(b) if any of the conditions precedent to the closing of the first Sub-Tranche 1 Bonds, Main Tranche 1 Bonds, Main Tranche 2 Bonds and Main Tranche 3 Bonds has not been satisfied to the satisfaction of the Subscriber (acting reasonably) or waived by the Subscriber, as the case may be, on or before the Fulfilment Date;</p> <p>(c) if any of the documents required to be delivered to the Parties in such manner set out in the Subscription Agreement are not forthcoming for any reason or if in any other respect the foregoing provisions of the Subscription Agreement are not fully complied with or not waived by the Party which has the benefit of the said provision, on or before the relevant Closing Date;</p> <p>(d) if there shall have been an imposition of a new legal or regulatory restriction (in each case, whether or not having the force of law but, if not having the force of law, compliance with which is in accordance with the general practice of persons to whom the directive is addressed) not in effect on the date hereof, or any change in the interpretation of existing legal or regulatory restrictions (in each case, whether or not having the force of law but, if not having the force of law, compliance with which is in accordance with the general practice of persons to whom the directive is addressed), that materially and adversely affects the ability of our Company or our Company and Subsidiaries, taken as a whole, to perform its obligations under the Subscription Agreement, or the offering, sale or delivery of the Bonds or the Conversion Shares which in the Subscriber's reasonable opinion would not be acceptable;</p> <p>(e) there shall have been a delisting or an order for delisting or a threatened delisting of the Company from the ACE Market of Busa Securities;</p> <p>(f) an Event of Default has occurred and is continuing; or</p>

	<p>(g) any of the approvals, consents or waivers obtained by our Company pursuant to the Subscription Agreement are amended, withdrawn, revoked, rescinded or cancelled prior to the relevant Closing Date for each sub-tranche of the Bonds (other than the first Sub-Tranche 1 Bonds) or, where any of such approvals, consents or waivers were obtained subject to any conditions which were required to be fulfilled on or before each such applicable Closing Date, they were not fulfilled.</p> <p>Upon the notice of termination being given by the Subscriber:</p> <p>(a) all outstanding Bonds shall immediately become due and payable at the discretion of the Subscriber at the Default Redemption Amount. The Default Interest shall accrue on up to and including the date on which the Subscriber receives full payment of the Default Redemption Amount, together with the accrued Default Interest;</p> <p>(b) the Subscription Agreement shall terminate and be of no further effect save for the terms as set out in the Subscription Agreement; and</p> <p>(c) each Party shall cease to have further rights or obligations under the Subscription Agreement provided that such termination shall be without prejudice to any rights of the Subscriber which may have accrued prior to such termination.</p> <p>For the avoidance of doubt, nothing herein shall affect the Bonds or the Conversion Shares already issued to the Subscriber pursuant to the Subscription Agreement and the obligations of our Company to the Subscriber in respect of such Bonds or the Conversion Shares under the Subscription Agreement or otherwise shall continue to survive termination.</p>
<b>Governing Law</b>	: The Bonds and the trust deeds to be entered into between our Company and the trustee of the Bonds will be governed by and construed in accordance with the laws of Malaysia.
<b>Amendment</b>	: No amendment or variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the Parties.

Further details and terms of the Bonds in relation to the Proposed Issuance of Bonds are set out in the Subscription Agreement that will be available for inspection as disclosed in Section 5, Appendix II of this Circular.

Upon the Maturity Date, our Company shall redeem the outstanding unconverted Bonds at the redemption amount of 100% of its principal amount, together with the accrued interest at the rate of 2% per annum on the Bonds.

Based on the Maximum Conversion Shares, MQ Tech will only issue up to 327,109,900 Conversion Shares upon conversion of the Bonds and in the event the total aggregate number of Conversion Shares issued have already reached the Maximum Conversion Shares prior to the Maturity Date, the Subscriber may request our Company to redeem the outstanding unconverted Bonds at the redemption amount of 115% of its principal amount, together with the accrued interest at the rate of 2% per annum on the Bonds.

The basis of the redemption amount was agreed by our Company and the Subscriber from a commercial perspective after taking into consideration the flexibility of drawdown, the funding requirements and cash flow position of our Group.

### **Maximum Redemption Scenario**

For illustration purposes, assuming the entire Bonds has reached the Maximum Conversion Shares of 327,109,900 Conversion Shares, whereby the MCS are issued at the MCP of RM0.10, the maximum redemption amount that shall be paid by our Company for the outstanding unconverted Bonds is computed as follows:

Tranche(s)	Sub-tranches	MCP (RM)	Value of Bonds subscribed/drawn down (RM)	Value of the Bonds converted based on MCP (RM)	Number of Conversion Shares
<i>Subscribed</i>					
1	1 - 66	0.10	33,000,000	32,710,990	327,109,900
<i>Not subscribed</i>					
1	67 - 100	0.10	-	-	-
2	1 - 100	0.10	-	-	-
3	1 - 100	0.10	-	-	-

Details	RM
Aggregate principal amount of the Bonds issued	33,000,000
Converted Bonds <sup>(1)</sup>	32,710,990
Outstanding unconverted Bonds	289,010
Maximum redemption amount at maturity date <sup>(2)</sup>	289,010
Maximum redemption amount upon early redemption <sup>(3)</sup>	332,362

#### **Notes:**

- (1) Assuming 327,109,900 Conversion Shares are issued at RM0.10, being the MCP.
- (2) Based on the redemption rate of 100% of the principal amount of the outstanding unconverted Bonds at maturity date.
- (3) Based on the redemption rate of 115% of the principal amount of the outstanding unconverted Bonds upon early redemption by our Company.

Notwithstanding the above, our Company will not issue nor will the Subscriber subscribe further Bonds once the Maximum Conversion Shares has been reached. Hence, the redemption amount to be paid by our Company for any outstanding unconverted Bonds shall be minimal in the event the Maximum Conversion Shares has been reached. The redemption amount for the outstanding unconverted Bonds, if any, shall be funded by our Company via cash from the proceeds raised from the conversion of the last sub-tranche of Bonds, internally generated funds and / or bank borrowing, which will be determined at a later juncture.

### **Default Redemption Amount**

For the avoidance of doubt, the Bonds are neither guaranteed nor secured. In the event of defaults, all outstanding Bonds will be immediately due and payable by our Company at 118% of the nominal value together with an accrued interest at the rate of 2% per annum on the Bonds. Further, interest shall accrue on the Default Redemption Amount on a daily basis at the rate of 3% per month commencing from the Business Day immediately following the date of the Default Notice up to and including the date that the Bond Holders receive full payment of the Default Redemption Amount.

In addition to the above, upon termination of the Subscription Agreement by the Subscriber, our Company is liable for the payment of:

- (i) all costs and expenses already incurred by our Company in connection with the preparation of the Subscription Agreement and any other related agreements and any other document relating to the issue, subscription, offer, sale and delivery of the Bonds pursuant to the terms and conditions of the Subscription Agreement;
- (ii) all fees and expenses of our Company's legal and other professional advisers (including auditors, if any) incurred in connection with the issue of the Bonds pursuant to the terms and conditions of the Subscription Agreement;
- (iii) all costs and expenses incurred in connection with the preparation, printing and authentication of the Bonds and making the initial delivery of the Bonds pursuant to the terms and conditions of the Subscription Agreement;
- (iv) an administrative fee of 6.0%\* of the aggregate nominal value subscribed of each sub-tranche of the Bonds ("**Administrative Fee**") is payable to the Subscriber or such other party as nominated in writing by the Subscriber on each closing date of each sub-tranche of the Bonds.

\* *The administrative fee relates specifically to the process by the Subscriber for administering each sub-tranche and will only be payable upon the subscription by the Subscriber of the respective sub-tranches.*

*The fee is set at 6% on the aggregate principal amounts subscribed for each sub-tranche, which shall be paid to the Subscriber (or such other party as may be nominated in writing by the Subscriber) upon drawdown of the respective sub-tranche(s).*

*This amount is based on the commercial decision after taking into consideration, amongst others, the administrative fees charged by other relevant subscribers of similar products issued by other publicly listed companies in Malaysia which ranges from 5% to 7%.*

Our Company agrees that to facilitate this payment, the Administrative Fee payable shall be deducted by the Subscriber directly from the subscription moneys payable to our Company for the subscription of each sub-tranche of the Bonds;

- (v) a cancellation fee of Singapore Dollar Fifty Thousand (S\$50,000) is payable to the Subscriber in the event that the Subscription Agreement is unilaterally terminated by our Company except in a case where the approval from Bursa Securities is not obtained prior to the Fulfilment Date resulting in the termination of the Subscription Agreement (provided that such failures are not attributable to the negligence or wilful default of our Company or its directors, employees or agents, in which event the cancellation fee shall apply). For the avoidance of doubt, the acceptance of the cancellation fee by the Subscriber is in addition to and without prejudice to all other rights or remedies available to it, including the right to claim damages which may have accrued prior to termination;
- (vi) all fees, costs and expenses incurred in connection with the continued listing or listing of the Conversion Shares on the ACE Market of Bursa Securities;
- (vii) all other costs and expenses incurred in connection with the performance by our Company of its obligations under the Subscription Agreement; and
- (viii) all costs and expenses (including any applicable tax) of the Subscriber reasonably incurred, including but not limited to the fees and all expenses and applicable tax of the Subscriber's legal advisers and/or professional advisers in connection with the preparation of the Subscription Agreement and the issuance of the Bonds.

Upon termination of the Subscription Agreement, all fees, costs and expenses referred to in (i) to (viii) above shall be payable by our Company if incurred notwithstanding that:

- (a) the Subscription Agreement is terminated; or
- (b) our Company does not proceed with the allotment and issuance of the first Sub-Tranche 1 Bonds for any reason whatsoever on or before the Fulfilment Date,

save in the event where such termination is solely due to the act of the Subscriber through no default or negligence of our Company, such fees, costs and expenses of the Subscriber under (viii) above shall be borne by the Subscriber.

No amendment or variation of the Subscription Agreement (including the terms of the Bonds) shall be effective unless in writing and signed by or on behalf of our Company and the Subscriber.

The Proposed Issuance of Bonds is expected to raise RM50.00 million through the issuance of Tranche 1 Bonds. Further amounts of up to RM100.00 million may be raised through the issuance of Main Tranche 2 Bonds and Main Tranche 3 Bonds, at the discretion of our Company, subject to the terms and conditions as set out in the Subscription Agreement.

For the avoidance of doubt, no funds will be raised upon conversion of the Bonds into new MQ Tech Shares. The Bonds will be constituted by a trust deed to be executed by our Company and the trustee of the Bonds at a later date.

### **2.3.2 Basis of determining the Conversion Price of the Bonds**

The basis of the setting the Conversion Price and its applicable discount rates\* for the Bonds is a commercial decision negotiated and agreed upon between our Company and the Subscriber after the Parties have taken into consideration their respective commercial and financial requirements.

\* *The Conversion Price shall be 80% of the average closing price per Share on any 3 consecutive trading days as selected by the Bond Holder during the 40 trading days immediately preceding the relevant Conversion Date. As such, this represents a 20% discount to the average closing price as mentioned above.*

The stipulated preliminary terms of the aforesaid conversion pricing are similar to other precedent issuances of comparable convertible securities which were announced on Bursa Securities' website for the past 5 years. The considerations in determining the conversion price have included, amongst others the following:

- (i) The ability for companies to have a standby facility throughout the securities tenure to meet its equity requirements for its projects without the need to seek for other equity fundraising as and when required, which can be costly to the company;
- (ii) Conversion of these convertibles will ease companies' cashflow and allow them to deploy its resources to expand its businesses instead of repaying the subscribed convertibles in cash; and
- (iii) The discount rate provides sufficient room for facilitating the continued operation of the Bonds programme over its applicable tenure.

For the avoidance of doubt, the Subscriber shall decide on the 3 consecutive trading days within the 40 trading days immediately preceding the conversion date of the Bonds.

An analysis of MQ Tech's Bonds and other precedent issuances of comparable redeemable convertible debt securities which were announced on Bursa Securities for the past 5 years up to the LPD are as follows:

Name of company	Date of announcement	Value / size of issuance (RM)	Administrative fee payable to the subscriber	Conversion price	Conversion redemption amount	Default redemption amount	Non-default redemption amount
MQ Tech	7 June 2024	150.00 million	6% of the aggregate principal amount of Bonds subscribed	80% of the average closing price per Share on any 3 consecutive business days as selected by the Bond Holder during the 40 business days immediately preceding the relevant conversion date	100% of the principal amount of notes plus an additional 8% interest payable on the principal amount of the Bonds to be redeemed based on the number of days elapsed since the relevant issue date	118% of the aggregate principal amount of the Bonds and accrued interest of 2% per month	115% of the aggregate principal amount of the Bonds
Sentoria Group Berhad	18 January 2024	150.00 million	5% of the aggregate principal amount of Bonds subscribed	80% of the average closing price per Share on any 3 consecutive business days as selected by the bondholder during the 40 business days immediately preceding the relevant conversion date	100% of the principal amount of notes plus an additional 8% interest payable on the principal amount of the bonds to be redeemed based on the number of days elapsed since the relevant issue date	118% of the aggregate principal amount of the bonds and accrued interest of 2% per month	115% of the aggregate principal amount of the bonds
Reneuco Berhad	12 April 2023	350.00 million	5% of the aggregate principal amount of bonds subscribed	80% of the average closing price per share on any 3 consecutive business days as selected by the bondholder during the 45 business days immediately preceding the relevant conversion date	100% of the principal amount of notes plus an additional 8% interest payable on the principal amount of the bonds to be redeemed based on the number of days elapsed since the relevant issue date	118% of the aggregate principal amount of the bonds and accrued interest of 2% per month	115% of the aggregate principal amount of the bonds

Name of company	Date of announcement	Value / size of issuance (RM)	Administrative fee payable to the subscriber	Conversion price	Conversion redemption amount	Default redemption amount	Non-default redemption amount
Impiana Hotels Berhad (now known as Magma Group Berhad)	7 June 2022	150.00 million	6% of the aggregate principal amount of notes subscribed	80% of the average closing price per share on any 3 consecutive business days as selected by the noteholder during the 45 business days immediately preceding the relevant conversion date	100% of the principal amount of notes plus an additional 8% interest payable on the principal amount of the notes to be redeemed based on the number of days elapsed since the relevant issue date	118% of the aggregate principal amount of the notes and accrued interest of 2% per month	115% of the aggregate principal amount of the notes
Priceworth International Berhad	30 April 2021	100.00 million	5% of the aggregate principal amount of notes subscribed	80% of the average closing price per share on any 3 consecutive business days as selected by the noteholder during the 45 business days immediately preceding the relevant conversion date	100% of the principal amount of notes plus an additional 8% interest payable on the principal amount of the notes to be redeemed based on the number of days elapsed since the relevant issue date	118% of the aggregate principal amount of the notes and accrued interest of 3% per month	115% of the aggregate principal amount of the notes
XL Holdings Berhad	1 July 2021	200.00 million	5% of the aggregate principal amount of notes subscribed	80% of the average closing price per share on any 3 consecutive business days as selected by the noteholder during the 45 business days immediately preceding the relevant conversion date	100% of the principal amount of notes plus an additional 8% interest payable on the principal amount of the notes to be redeemed based on the number of days elapsed since the relevant issue date	118% of the aggregate principal amount of the notes and accrued interest of 3% per month	115% of the aggregate principal amount of the notes
SMTTrack Berhad	20 October 2020	120.00 million	6% of the aggregate principal amount of notes subscribed	80% of the average closing price per share on any 3 consecutive business days as selected by the noteholder during the 45 business days immediately preceding the relevant conversion date	100% of the principal amount of notes plus an additional 8% interest payable on the principal amount of the notes to be redeemed based on the number of days elapsed since the relevant issue date	115% of the aggregate principal amount of the notes and accrued interest of 3% per month	110% of the aggregate principal amount of the notes

## **MCP**

For the avoidance of doubt, the Conversion Price of the Bonds has yet to be determined. However, our Company and the Subscriber have agreed to set RM0.10 as the MCP after taking into consideration, amongst others, our Group's commercial and financial requirements, the theoretical adjusted prevailing market price after taking into consideration the Proposed Share Consolidation and trading history of MQ Tech Shares. The MCP of RM0.10 is based on the historical theoretical adjusted minimum closing price of RM0.10 being after adjustment pursuant to the Proposed Share Consolidation (the lowest closing price of MQ Tech Shares for the past 3 years up to the LPD of RM0.010).

In determining the MCP, MQ Tech had also considered the total amount of funds required to be channeled for the utilisations as described in Section 3 of this Circular. These funds are estimated to be approximately RM50.00 million, RM32.71 million and RM150.00 million under the Scenario 1, Scenario 2 and Scenario 3 respectively as set out in Section 3 of this Circular, and would be required over a period of 3 years. In this regard, our Board considers that the MCP is set a reasonable level such that it is not detrimental to the interest of our Group and its shareholders and at the same time facilitates the continued operation of the Bonds programme over the tenure of the Proposed Issuance of Bonds.

For information purpose, the MCP is at a discount to the following closing market prices of MQ Tech Shares after taking into consideration of the Proposed Share Consolidation:

	Price	Theoretical adjusted closing market price of MQ Tech Shares	Discount of the MCP to the theoretical adjusted closing market price of MQ Tech Shares	
			RM	%
<b>Up to the LPD</b>				
Lowest closing market price of MQ Tech Shares for the last 40 days	0.010	0.100	-	-
Lowest closing market price of MQ Tech Shares for the last 2 years	0.010	0.100	-	-
5-day VWAP	0.0100	0.100	-	-
1-month VWAP	0.0102	0.102	(0.002)	(1.96)
3-month VWAP	0.0135	0.135	(0.035)	(25.93)
6-month VWAP	0.0141	0.141	(0.041)	(29.08)
12-month VWAP	0.0210	0.210	(0.110)	(52.38)

For clarity, the above table only serves to illustrate the relative discounts of the MCP to the closing market prices and VWAP of MQ Tech Shares up to and including the LPD.

Notwithstanding the above, in accordance with the terms of the Subscription Agreement, the Conversion Price will be set at:

- (i) the MCP if the Conversion Price falls below the MCP; or
- (ii) 80% of the average closing price per Share on any 3 consecutive trading days as selected by Bond Holders during 40 trading days immediately preceding the relevant Conversion Date.

### 2.3.3 Number of Conversion Shares to be issued

The number of MQ Tech Shares to be issued upon conversion of the Bonds shall depend on the Conversion Price which will be determined at a later juncture provided the Conversion Price is not less than RM0.10, being the MCP.

For illustrative purpose, assuming the Bonds are converted at the Illustrative Conversion Price<sup>(1)</sup> and taking into consideration of the MCS, Conversion Shares to be issued upon full conversion of the Bonds are as follows:

<b>Tranches</b>	<b>Conversion Shares</b>	<b>RM</b>
Main Tranche 1 Bonds	109,027,474 <sup>(2)</sup>	50,000,000
Main Tranche 2 Bonds	109,027,474 <sup>(2)</sup>	50,000,000
Main Tranche 3 Bonds	109,027,474 <sup>(2)</sup>	50,000,000
<b>Total</b>	<b>327,082,422</b>	<b>150,000,000</b>

**Notes:**

- (1) *The Illustrative Conversion Price of approximately RM0.4586 is arrived at based on the assumption that the entire RM150.00 million gross proceeds is raised and the number of Conversion Shares closest to but not exceeding the MCS of 327,109,900 is issued.*
- (2) *Rounded down to the nearest digit.*

For illustration purposes, assuming the Bonds are converted at RM0.10 being the MCP, the number of MQ Tech Shares that may be issued under the Main Tranche 1, Main Tranche 2 and Main Tranche 3 are as follows:

<b>Tranches</b>	<b>Conversion Shares</b>	<b>RM</b>
Main Tranche 1 Bonds	327,109,900 <sup>(1)</sup>	32,710,990
Main Tranche 2 Bonds	-	-(2)
Main Tranche 3 Bonds	-	-(2)
<b>Total</b>	<b>327,109,900</b>	<b>32,710,990</b>

**Notes:**

- (1) *Pursuant to the MCS, the number of Conversion Shares allowed to be issued for Main Tranche 1 Bonds is 327,109,900.*
- (2) *No Conversion Shares shall be issued in Main Tranche 2 Bonds and Main Tranche 3 Bonds as the number of MCS has been reached.*

Regardless of the Conversion Price, a maximum number of 327,109,900 Conversion Shares will be issued upon the full conversion of the Bonds (subject to corresponding adjustments in the event of stock splits, consolidation and/or re-classification of the Shares).

The Proposed Issuance of Bonds will result in the shareholders' shareholdings in MQ Tech to be proportionately diluted as a result of the increase in the number of MQ Shares arising from the conversion of the Bonds.

### 2.3.4 Ranking of the Conversion Shares

The Conversion Shares shall, upon allotment and issuance, rank equally in all aspects with the existing MQ Tech Shares, save that the Conversion Shares will not be entitled to any dividends, rights, allotments and / or other distributions that may be declared, made or paid where the entitlement date is prior to the date of allotment and issuance of the Conversion Shares.

### 2.3.5 Background of the Subscriber

Triton (Registration no: T20VC0036F) is an umbrella variable capital company<sup>(1)</sup> incorporated in Singapore under the laws of Singapore on 26 March 2020, acting on behalf of and for the account of TCF Fund A<sup>(2)</sup> and/or any sub-funds under Triton. Triton has its registered office at 8 Marina View, #11-05, Asia Square Tower 1, Singapore 018960.

#### Notes:

- (1) *A variable capital company (“VCC”) is a Singapore legal entity constituted under the Variable Capital Companies Act 2018, which is a structure that can be standalone or constituted in an umbrella structure, wherein the latter enables a VCC to have multiple sub-funds, each holding a portfolio of segregated assets and liabilities.*
- (2) *TCF Fund A is a separate portfolio of Triton set up in April 2020 to which all income, earnings, profits and proceeds from investments, liabilities and expenses are kept separate from all other monies, investment, assets, liabilities and expenses of Triton and any other portfolios of Triton.*

Triton is principally involved in investment portfolios, and the investment objective of TCF Fund A in particular is to achieve medium to long term capital appreciation through investment in financial instruments that assist small and medium capitalisation, and publicly-listed companies. The investment strategy of TCF Fund A is to provide funding solutions to companies that facilitate working capital requirements, business expansion, mergers and acquisitions, reverse takeovers, management by objective, debt restructuring, as well as capital market-sourced initial public offerings, secondary placements and arbitrage trades using a combination of debt and equity securities.

As at the LPD:

- (a) 100% of the voting shares in Triton are held by its founder, Ms. Ng Geok Tin, whilst the directors of Triton are Ms. Ng Geok Tin and Mr. Ng Hwee. The profiles of the directors of Triton are as follows:
  - (i) Ms. Ng Geok Tin holds a bachelor’s degree from Singapore University of Social Science in Finance. Prior to founding Triton and co-founding Titus Investment Management Pte. Ltd. (“**Titus**”), she was an executive director and chief investment officer of an asset manager who is a holder of capital market services licence granted by the Monetary Authority of Singapore (“**MAS**”). Prior to that, she was a portfolio manager of a registered fund management company regulated by the MAS, where she managed funds in the hedge funds space, developed and implemented investment strategies and policies. Her financial experience spans across investment management, client relationship, business development, sales and trading encompassing equities, foreign exchange and financial futures in Asia, US and Europe markets.
  - (ii) Mr. Ng Hwee holds a bachelor’s degree from London School of Economics and Political Science in Economics. With banking and asset management experiences of over 20 years, he previously headed New Asia Ferrell Asset Management Ltd in Hong Kong and served as Executive Director Head of Greater China with Ferrell Asset Management in Singapore. His past positions include being the chief investment officer of a private equity firm in Beijing and a senior investment consultant with UBS AG in Singapore and Hong Kong. He was also a portfolio manager with Temasek Holdings and Fullerton Fund Management, and a senior economist with the MAS where he conducted topical studies and participated in policy formation.

- (b) Triton has appointed Titus, a capital markets services licence holder granted by the MAS to serve as the investment manager for Triton. Titus was incorporated on 8 October 2020 in Singapore and has its registered office at 2 Havelock Road, #05-22, Havelock 2, Singapore 059763.

The directors of Titus are Mr. Ng Hwee and Mr. Tan Kuan Han, whereas the sole shareholder of Titus is Mr. Ng Hwee. The profile of Mr. Ng Hwee is as stipulated above, whereas the profile of Mr. Tan Kuan Han is as follows:

Mr. Tan Kuan Han holds an honours degree in Economics from the London School of Economics and Political Science. With investment banking experience of over 15 years, he previously worked in the leveraged finance, financial sponsors, and debt advisory department in UBS Investment Bank, across London and Hong Kong. He had also worked in the loan syndications and corporate finance team in Standard Chartered Bank, Singapore, heading all large loan transactions for corporate clients primarily based in Vietnam, Cambodia, Laos, Myanmar and Australia.

(Source: Management of Triton)

### 2.3.6 Representations and warranties of the Subscriber

- (a) The Subscriber represents and warrants to our Company that it has full legal rights, power, authority and capacity to enter into and perform the Subscription Agreement in accordance with its terms;
- (b) The Subscriber represents that it is subscribing for the Bonds for investment purposes only and has no intention of influencing the management or exercising control over our Company;
- (c) The Subscriber agrees that:
- (i) there will be no conversion of the Bonds by the Subscriber to transfer a controlling interest in our Company such that the Subscriber becomes controlling shareholder of our Company within the ambit of the Listing Requirements without the prior approval of the shareholders of our Company in a general meeting; and
  - (ii) collectively, or together with their Affiliate\* not to hold more than 10% interest in the total number of issued share capital of our Company, at any time and from time to time without prior approval of our Company; and
- \* *“Affiliate” means with respect to any person, any other person that, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with that person. For the purposes of this definition, the term “control” (including the terms “controlled by” and “under common control with”) as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management of that person whether through ownership of shares, voting securities or otherwise.*
- (d) The Subscriber agrees that it will not enter into any negotiations, agreements or arrangements to sell, transfer or dispose any Shares arising from the conversion of the Bonds to any substantial shareholder of our Company.

### 2.3.7 Underwriting arrangement

The Proposed Issuance of Bonds will not be underwritten as the Subscriber has been identified and the Subscription Agreement has been entered into on 7 June 2024.

## 2.4 Details of fundraising exercise in the past 5 years

Save as disclosed below, our Company has not undertaken any other equity fund-raising exercise in the past 5 years preceding the date of this Circular.

### (i) 10% Private Placement

Our Company had on 23 September 2019, announced and undertook a private placement of up to 10% of our total number of issued shares in accordance with the general mandate pursuant to Sections 75 and 76 of the Act which was obtained from our shareholders at our 16<sup>th</sup> annual general meeting held on 25 June 2019 (“**10% Private Placement**”). The 10% Private Placement was deemed completed on 9 June 2020 and the details of the new MQ Tech Shares issued under the 10% Private Placement are as follows:

Listing date	No. of new MQ Tech Shares issued	Issue price per new MQ Tech Share (RM)	Gross proceeds raised (RM'000)
21 January 2020	40,228,000	0.0173	696
9 June 2020	24,000,336	0.0225	540
<b>Total</b>	<b>64,228,336</b>		<b>1,236</b>

The details and status of utilisation of the proceeds raised from the 10% Private Placement are as follows:

Description	As announced on 23 September 2019	Actual gross proceeds raised RM'000	Amount utilised as at the LPD RM'000	Balance to be utilised as at the LPD RM'000	Timeframe for utilisation (from the listing date of new MQ Tech Shares)
Collaboration with Kelantan Football Association <sup>(1) (2)</sup>	1,327	200	200	-	Within 12 months
Working Capital <sup>(1) (3)</sup>	-	975	975	-	Within 12 months
Estimated expenses for the 10% Private Placement	150	61	61	-	Within 1 month
<b>Total proceeds</b>	<b>1,477</b>	<b>1,236</b>	<b>1,236</b>	<b>-</b>	

#### Notes:

- (1) As stated in the announcement dated 23 September 2019, if the proposed collaboration with Kelantan Football Association (“KFAFA”) (“**Collaboration**”) does not materialise (i.e. when the MOU is lapsed/terminated), the funds allocated for the Collaboration will be re-allocated for working capital of our Group.
- (2) Relates to preliminary cost incurred for the Collaboration. On 16 July 2020, our Company and KFAFA had mutually agreed to terminate the Memorandum of Understanding dated 18 July 2019 pursuant to the Collaboration due to unsatisfactory financial performance and mounting debts incurred by the previous management team of KFAFA.
- (3) Relates to the payment of our Group’s trade and other payables as well as payment of our Group’s staff related expenses and other statutory contributions and payments as follows:

	Amount (RM'000)
Trade and other payables	147
Payment of staff related expenses and other statutory contributions and payments	828
<b>Total</b>	<b>975</b>

(ii) 20% Private Placement

Our Company had on 17 June 2021 announced and undertook a private placement of up to 20% of our total number of issued shares in accordance with the general mandate pursuant to Act which was obtained from our shareholders at our 17<sup>th</sup> annual general meeting held on 16 December 2020, whereby the Board had been authorised to issue and allot new MQ Tech Shares numbering not more than 20% of the total number of issued shares of MQ Tech (excluding any treasury shares) for the time being (“**20% Private Placement**”). The 20% Private Placement was deemed completed on 13 October 2021 and the details of the new MQ Tech Shares issued under the 20% Private Placement are as follows:

<u>Listing date</u>	<u>No. of new MQ Tech Shares issued</u>	<u>Issue price per new MQ Tech Share (RM)</u>	<u>Gross proceeds raised (RM'000)</u>
3 September 2021	74,500,000	0.0505	3,762
9 September 2021	42,000,000	0.0515	2,163
13 October 2021	29,605,847	0.0545	1,614
<b>Total</b>	<b>146,105,847</b>		<b>7,539</b>

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

<u>Description</u>	<u>As announced on 17 June 2021</u>	<u>Actual gross proceeds raised RM'000</u>	<u>Amount utilised as at the LPD RM'000</u>	<u>Balance to be utilised as at the LPD RM'000</u>	<u>Timeframe for utilisation (from the listing date of new MQ Tech Shares)</u>
Renovation expenses for the extension of existing factory <sup>(1)</sup>	6,000	6,000	6,000	-	Within 12 months
Repayment of unsecured loan <sup>(2)</sup>	2,000	1,000	1,000	-	Within 3 months
Working capital	657	440	440	-	Within 12 months
Expenses relating to the 20% Private Placement	109	99	99	-	Immediately
<b>Total proceeds</b>	<b>8,766</b>	<b>7,539</b>	<b>7,539</b>	<b>-</b>	

**Notes:**

- (1) *Relates to extension of our Factory located at 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 to cater for the expansion of our Group's production capacity to produce larger precision parts and tools as well as fabricate precision products and components used in die sets, moulding and other electronics related industries. The details of the said extension are as follows:*

<b>Details</b>	<b>Description</b>
<i>Number of car park bays</i>	<i>Before the upgrade: 40 car park bays After the upgrade: 50 car park bays</i>
<i>Office gross built-up area</i>	<i>Before the upgrade: 11,654 sq ft After the upgrade: 18,654 sq ft</i>
<i>Office net useable area</i>	<i>Before the upgrade: 10,654 sq ft After the upgrade: 17,654 sq ft</i>
<i>Production gross built-up area</i>	<i>Before the upgrade: 18,527 sq ft After the upgrade: 26,527 sq ft</i>

<b>Details</b>	<b>Description</b>
Production net useable area	Before the upgrade: 17,527 sq.ft After the upgrade: 25,527 sq.ft
Production capacity	Before the upgrade: 171,756 hours per year After the upgrade: 207,480 hours per year
Production output	As the products such as high-precision toolings parts and modular for hard disk drives, automotive and medical industries, high precision trim form die sets for semiconductor industries, jigs and fixtures and high precision part for machinery components 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.

(2) 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. As at the LPD, the said advances have been fully settled. For information purposes, the said advances were interest-free and repayable on demand.

(iii) 40% Private Placement

Our Company had on 31 March 2022 announced and undertook a private placement of up to 40% of our total number of issued shares which was approved by our shareholders at our extraordinary general meeting held on 11 May 2022 ("**40% Private Placement**"). The 40% Private Placement was deemed completed on 1 June 2022 and the details of the new MQ Tech Shares issued under the 40% Private Placement are as follows:

<b>Listing date</b>	<b>No. of new MQ Tech Shares issued</b>	<b>Issue price per new MQ Tech Share (RM)</b>	<b>Gross proceeds raised (RM'000)</b>
1 June 2022	357,455,000	0.0360	12,868
<b>Total</b>	<b>357,455,000</b>		<b>12,868</b>

The details and status of utilisation of the proceeds raised from the 40% Private Placement are as follows:

<b>Description</b>	<b>As approved by our shareholders on 11 May 2022</b>	<b>Actual gross proceeds raised RM'000</b>	<b>Amount utilised as at the LPD RM'000</b>	<b>Balance to be utilised as at the LPD RM'000</b>	<b>Timeframe for utilisation (from the listing date of new MQ Tech Shares)</b>
Purchase of machineries <sup>(1)</sup>	11,586	11,265	11,265	-	Within 18 months
Working capital <sup>(2)</sup>	2,159	1,225	1,225	-	Within 12 months
Expenses relating to the 40% Private Placement	482	378	378	-	Immediately
<b>Total proceeds</b>	<b>14,227</b>	<b>12,868</b>	<b>12,868</b>	<b>-</b>	

**Notes:**

(1) Relates to purchase of machineries such follows:

	No of units	Total costs (RM'000)	Total production capacity (machine hours per year)	
			Before purchase	After Purchase
Computer Numeric Control ("CNC") machines	2	1,277	37,440	44,928
CNC Electrical Discharge Machines	2	1,245	22,464	29,952
CNC Roeders Machine Parts	1	301	-(a)	-(a)
Wire-cut machines	2	8,249	56,160	63,648
Horizontal benchtop profile projector	1	193	-(b)	-(b)
	<b>Total</b>	<b>11,265</b>		

**Notes:**

(a) No production capacity as the CNC Roeders Machines Parts are the replacement parts for the malfunction parts of our CNC Roeders Machines.

(b) No production capacity as the horizontal benchtop profile projector is used by our Quality Assurance ("QA") department for QA inspection purposes.

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.

For information, the machineries purchased above are used to produce die sets, tolling fixture, spare insert and other customized machine components for use mainly in the oil and gas and medical industries.

(2) Relates to the upkeep and maintenance of our Group's property, plant and equipment, payment of our Group's trade and other payables as well as payment of our Group's staff related expenses and other statutory contributions and payments.

### 3. UTILISATION OF PROCEEDS

As set out in Section 2.3.1 of this Circular, the Proposed Issuance of Bonds comprises 3 Main Tranches Bonds, of which Main Tranche 2 Bonds and Main Tranche 3 Bonds can be issued at our Company's option during the Option Period, subject to the terms and conditions of the Subscription Agreement. Thus, our Company will only exercise the said option if such funds are required for the purposes set out below.

For illustration purposes, the utilisation of proceeds shall be based on the following scenarios:

**Scenario 1** : Assuming only Main Tranche 1 Bonds are issued and raises gross proceeds of RM50.00 million pursuant to the Proposed Issuance of Bonds

**Scenario 2** : Assuming the Bonds are being converted at RM0.10, being the MCP, taking into consideration of the Maximum Conversion Shares and raises gross proceeds of RM32.71 million pursuant to the Proposed Issuance of Bonds

**Scenario 3** : Assuming all tranches of the Bonds are issued and raises gross proceeds of RM150.00 million pursuant to the Proposed Issuance of Bonds

The Proposed Issuance of Bonds is expected to raise gross proceeds of up to RM150.00 million which shall be utilised in the following manner:

Description	Notes	Scenario 1	Scenario 2	Scenario 3	Estimated timeframe for use of proceeds upon receipt
		RM million	RM million	RM million	
Funding for the estimated gross development cost of the Proposed Development Project	(1)	31.92	15.74	125.26	Within 36 months
Factory expansion and working capital for existing businesses	(2)	13.41	13.41	13.41	Within 12 months
Expenses relating to the Proposals	(3)	4.67	3.56	11.33	Within 36 months
<b>Total Proceeds</b>		<b>50.00</b>	<b>32.71</b>	<b>150.00</b>	

**Notes:**

(1) Our Group intends to carry out the Proposed Development Project. The Proposed Development Project will be carried out in 2 phases as follows:

- (i) phase 1 consists of 1 block of 27-storey resort suites comprises 25 floors with total of 500 resort suite units and 2 floors with total of 40 shop lot units as well as 1 block of 9-storey carpark comprises 1,806 carpark bays ("**Phase 1**"); and
- (ii) phase 2 consists of 1 block of 27-storey resort suites comprises 25 floors with total of 500 resort suite units and 2 floors with total of 40 shop lot units ("**Phase 2**").

The estimated gross development value and gross development cost of the Proposed Development Project are approximately RM274.98 million and RM214.18 million, respectively, based on feasibility study conducted. The estimated gross development value of the Proposed Development Project is arrived as follows:

Building	Location	Area (square feet per unit)	Price/ square feet (RM)	Price/unit (RM'million)	No. of units	Total (RM'million)
Shop lot	Ground floor	870	600	0.52	14	7.31
Shop lot	1 <sup>st</sup> floor	870	550	0.48	14	6.70
Shop lot	Ground floor	420	600	0.25	26	6.55
Shop lot	1 <sup>st</sup> floor	420	550	0.23	26	6.01
Resort suite	Level 3 to 27	870	450	0.39	350	137.02
Resort suite	Level 3 to 27	420	450	0.19	650	122.85
Subtotal						286.44
Bumiputera discount						(11.46)
<b>Total estimated GDV</b>						<b>274.98</b>

The details of the estimated gross development cost are as follows:

<b>No.</b>	<b>Description</b>	<b>RM'million</b>
1	Construction cost for Phase 1	92.41
2	Construction cost for Phase 2	64.41
3	Professional consultant fees (i.e. architect, civil and structural engineer, mechanical and electrical consultant, landscape architect)	9.41
4	Authority contribution (i.e. Air Melaka, Tenaga Nasional Berhad, Indah Water Konsortium, Telekom Malaysia, relevant authorities fees)	4.70
5	Other cost (i.e. land cost, marketing fees, legal fees)	43.25
<b>Total</b>		<b>214.18</b>

Our Group intends to utilise up to RM125.26 million to fund estimated gross development cost in the following manner:

- (i) up to RM92.41 million for the construction cost for Phase 1. The breakdown of the construction cost for Phase 1 is as follows:

<b>No.</b>	<b>Description</b>	<b>RM'million</b>
1	Site levelling cost, setting out cost and cost for preliminary works	3.00
2	Construction cost for 1 block of 27-storey resort suites comprises 25 floors with total of 500 resort suite units and 2 floors with total of 40 shop lot units	61.41
3	Construction cost for the 9-storey carpark	28.00
<b>Total</b>		<b>92.41</b>

- (ii) up to RM32.85 million for the working capital of the Proposed Development Project which include amongst others, the construction cost for Phase 2, the professional consultant fees, authority contribution, marketing fees and legal fees. The breakdown of which cannot be determined at this juncture and will depend on the working capital requirements of the Proposed Development Project at the relevant point of time.

For information, our Group intends to fund the remaining estimated gross development cost of RM88.92 million via our Group's internally-generated funds, progress billings from the Proposed Development Project, other fund raising corporate exercises and/or bank borrowings, of which the exact quantum will be determined by our Board at a later stage depending on the gearing, cost of funding and funding requirements of our Group.

As at the LPD, our Group is in the midst of finalising the detailed development plans for the Proposed Development Project and hence the Proposed Development Project may be subject to amendment and/or modification. The tentative timeline for the Proposed Development Project is as follows:

<b>No.</b>	<b>Event</b>	<b>Tentative date</b>
1	Submission for Amendment of Planning Permission Application in relation to the Melaka Land to relevant authorities	4 <sup>th</sup> Quarter of 2024
2	Submission for the relevant applications to the relevant authorities in relation to the building plan for the Proposed Development Project	3 <sup>rd</sup> Quarter of 2025
3	Obtain all relevant approvals including but not limited to the building plan for the Proposed Development Project	1 <sup>st</sup> Quarter of 2026
4	Commencement of Phase 1	2 <sup>nd</sup> Quarter of 2026
5	Completion of Phase 1	2 <sup>nd</sup> Quarter of 2029

For information, the expected commencement and completion dates for the Phase 2 cannot be determined at this juncture as the commencement of Phase 2 will depend on the take-up rate of the Phase 1.

The gross development cost, net of proceeds to be raised from the Proposed Issuance of Bonds will be funded via our Group's internally-generated funds, progress billings from the Proposed Development Project, other fund raising corporate exercises and/or bank borrowings, of which the exact quantum will be determined by our Board at a later stage depending on the gearing, cost of funding and funding requirements of our Group.

- (2) Our Group intends to utilise up to RM13.41 million of the proceeds for the Factory expansion and our working capital for existing business operations in the following manner:

<b>Details</b>	<b>RM'million</b>
Upgrading cost of the Factory <sup>(i)</sup>	6.41
Payment of our Group's staff salaries and other statutory contributions and payments	3.00
Upkeep and maintenance of our Group's property, plant and equipment, which include but not limited to our Group's machineries and equipment and office premises	2.00
Payment of our Group's trade and other payables <sup>(ii)</sup> in relation to its tooling fabrication division for the purchase of raw materials and consumables.	1.00
Sub-contractors' costs and purchase of raw materials and consumables such as aluminium 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	1.00
<b>Total</b>	<b>13.41</b>

**Notes:**

- (i) Our Group intends to utilise up to RM6.41 million of the proceeds for the total upgrading cost of the Factory. The breakdown of the total upgrading cost of the Factory is as follows:

<b>Details</b>	<b>RM'million</b>
Project planning, professional fees & preliminaries construction items for extension work of the Factory	0.80
Demolition, site clearance and main construction works for the extension of the Factory	4.66
External works for the Factory which include amongst others, external fence wall works, road works, surface water drainage and external water and sewerage reticulation	0.95
<b>Total</b>	<b>6.41</b>

The upgrade of the Factory mainly consist of the extension of the Factory which includes the car park bays at the ground floor, production area at the 1<sup>st</sup> floor and office area on the 2<sup>nd</sup> floor. The said upgrade is to expand the production area and office area of MQ Tech Group as it anticipates an increase in demand of its services in view of the global economy's gradual recovery from the Covid-19 pandemic. Further, the upgrade of the Factory enables the Group to expand its workspace so that it can re-organise and streamline its processing facilities to improve its processing workflow and efficiency. The details of the Factory are as follows:

<b>Details</b>	<b>Description</b>
Number of car park bays	Before the upgrade: 50 car park bays After the upgrade: 64 car park bays
Office gross built-up area	Before the upgrade: 18,654 sq ft After the upgrade: 23,654 sq ft

<b>Details</b>	<b>Description</b>
Office net useable area	Before the upgrade: 17,654 sq ft After the upgrade: 21,654 sq ft
Production gross built-up area	Before the upgrade: 26,527 sq ft After the upgrade: 31,527 sq ft
Production net useable area	Before the upgrade: 25,527 sq.ft After the upgrade: 29,527 sq.ft
Production capacity	Before the upgrade: 238,992 hours per year After the upgrade: 250,943 hours per year
Production output	As the products such as high-precision toolings parts and modular for hard disk drives, automotive and medical industries, high precision trim form die sets for semiconductor industries, jigs and fixtures and high precision part for machinery components 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.
Upgrade commencement date	1 August 2023
Expected upgrade completion date	30 September 2024*

**Note:**

\* MQ Tech has made a payment of RM1.73 million to the contractors for the works done for the upgrade of the Factory as at the LPD via its internally-generated funds while awaiting the receipt of the proceeds from the subscription of the Bonds. In the event MQ Tech is required to make further payments to the contractors prior to the receipt of the proceeds from the subscription of the Bonds, the payment will be funded via bank borrowings and/ or working capital of the MQ Tech Group. The proceeds from the subscription of the Bonds allocated for the upgrade of the Factory will then be utilised for the repayment of bank borrowings and/or replenish the working capital (including the payment of RM1.73 million to the contractors as at the LPD) of the MQ Tech Group.

(ii) For information, as at the LPD, the Group's total outstanding trade and other payables stood at approximately RM2.80 million.

- (3) The estimated expenses relating to the Proposals consist of professional fees, fees payable to the relevant authorities, costs of convening our forthcoming EGM and administrative fee of 6% of the aggregate principal amount of Bonds to be issued to the Subscriber pursuant to the Proposed Issuance of Bonds as well as other miscellaneous expenses to be incurred in relation to the Proposals. Any variation to the estimated expenses relating to the Proposals will be adjusted to or from the amount allocated for our Group's general working capital, of which the allocation will be adjusted accordingly among each category as our management deems appropriate.

The breakdown of the estimated expenses relating to the Proposals are as follows:

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
	<b>RM'million</b>	<b>RM'million</b>	<b>RM'million</b>
Professional fees <sup>(i)</sup>	1.50	1.41	2.04
Fees to relevant authorities	0.03	0.03	0.03
Costs of convening the forthcoming EGM	0.06	0.06	0.06
Administration fee to the Subscriber	3.00	2.00	9.00
Miscellaneous expenses	0.08	0.06	0.20
<b>Total</b>	<b>4.67</b>	<b>3.56</b>	<b>11.33</b>

**Note:**

- (i) *The professional fees include the fees payable to, amongst others, the principal adviser and the solicitors for the Proposals as well as the lead arranger, facility agent and the trustee in relation to the Proposed Issuance of Bonds.*

*In the event there is a shortfall from the proceeds to be raised from the Proposed Issuance of Bonds, our Group intends to fund the shortfall via our Group's internally-generated funds.*

In the event the actual drawdown varies from the above estimated amount during the point of utilisation or the drawdown, the excess or deficit, as the case may be, will be adjusted from / to the amount earmarked for working capital as set out in item (2) above.

In the event that our Group raises lower gross proceeds from the Proposed Issuance of Bonds as illustrated above, any shortfall of funds required for the remaining utilisation of proceeds will be funded via bank borrowings and/or internally generated funds of which the exact quantum will be determined by our Board at a later stage depending on the gearing, cost of funding and funding requirements of our Group.

For the avoidance of doubt, no proceeds will be raised from the conversion of the Bonds.

Pending utilisation of the proceeds from the Proposed Issuance of Bonds for the abovementioned purposes, the proceeds will be placed in deposits with a financial institution or short-term money market instruments as our Board may deem fit. The interest derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used as working capital for our Group as set out in item (2) above, the breakdown of which cannot be determined at this juncture and will depend on the working capital requirements at the relevant point in time.

In the event our Board decides to vary the utilisation of proceeds as allocated above, our Company will make the relevant announcement in accordance with the Listing Requirements. Further, if there is a material change to the utilisation of proceeds by 25% or more of the total proceeds raise, our Company will seek the shareholders' approval, in accordance with the Listing Requirements.

## **4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS**

### **4.1 Proposed Share Capital Reduction**

The Proposed Share Capital Reduction will enable our Company and our Group to rationalise our financial positions by reducing our accumulated losses via cancellation of the issued share capital to reflect the value of the underlying assets and financial position of our Company and our Group more accurately.

Furthermore, the reduction of accumulated losses may enhance our Company's and our Group's credibility with bankers, customers, suppliers and investors due to an improved financial standing.

### **4.2 Proposed Share Consolidation**

The Proposed Share Consolidation will enhance our Company's share capital structure as the consolidation of the existing MQ Tech Shares will reduce the number of our Company shares available in the market. Hence, our Company shall benefit from easier management of a smaller number of MQ Tech Shares and all else being equal, would be indifferent to the shareholders as the Proposed Share Consolidation will not have any impact on the market value of MQ Tech Shares as disclosed in Section 2.2.2 of this Circular.

Further, as our Company currently has a large number of shares in issue and a relatively low trading price range, a small absolute movement in the share price may be significant in percentage terms. Consolidating our Company shares would lead to a reduction in the number of MQ Tech Shares available in the market and should potentially reduce the volatility in the trading price for MQ Tech Shares.

### **4.3 Proposed Issuance of Bonds**

After due consideration of the various fund-raising options, our Board is of the view that the Proposed Issuance of Bonds is the most appropriate avenue of raising funds for the proposed utilisation as set out in Section 3 of this Circular based on the following rationale:

- (i) the Proposed Issuance of Bonds will enable MQ Tech to raise funds expeditiously and cost effectively as our Company has a pre-identified investor for the Proposed Issuance of Bonds, which allows our Company to save costs on road shows and marketing for potential investors;
- (ii) the Proposed Issuance of Bonds will enable MQ Tech to raise funds via the hybrid market, that is between the debt market where gearing and security or rating may be an issue, and the equity market, where current market conditions may not be conducive, as it provides flexibility to raise funds in stages when the needs for funds arise, considering that our Company has no intention to raise the entire RM150.00 million immediately;
- (iii) provides greater certainty in raising the funds required as compared to other forms of equity fund-raising such as a private placement or a rights issue which is dependent upon the prevailing market sentiment and economic conditions. Moreover, underwriting and undertaking arrangements for such other forms of equity fund-raising would be difficult to procure;
- (iv) the multiple tranches issuance provides MQ Tech the flexibility to drawdown as and when the need for funds arises and dilution to the existing shareholders' shareholdings will occur progressively over the tenure of the Bonds as compared to immediate full dilution effect through fund raising via issuance of new Shares or other convertible instruments such as redeemable convertible preference shares.

In the event, our Company has sufficient funds after Main Tranche 1 Bonds or Main Tranche 2 Bonds and does not wish to continue with the remaining tranches of the Proposed Issuance of Bonds, it has the right not to proceed further with the Proposed Issuance of Bonds as the drawdown of Main Tranche 2 Bonds or Main Tranche 3 Bonds is at the option of our Company. Further, the Proposed Issuance of Bonds has an identified ready investor, namely Triton Capital Fund VCC, to subscribe for the entire Bonds throughout the tenure of the Proposed Issuance of Bonds;

- (v) the Proposed Issuance of Bonds will increase the liquidity of MQ Tech Shares upon conversion of the Bonds and provide opportunity for new investors to participate in the equity of MQ Tech; and
- (vi) the Proposed Issuance of Bonds will improve the NA of MQ Tech upon conversion of the Bonds.

## 5. INDUSTRY OVERVIEW AND OUTLOOK AND PROSPECTS OF OUR GROUP

### 5.1 Overview and outlook of the Malaysian economy

Overall, Malaysia's GDP performance grew by 3.7% in 2023, following a strong growth registered in the previous year (2022: 8.7%). The full-year growth for 2023 is slightly lower than the Belanjawan 2024 forecast of approximately 4%.

*(Source: Economic Outlook Fourth Quarter 2023, MOF)*

The Malaysian economy grew at a higher rate of 4.2% in the first quarter of 2024 (4Q 2023: 2.9%), driven by stronger private expenditure and positive turnaround in exports. Household spending was higher amid continued growth in employment and wages. Better investment activities were supported by higher capital spending by both the private and public sectors. Exports rebounded amid higher external demand. On the supply side, most sectors registered higher growth. The manufacturing sector was lifted by a rebound across both the electrical and electronic ("E&E") and non-E&E industries. The stronger growth in the services sector was driven by higher retail trade activities and continued support from the transport and storage subsector. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.4% (4Q 2023: -1%).

Headline inflation remained moderate at 1.7% during the quarter (4Q 2023: 1.6%). The modest increase in headline inflation reflects the policy adjustments to water tariffs in February and services tax for high-usage electricity in March, which increased by 20.8% (4Q 2023: 2.1%) and 0.7% (4Q 2023: 0%) respectively. Core inflation moderated to 1.8% (4Q 2023: 2%), largely driven by continued easing in the food and beverages segment. Inflation pervasiveness edged higher, as the share of Consumer Price Index (CPI) items recording monthly price increases rose to 44.2% during the quarter (4Q 2023: 36.3%). Nonetheless, this remains well below the first quarter long-term average (corresponding first quarter periods during 2011-2019) of 52.2%.

For 2024, headline and core inflation are projected to remain moderate between 2% – 3.5% and 2% – 3%, respectively. These broadly reflect stabilising demand and contained cost pressures, coupled with some potential upside that could arise from the implementation of fuel subsidy rationalisation. The outlook for the rest of the year is dependent on the implementation of domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

*(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2024, Bank Negara Malaysia)*

The Government acknowledged the World Bank's forecast that Malaysia's growth will be 4.3% in 2024, which is slightly higher than its initial estimate. This is in line with Malaysia's 2024 growth projection, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap, New Industrial Master Plan 2030, and the Mid-Term Review of the Twelfth Malaysia Plan, 2021-2025.

*(Source: Economic Outlook 2024, Ministry of Finance Malaysia)*

### 5.2 Overview and outlook of the manufacturing industry in Malaysia

The manufacturing sector growth slowed to 0.7% in 2023 (2022: 8.1%). Weakness in the production of export-oriented clusters was partly cushioned by resilience in the domestic-oriented clusters. Reflecting Malaysia's deep integration in the global value chain, the E&E industry was impacted by the slowdown in global semiconductor sales as firms experienced subdued external demand and elevated inventory levels. Output in the primary-related cluster was affected by upstream supply disruptions and maintenance of refineries. Nevertheless, strong demand for motor vehicles and continued recovery in tourism activities supported growth of the consumer-related cluster. Meanwhile, the construction-related cluster benefitted from the pickup in infrastructure activities.

The manufacturing sector is expected to expand by 3.5% in 2024 (2023: 0.7%), supported by the recovery in the export oriented industries and sustained growth in the domestic-oriented cluster. E&E production is projected to stage a modest rebound in the first half of the year, with a stronger recovery anticipated in the second half of the year. This will be driven by the upswing in the global technology cycle, amid improving external demand for integrated circuits and semiconductors related to technological megatrends such as digitalisation, Internet of Things (IoT), 5G network, and electric vehicles (EV). The primary-related cluster is expected to grow steadily. This will be underpinned by improving upstream supply conditions coupled with production ramp-up in one of the major oil refineries in Johor. Growth of the consumer-related cluster will remain supported by continued recovery in tourism activities, amid normalising vehicle sales. Meanwhile, the construction-related cluster is expected to benefit from the continued progress of multi-year investment projects.

*(Source: Economic and Monetary Review 2023, Ministry of Finance Malaysia)*

### **5.3 Overview and outlook of the property development industry in Malaysia**

The property market has gradually increased in 2023, higher after the downturn in 2020 due to COVID-19 pandemic. A total of 399,008 transactions worth RM196.83 billion were recorded, each showing an increase of 2.5% and 9.9% respectively compared to 2022, which recorded 389,107 transactions worth RM179.07 billion. Of the total transactions, 77.7% (309,861 transactions) and 18.6% (74,405 transactions) were transfers dated in 2023 and 2022 respectively while the remaining percentage share was for prior years' transfers.

Sectoral market activity performance showed upward movements. Residential, commercial, industrial and development land sub-sectors recorded year-on-year growths of 3.0%, 23.3%, 0.9% and 5.0% respectively, whereas agricultural sub-sector recorded otherwise, declined by 7.8% in volume.

All subsectors namely, residential, commercial, industrial, agriculture and development land and others, recorded an increase in value of transactions of 7.1%, 17.5%, 13.1%, 4.6% and 13.8% respectively.

The residential sub-sector led the overall property market, with 62.8% contribution in volume. This was followed by agriculture sub-sector (19.0%), commercial (10.1%), development land and others (6.1%) and industrial (2.0%). In terms of value, residential took the lead with 51.3% share, followed by commercial (19.5%), industrial (12.2%), agriculture (9.5%) and development land and others (7.5%).

The growth in 2023 property market is highly supported by the implementation of various government initiatives and assistance and improving labour market conditions. Several initiatives which outlined under Budget 2023 by the government to a certain extent helped improve property market activities. These are:

- (i) Full stamp duty exemption on instrument of transfer and loan agreement for the purchase of the first residential home priced up to RM500,000 by Malaysia citizens remained until 31 December 2025.
- (ii) Increase of stamp duty remission from 50% to 75% for the purchase of the first residential properties priced between RM500,000 to RM1 million by Malaysian citizens and applicable for sale and purchase agreements executed until 31 December 2023.
- (iii) Full stamp duty exemption up to RM1 million and 50% stamp duty remission for the remaining balance on transfers of property by way of love and affection between family members (father to child and grandfather to grandson).
- (iv) Allocation of RM460.2 million for the building of new homes and home renovations in rural areas.

- (v) Allocation of RM389.5 million will be channelled to the People's Housing Programme.
- (vi) Allocation of RM358 million for the construction of affordable homes under Rumah Mesra Rakyat programme by Syarikat Perumahan Negara Berhad.
- (vii) Allocation of RM462 million for the construction of 23,000 houses under Projek Perumahan Awam Malaysia.
- (viii) Increase the guarantees of up to RM5 billion via Syarikat Jaminan Kredit Perumahan (SJKP) in assisting gig workers such as e-hailing workers in obtaining home financing up to RM500,000.

According to the Ministry of Finance, Malaysia's economy is expected to grow moderately with the projected growth between 4.0% to 5.0% in 2024, driven by domestic demand, sustained and diversified economic structure and coupled with ongoing policy support including the National Energy Transition Roadmap and the New Industrial Master Plan 2030. Bank Negara Malaysia also anticipated resilient domestic expenditure and improvement in external demand will drive Malaysia's growth. As the national economy is projected to remain in the range of 4.0% to 5.0% in 2024 which was supported by resilient domestic growth prospects, the property market performance is expected to remain cautiously optimistic given the unpredictable external environment.

The property market is expected to continue its momentum supported by various initiatives outlined by the government under Budget 2024, among others:

- (i) Establish a high-tech industrial area in Kerian, Northern Perak to widen the E&E cluster ecosystem in the Northern Region.
- (ii) In line with the Halal Industry Master Plan 2030, which sets a benchmark for the halal industry's contribution of 11% of gross domestic product by 2030, 9 financial institutions are offering special programmes for halal small and medium-sized enterprises in halal industry an integrated platform providing access to special funds and capacity building programmes.
- (iii) A special guarantee fund of RM1 billion has been allocated to encourage reputable developers to revive identified abandoned projects.
- (iv) Allocation of RM546 million to continue the implementation of 36 Program Perumahan Rakyat (PPR), including a new project in Kluang, Johor and another 15 PPR projects are expected to be completed and this is expected to benefit 5,100 potential new residents.
- (v) Allocation of RM358 million will be channelled to continue for the construction of 3,500 housing units under 14 Program Rumah Mesra Rakyat.
- (vi) Provide guarantees of up to RM10 billion under Skim Jaminan Kredit Perumahan (SJKP) which will benefit to 40,000 borrowers.
- (vii) Imposing a flat rate stamp duty of 4% on the transfer of land ownership documents by non-citizens and foreign-owned companies, except for individuals with permanent residency status in Malaysia.
- (viii) Ease the requirements of Malaysia My Second Home (MM2H) programme to attract more tourists and foreign investors to Malaysia.

*(Source: Property Market Report 2023, Valuation and Property Services Department, Ministry of Finance Malaysia)*

#### 5.4 Prospects of our Group

Our Group is principally engaged in the manufacturing of high-precision mould and magnetic coils which are tailored for the hard disk drives, telecommunications, and semiconductors industries (“**Manufacturing Business**”) and property development and property investment (“**Property Business**”).

Our Manufacturing Business has faced significant challenges, exacerbated by the trade war between the United State of America and People Republic of China which was further worsened by the unexpected events such as, amongst others, the ongoing conflict between Russia and Ukraine. These global developments have led to economic sanctions, causing substantial disruptions in the supply chain and manufacturing capabilities across various industries. Consequently, there has been a notable reduction in demand and production, contributing to a slowdown in the demand for hard disk drives (HDD) across multiple sectors, affecting our customers and the industry negatively.

In view of the challenges faced by our Manufacturing Business, our Group had in January 2023 ventured into the Property Business through the acquisition of Melaka Land and the proposed Development Project to broaden its earnings base as well as generate recurring rental income in the future which can reduce its dependency on our Manufacturing Business and diversify our Group’s business risk to enhance our Group’s earnings and shareholders’ value in the medium to long term. Our shareholders had approved the acquisition of Melaka land and the diversification of our Group to include the Property Business at the EGM held on 11 April 2023. The acquisition of the Melaka Land was completed on 16 January 2024.

Our Group intends to undertake the Proposed Development Project as its maiden property development project. Moving forward, our Group intends to leverage on the successful completion of the Proposed Development Project and its experience in property construction to bid for other property development projects as well as capture opportunities presented by the industry in which our Group operates in. Further, our Group will continue to identify business opportunities to expand our Group’s property portfolio which may include acquisitions of suitable land banks situated at strategic locations in order to undertake property development that are commercially viable and/or properties to earn recurring rental income and/or for capital appreciation purpose. In addition, our Group may consider joint venture arrangements with land owners to develop land with good development potential and favourable returns. In view of the ongoing initiatives, our Group is expected to fund these initiatives via a combination of internally-generated funds, bank borrowings and/or equity fundraising exercises should any of them realise.

Premised on the above, our Board is cautiously optimistic of the future prospects of our Group and the Property Business and Proposed Development Project are expected to enhance our Group’s future prospects moving forward.

*(Source: Management of MQ Tech)*

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## 6. EFFECTS OF THE PROPOSALS

As at the date of this Circular, the Conversion Price for the Bonds has yet to be determined. It is thus not possible, as at the date of this Circular, to ascertain the effects of the Proposed Issuance of Bonds until the Bonds have been issued, converted and / or otherwise redeemed.

For illustration purposes, the pro forma effects of the Proposals shall be based on the following scenarios:

- Scenario 1** : Assuming only Main Tranche 1 Bonds are issued and raises gross proceeds of RM50.00 million pursuant to the Proposed Issuance of Bonds
- Scenario 2** : Assuming the Bonds are being converted at RM0.10, being the MCP, taking into consideration of the Maximum Conversion Shares and raises gross proceeds of RM32.71 million pursuant to the Proposed Issuance of Bonds
- Scenario 3** : Assuming all tranches of the Bonds are issued and raises gross proceeds of RM150.00 million pursuant to the Proposed Issuance of Bonds

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## 6.1 Issued share capital

The pro forma effects of the Proposals on our Group's issued share capital are as follows: -

### Minimum Scenario

	Scenario 1		Scenario 2		Scenario 3	
	No. of Shares	RM	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	1,635,549,531	102,803,256	1,635,549,531	102,803,256	1,635,549,531	102,803,256
Exercise of outstanding SIS Options	-	-	-	-	-	-
After the Proposed Share Consolidation <sup>(1)</sup>	1,635,549,531	102,803,256	1,635,549,531	102,803,256	1,635,549,531	102,803,256
Proposed Share Capital Reduction	-	(50,000,000)	-	(50,000,000)	-	(50,000,000)
To be issued pursuant to the Bonds conversion	163,554,953	52,803,256	163,554,953	52,803,256	163,554,953	52,803,256
	109,027,474	50,000,000 <sup>(2)(3)</sup>	327,109,900	32,710,990 <sup>(3)(4)</sup>	327,082,422	150,000,000 <sup>(2)(3)</sup>
<b>Enlarged issued share capital</b>	<b>272,582,427</b>	<b>102,803,256</b>	<b>490,664,853</b>	<b>85,514,246</b>	<b>490,637,375</b>	<b>202,803,256</b>

### Notes:

- (1) Proposed Share Consolidation of every 10 existing MQ Tech Shares into 1 Consolidated Share.
- (2) Assuming conversion of the Bonds at the Illustrative Conversion Price.
- (3) On conversion of the Bonds at maturity, the liability component carried at the amortised cost-effective interest method for Scenarios 1, 2 and 3 of RM2.76 million, RM1.81 million and RM8.29 million, respectively, together with the equity component of RM47.24 million, RM30.90 million and RM141.71 million, respectively would be derecognised and recognised in equity as issued share capital.
- (4) Assuming conversion of the Bonds at the MCP of RM0.10.

### Maximum Scenario

	Scenario 1		Scenario 2		Scenario 3	
	No. of Shares	RM	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	1,635,549,531	102,803,256	1,635,549,531	102,803,256	1,635,549,531	102,803,256
Exercise of outstanding SIS Options <sup>(1)</sup>	29,907,100	930,111	29,907,100	930,111	29,907,100	930,111
After the Proposed Share Consolidation <sup>(2)</sup>	1,665,456,631	103,733,367	1,665,456,631	103,733,367	1,665,456,631	103,733,367
Proposed Share Capital Reduction	166,545,663	103,733,367	166,545,663	103,733,367	166,545,663	103,733,367
To be issued pursuant to the Bonds conversion	-	(50,000,000)	-	(50,000,000)	-	(50,000,000)
<b>Enlarged issued share capital</b>	<b>275,573,137</b>	<b>103,733,367</b>	<b>493,655,563</b>	<b>86,444,357</b>	<b>493,628,085</b>	<b>203,733,367</b>

### Notes:

- (1) After taking into consideration the following:
  - (a) assuming 29,907,100 outstanding SIS Options are exercised and converted into new MQ Tech Shares at the exercise price of RM0.015 each;
  - (b) and reversal from the SIS Option reserve account to the share capital amounting to approximately RM0.48 million arising from the exercise of 29,907,100 outstanding SIS Options.
- (2) Proposed Share Consolidation of every 10 existing MQ Tech Shares into 1 Consolidated Share.
- (3) Assuming conversion of the Bonds at the Illustrative Conversion Price.
- (4) On conversion of the Bonds at maturity, the liability component carried at the amortised cost-effective interest method for Scenarios 1, 2 and 3 of RM2.76 million, RM1.81 million and RM8.29 million, respectively, together with the equity component of RM47.24 million, RM30.90 million and RM141.71 million, respectively would be derecognised and recognised in equity as issued share capital.
- (5) Assuming conversion of the Bonds at the MCP of RM0.10.

## 6.2 NA per Share and gearing

Based on the latest audited consolidated statements of financial position of our Group as at 30 September 2023, the pro forma effects of the Proposals on the NA per Share and gearing of our Group are set out as follows:

### Minimum Scenario

#### Scenario 1

	Audited as at 30 September 2023	Subsequent events up to the LPD <sup>(1)</sup>	(I) Proposed Share Consolidation	(II) After (I) and Proposed Share Capital Reduction <sup>(2)</sup>	(III) After (II) and issuance of Main Tranche 1 Bonds	(IV) After (III) and full conversion of Main Tranche 1 Bonds <sup>(6)</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	95,131	102,803	102,803	52,803	52,803	102,803
Estimated equity component of the Bonds	-	-	-	-	47,235 <sup>(3)</sup>	-
Reserves	13,318	12,891	12,891	12,891	12,891	12,891
Accumulated losses	(44,789)	(44,789)	(44,789)	5,211	538 <sup>(4)</sup>	538
<b>Total equity</b>	<b>63,661</b>	<b>70,905</b>	<b>70,905</b>	<b>70,905</b>	<b>113,467</b>	<b>116,232</b>
Number of Shares in issue ('000)	1,381,216	1,635,550	163,555	163,555	163,555	272,582
NA per Share (RM)	0.05	0.04	0.43	0.43	0.69	0.43
Total borrowings (RM'000)	184	184	184	184	2,949 <sup>(5)</sup>	184
Gearing level (times)	*	*	*	*	0.03	*

#### Notes:

\* Being less than 0.01 time

(1) After taking into consideration the following:

- (a) issuance of 254,333,700 new Shares arising from the exercise of 139,600,000 SIS Options at the exercise price of RM0.0225 and 114,733,700 SIS Options at the exercise price of RM0.0150 from 1 October 2023 up to the LPD; and

- (b) net decrease of the SIS Options reserves amounting to approximately RM0.43 million after taking into consideration the issuance of new SIS Options and reversal of SIS Options reserves arising from the exercise of the SIS Options from 1 October 2023 up to the LPD.
- (2) After cancellation of RM50.00 million of our Company's share capital and recognition of the corresponding credit pursuant to the Proposed Share Capital Reduction.
- (3) Being the estimated equity component of the Bonds of RM47.24 million based on Malaysian Financial Reporting Standards (MFRS) 132. The Bonds consist of 2 components with regard to the recognition in the financial statements which are, as equity and as liability. The liability component of the Bonds is the present value of the future cash flows (interest payments), calculated by discounting the future cash flows of the Bonds at the interest rate. The equity component of the Bonds is the difference between the total proceeds received from the Bonds and the liability component.
- (4) After deducting the estimated expenses in relation to the Proposals of RM4.67 million as set in Section 3 of this Circular.
- (5) Including the estimated liability component of the Bonds amounting to approximately RM2.76 million.
- (6) For illustration purposes, the Bonds are assumed to be converted at the Illustrative Conversion Price. Upon conversion of the Bonds, the liability component and the equity component would be derecognised and recognised in equity as issued share capital.

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## Scenario 2

	Audited as at 30 September 2023	Subsequent events up to the LPD <sup>(1)</sup>	(I) Proposed Share Consolidation	(II) After (I) and Proposed Share Capital Reduction <sup>(2)</sup>	(III) After (II) and issuance of Main Tranche 1 Bonds	(IV) After (III) and full conversion of Main Tranche 1 Bonds <sup>(6)</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	95,131	102,803	102,803	52,803	52,803	85,514
Estimated equity component of the Bonds	-	-	-	-	30,902 <sup>(3)</sup>	-
Reserves	13,318	12,891	12,891	12,891	12,891	12,891
Accumulated losses	(44,789)	(44,789)	(44,789)	5,211	1,649 <sup>(4)</sup>	1,649
<b>Total equity</b>	<b>63,661</b>	<b>70,905</b>	<b>70,905</b>	<b>70,905</b>	<b>98,245</b>	<b>100,054</b>
Number of Shares in issue ('000)	1,381,216	1,635,550	163,555	163,555	163,555	490,665
NA per Share (RM)	0.05	0.04	0.43	0.43	0.60	0.20
Total borrowings (RM'000)	184	184	184	184	1,993 <sup>(5)</sup>	184
Gearing level (times)	*	*	*	*	0.02	*

### Notes:

\* Being less than 0.01 time

(1) After taking into consideration the following:

- (a) issuance of 254,333,700 new Shares arising from the exercise of 139,600,000 SIS Options at the exercise price of RM0.0225 and 114,733,700 SIS Options at the exercise price of RM0.0150 from 1 October 2023 up to the LPD; and
- (b) net decrease of the SIS Options reserves amounting to approximately RM0.43 million after taking into consideration the issuance of new SIS Options and reversal of SIS Options reserves arising from the exercise of the SIS Options from 1 October 2023 up to the LPD.

(2) After cancellation of RM50.00 million of our Company's share capital and recognition of the corresponding credit pursuant to the Proposed Share Capital Reduction.

- (3) *Being the estimated equity component of the Bonds of RM30.90 million based on Malaysian Financial Reporting Standards (MFRS) 132. The Bonds consist of 2 components with regard to the recognition in the financial statements which are, as equity and as liability. The liability component of the Bonds is the present value of the future cash flows (interest payments), calculated by discounting the future cash flows of the Bonds at the interest rate. The equity component of the Bonds is the difference between the total proceeds received from the Bonds and the liability component.*
- (4) *After deducting the estimated expenses in relation to the Proposals of RM3.56 million as set in Section 3 of this Circular.*
- (5) *Including the estimated liability component of the Bonds amounting to approximately RM1.81 million.*
- (6) *For illustration purposes, the Bonds are assumed to be converted at the MCP. Upon conversion of the Bonds, the liability component and the equity component would be derecognised and recognised in equity as issued share capital.*

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### Scenario 3

	Audited as at 30 September 2023	Subsequent events up to the LPD <sup>(1)</sup>	(I)		(II)		(III)		(IV)	
			Proposed Share Consolidation	Proposed Share Capital Reduction <sup>(2)</sup>	After (I) and Proposed Share Capital Reduction <sup>(2)</sup>	After (II) and issuance of Main Tranche 1, 2 and 3 Bonds	After (III) and full conversion of Main Tranche 1, 2 and 3 Bonds <sup>(6)</sup>			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	95,131	102,803	102,803	52,803	52,803	52,803	202,803	-	-	-
Estimated equity component of the Bonds	-	-	-	-	-	141,706 <sup>(3)</sup>	-	-	-	-
Reserves	13,318	12,891	12,891	12,891	12,891	12,891	12,891	12,891	12,891	12,891
Accumulated losses	(44,789)	(44,789)	(44,789)	5,211	5,211	(6,122) <sup>(4)</sup>	(6,122)	(6,122)	(6,122)	(6,122)
<b>Total equity</b>	<b>63,661</b>	<b>70,905</b>	<b>70,905</b>	<b>70,905</b>	<b>70,905</b>	<b>201,278</b>	<b>209,572</b>	<b>209,572</b>	<b>209,572</b>	<b>209,572</b>
Number of Shares in issue ('000)	1,381,216	1,635,550	1,635,550	163,555	163,555	163,555	163,555	163,555	163,555	490,637
NA per Share (RM)	0.05	0.04	0.04	0.43	0.43	1.23	1.23	1.23	1.23	0.43
Total borrowings (RM'000)	184	184	184	184	184	8,478 <sup>(5)</sup>	8,478	8,478	8,478	184
Gearing level (times)	*	*	*	*	*	0.04	0.04	0.04	0.04	*

#### Notes:

\* Being less than 0.01 time

(1) After taking into consideration the following:

(a) issuance of 254,333,700 new Shares arising from the exercise of 139,600,000 SIS Options at the exercise price of RM0.0225 and 114,733,700 SIS Options at the exercise price of RM0.0150 from 1 October 2023 up to the LPD; and

(b) net decrease of the SIS Options reserves amounting to approximately RM0.43 million after taking into consideration the issuance of new SIS Options and reversal of SIS Options reserves arising from the exercise of the SIS Options from 1 October 2023 up to the LPD.

(2) After cancellation of RM50.00 million of our Company's share capital and recognition of the corresponding credit pursuant to the Proposed Share Capital Reduction.

- (3) *Being the estimated equity component of the Bonds of RM141.71 million based on Malaysian Financial Reporting Standards (MFRS) 132. The Bonds consist of 2 components with regard to the recognition in the financial statements which are, as equity and as liability. The liability component of the Bonds is the present value of the future cash flows (interest payments), calculated by discounting the future cash flows of the Bonds at the interest rate. The equity component of the Bonds is the difference between the total proceeds received from the Bonds and the liability component.*
- (4) *After deducting the estimated expenses in relation to the Proposals of RM11.33 million as set in Section 3 of this Circular.*
- (5) *Including the estimated liability component of the Bonds amounting to approximately RM8.29 million.*
- (6) *For illustration purposes, the Bonds are assumed to be converted at the Illustrative Conversion Price. Upon conversion of the Bonds, the liability component and the equity component would be derecognised and recognised in equity as issued share capital.*

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## Maximum Scenario

### Scenario 1

	Audited as at 30 September 2023		Subsequent events up to the LPD <sup>(1)</sup>		(I) Assuming full exercise of SIS Options <sup>(2)</sup>		(II) After (I) and Proposed Consolidation		(III) After (II) and Proposed Share Capital Reduction <sup>(3)</sup>		(IV) After (III) and issuance of Main Tranche 1 Bonds		(V) After (IV) and full conversion of Main Tranche 1 Bonds <sup>(7)</sup>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	95,131	-	102,803	103,733	103,733	103,733	103,733	53,733	53,733	53,733	53,733	53,733	103,733	-
Estimated equity component of the Bonds	-	-	-	-	-	-	-	-	-	-	-	47,235 <sup>(4)</sup>	-	-
Reserves	13,318	12,891	12,891	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410
Accumulated losses	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	5,211	538 <sup>(6)</sup>	538 <sup>(6)</sup>	538 <sup>(6)</sup>	538	538
<b>Total equity</b>	<b>63,661</b>	<b>70,905</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>113,916</b>	<b>113,916</b>	<b>113,916</b>	<b>116,681</b>	<b>116,681</b>
Number of Shares in issue ('000)	1,381,216	1,635,550	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457
NA per Share (RM)	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total borrowings (RM'000)	184	184	184	184	184	184	184	184	184	184	184	184	184	184
Gearing level (times)	*	*	*	*	*	*	*	*	*	*	*	*	*	*

#### Notes:

\* Being less than 0.01 time

(1) After taking into consideration the following:

- (a) issuance of 254,333,700 new Shares arising from the exercise of 139,600,000 SIS Options at the exercise price of RM0.0225 and 114,733,700 SIS Options at the exercise price of RM0.0150 from 1 October 2023 up to the LPD; and
- (b) net decrease of the SIS Options reserves amounting to approximately RM0.43 million after taking into consideration the issuance of new SIS Options and reversal of SIS Options reserves arising from the exercise of the SIS Options from 1 October 2023 up to the LPD.

(2) After taking into consideration the following:

- (a) assuming 29,907,100 outstanding SIS Options are exercised and converted into new MQ Tech Shares at the exercise price of RM0.015 each; and

- (b) reversal from the SIS Option reserve account to the share capital account amounting to approximately RM0.48 million arising from the exercise of 29,907,100 outstanding SIS Options.
- (3) After cancellation of RM50.00 million of our Company's share capital and recognition of the corresponding credit pursuant to the Proposed Share Capital Reduction.
- (4) Being the estimated equity component of the Bonds of RM47.24 million based on Malaysian Financial Reporting Standards (MFRS) 132. The Bonds consist of 2 components with regard to the recognition in the financial statements which are, as equity and as liability. The liability component of the Bonds is the present value of the future cash flows (interest payments), calculated by discounting the future cash flows of the Bonds at the interest rate. The equity component of the Bonds is the difference between the total proceeds received from the Bonds and the liability component.
- (5) After deducting the estimated expenses in relation to the Proposals of RM4.67 million as set in Section 3 of this Circular.
- (6) Including the estimated liability component of the Bonds amounting to approximately RM2.76 million.
- (7) For illustration purposes, the Bonds are assumed to be converted at the Illustrative Conversion Price. Upon conversion of the Bonds, the liability component and the equity component would be derecognised and recognised in equity as issued share capital.

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## Scenario 2

	Audited as at 30 September 2023	Subsequent events up to the LPD <sup>(1)</sup>	(I)		(II)		(III)		(IV)		After (IV) and full conversion of Main Tranche 1 Bonds <sup>(7)</sup>
			Assuming full exercise of SIS Options <sup>(2)</sup>	After (I) and Proposed Share Consolidation	Proposed Share Capital Reduction <sup>(3)</sup>	After (III) and issuance of Main Tranche 1 Bonds	After (IV) and full conversion of Main Tranche 1 Bonds <sup>(7)</sup>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	95,131	102,803	103,733	103,733	53,733	53,733	53,733	53,733	86,444	86,444	-
Estimated equity component of the Bonds	-	-	-	-	-	-	-	30,902 <sup>(4)</sup>	-	-	-
Reserves	13,318	12,891	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410
Accumulated losses	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)
<b>Total equity</b>	<b>63,661</b>	<b>70,905</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>98,694</b>	<b>100,503</b>	<b>100,503</b>	<b>100,503</b>
Number of Shares in issue ('000)	1,381,216	1,635,550	1,665,457	1,665,456	1,665,456	1,665,456	1,665,456	1,665,456	1,665,456	1,665,456	1,665,456
NA per Share (RM)	0.05	0.04	0.04	0.43	0.43	0.43	0.43	0.59	0.20	0.20	0.20
Total borrowings (RM'000)	184	184	184	184	184	184	184	1,993 <sup>(6)</sup>	184	184	184
Gearing level (times)	*	*	*	*	*	*	*	0.02	*	*	*

### Notes:

\* Being less than 0.01 time

(1) After taking into consideration the following:

(a) issuance of 254,333,700 new Shares arising from the exercise of 139,600,000 SIS Options at the exercise price of RM0.0225 and 114,733,700 SIS Options at the exercise price of RM0.0150 from 1 October 2023 up to the LPD; and

(b) net decrease of the SIS Options reserves amounting to approximately RM0.43 million after taking into consideration the issuance of new SIS Options and reversal of SIS Options reserves arising from the exercise of the SIS Options from 1 October 2023 up to the LPD.

(2) After taking into consideration the following:

(a) assuming 29,907,100 outstanding SIS Options are exercised and converted into new MQ Tech Shares at the exercise price of RM0.015 each; and

- (b) reversal from the SIS Option reserve account to the share capital account amounting to approximately RM0.48 million arising from the exercise of 29,907,100 outstanding SIS Options.
- (3) After cancellation of RM50.00 million of our Company's share capital and recognition of the corresponding credit pursuant to the Proposed Share Capital Reduction.
- (4) Being the estimated equity component of the Bonds of RM30.90 million based on Malaysian Financial Reporting Standards (MFRS) 132. The Bonds consist of 2 components with regard to the recognition in the financial statements which are, as equity and as liability. The liability component of the Bonds is the present value of the future cash flows (interest payments), calculated by discounting the future cash flows of the Bonds at the interest rate. The equity component of the Bonds is the difference between the total proceeds received from the Bonds and the liability component.
- (5) After deducting the estimated expenses in relation to the Proposals of RM3.56 million as set in Section 3 of this Circular.
- (6) Including the estimated liability component of the Bonds amounting to approximately RM1.81 million.
- (7) For illustration purposes, the Bonds are assumed to be converted at the MCP. Upon conversion of the Bonds, the liability component and the equity component would be derecognised and recognised in equity as issued share capital.

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### Scenario 3

	Audited as at 30 September 2023		Subsequent events up to the LPD <sup>(1)</sup>		Assuming full exercise of SIS Options <sup>(2)</sup>		After (I) and Proposed Share Consolidation		After (II) and Proposed Share Capital Reduction <sup>(3)</sup>		After (III) and issuance of Main Tranche 1 Bonds		After (IV) and full conversion of Main Tranche 1 Bonds <sup>(7)</sup>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	95,131	102,803	103,733	103,733	103,733	103,733	103,733	53,733	53,733	53,733	53,733	53,733	203,733	203,733
Estimated equity component of the Bonds	-	-	-	-	-	-	-	-	-	-	-	141,706 <sup>(4)</sup>	-	-
Reserves	13,318	12,891	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410	12,410
Accumulated losses	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	(44,789)	5,211	(6,122) <sup>(6)</sup>	(6,122)	(6,122)	(6,122)	(6,122)
<b>Total equity</b>	<b>63,661</b>	<b>70,905</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>71,354</b>	<b>201,727</b>	<b>210,021</b>	<b>210,021</b>	<b>210,021</b>
Number of Shares in issue ('000)	1,381,216	1,635,550	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457	1,665,457
NA per Share (RM)	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total borrowings (RM'000)	184	184	184	184	184	184	184	184	184	184	184	184	184	184
Gearing level (times)	*	*	*	*	*	*	*	*	*	*	*	*	*	*

#### Notes:

\* Being less than 0.01 time

(1) After taking into consideration the following:

(a) issuance of 254,333,700 new Shares arising from the exercise of 139,600,000 SIS Options at the exercise price of RM0.0225 and 114,733,700 SIS Options at the exercise price of RM0.0150 from 1 October 2023 up to the LPD; and

(b) net decrease of the SIS Options reserves amounting to approximately RM0.43 million after taking into consideration the issuance of new SIS Options and reversal of SIS Options reserves arising from the exercise of the SIS Options from 1 October 2023 up to the LPD.

(2) After taking into consideration the following:

(a) assuming 29,907,100 outstanding SIS Options are exercised and converted into new MQ Tech Shares at the exercise price of RM0.015 each; and

- (b) reversal from the SIS Option reserve account to the share capital account amounting to approximately RM0.48 million arising from the exercise of 29,907,100 outstanding SIS Options.
- (3) After cancellation of RM50.00 million of our Company's share capital and recognition of the corresponding credit pursuant to the Proposed Share Capital Reduction.
- (4) Being the estimated equity component of the Bonds of RM141.71 million based on Malaysian Financial Reporting Standards (MFRS) 132. The Bonds consist of 2 components with regard to the recognition in the financial statements which are, as equity and as liability. The liability component of the Bonds is the present value of the future cash flows (interest payments), calculated by discounting the future cash flows of the Bonds at the interest rate. The equity component of the Bonds is the difference between the total proceeds received from the Bonds and the liability component.
- (5) After deducting the estimated expenses in relation to the Proposals of RM11.33 million as set in Section 3 of this Circular.
- (6) Including the estimated liability component of the Bonds amounting to approximately RM8.29 million.
- (7) For illustration purposes, the Bonds are assumed to be converted at the Illustrative Conversion Price. Upon conversion of the Bonds, the liability component and the equity component would be derecognised and recognised in equity as issued share capital.

### 6.3 Substantial shareholders' shareholdings

The Proposed Share Capital Reduction will not have any effect to the shareholdings of our Company's substantial shareholders. The pro forma effects of the Proposed Share Consolidation and Proposed Issuance of Bonds on the shareholdings of the substantial shareholders of MQ Tech are as follows:

#### Minimum Scenario

##### Scenario 1

Name	As at the LPD				(I)				(II)			
	Direct		Indirect		After Proposed Share Consolidation		Indirect		After (I) and full conversion of Main Tranche 1 Bonds		Indirect	
	No. of Shares ('000)	% <sup>(1)</sup>	No. of Shares ('000)	% <sup>(1)</sup>	No. of Shares ('000)	% <sup>(2)</sup>	No. of Shares ('000)	% <sup>(2)</sup>	No. of Shares ('000)	% <sup>(3)</sup>	No. of Shares ('000)	% <sup>(3)</sup>
Tai Tean Seng	90,002	5.50	-	-	9,000	5.50	-	-	9,000	3.30	-	-

#### Notes:

- (1) Based on 1,635,549,531 MQ Tech Shares in issue as at the LPD.

(2) Based on 163,554,953 MQ Tech Shares after the Proposed Share Consolidation.

(3) Based on 272,582,427 MQ Tech Shares after taking into consideration the 109,027,474 new MQ Tech Shares issued pursuant to the full conversion of Main Tranche 1 Bonds at the Illustrative Conversion Price.

### Scenario 2

Name	As at the LPD			(I) After Proposed Share Consolidation			(II) After (I) and full conversion of Main Tranche 1 Bonds		
	Direct	Indirect		Direct	Indirect		Direct	Indirect	
	No. of Shares ('000)	No. of Shares ('000)	% <sup>(1)</sup>	No. of Shares ('000)	No. of Shares ('000)	% <sup>(2)</sup>	No. of Shares ('000)	No. of Shares ('000)	% <sup>(3)</sup>
Tai Tean Seng	90,002	-	5.50	9,000	-	5.50	9,000	-	1.83

### Notes:

(1) Based on 1,635,549,531 MQ Tech Shares in issue as at the LPD.

(2) Based on 163,554,953 MQ Tech Shares after the Proposed Share Consolidation.

(3) Based on 490,664,853 MQ Tech Shares after taking into consideration the 327,109,900 new MQ Tech Shares issued pursuant to the full conversion of Main Tranche 1 Bonds at the MCP.

### Scenario 3

Name	As at the LPD			(I) After Proposed Share Consolidation			(II) After (I) and full conversion of Main Tranche 1, 2 and 3 Bonds		
	Direct	Indirect		Direct	Indirect		Direct	Indirect	
	No. of Shares ('000)	No. of Shares ('000)	% <sup>(1)</sup>	No. of Shares ('000)	No. of Shares ('000)	% <sup>(2)</sup>	No. of Shares ('000)	No. of Shares ('000)	% <sup>(3)</sup>
Tai Tean Seng	90,002	-	5.50	9,000	-	5.50	9,000	-	1.83

**Notes:**

- (1) Based on 1,635,549,531 MQ Tech Shares in issue as at the LPD.  
 (2) Based on 163,554,953 MQ Tech Shares after the Proposed Share Consolidation.

**Maximum Scenario****Scenario 1**

Name	As at the LPD		(I) After full conversion of SIS Options	
	Direct	Indirect	Direct	Indirect
	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)
Tai Tean Seng	90,002	5.50	90,002	5.40
				5.40
				5.40
Name	(II) After (I) and Proposed Share Consolidation		(III) After (II) and full conversion of Main Tranche 1 Bonds	
	Direct	Indirect	Direct	Indirect
	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)
Tai Tean Seng	9,000	5.40	9,000	3.27
				3.27
				3.27

**Notes:**

- (1) Based on 1,635,549,531 MQ Tech Shares in issue as at the LPD.  
 (2) Based on 1,665,456,631 MQ Tech Shares in issue after full exercise of outstanding SIS Options.  
 (3) Based on 166,545,663 MQ Tech Shares after the Proposed Share Consolidation.  
 (4) Based on 275,573,137 MQ Tech Shares after taking into consideration the 109,027,474 new MQ Tech Shares issued pursuant to the full conversion of Main Tranche 1 Bonds at the Illustrative Conversion Price.

## Scenario 2

Name	As at the LPD		(I) After full conversion of SIS Options	
	Direct	Indirect	Direct	Indirect
	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)
	% <sup>(1)</sup>	% <sup>(1)</sup>	% <sup>(2)</sup>	% <sup>(2)</sup>
Tai Tean Seng	90,002	5.50	90,002	5.40
		-		-
Name	(II) After (I) and Proposed Share Consolidation		(III) After (II) and full conversion of Main Tranche 1 Bonds	
	Direct	Indirect	Direct	Indirect
	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)
	% <sup>(3)</sup>	% <sup>(3)</sup>	% <sup>(4)</sup>	% <sup>(4)</sup>
Tai Tean Seng	9,000	5.40	9,000	1.82
		-		-

### Notes:

- (1) Based on 1,635,549,531 MQ Tech Shares in issue as at the LPD.
- (2) Based on 1,665,456,631 MQ Tech Shares in issue after full exercise of outstanding SIS Options.
- (3) Based on 166,545,663 MQ Tech Shares after the Proposed Share Consolidation.
- (4) Based on 493,655,563 MQ Tech Shares after taking into consideration the 327,109,900 new MQ Tech Shares issued pursuant to the full conversion of Main Tranche 1 Bonds at the MCP.

### Scenario 3

Name	As at the LPD		(I) After full conversion of SIS Options	
	Direct	Indirect	Direct	Indirect
	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)
	% <sup>(1)</sup>	% <sup>(1)</sup>	% <sup>(2)</sup>	% <sup>(2)</sup>
Tai Tean Seng	90,002	5.50	90,002	5.40
		-		-
		-		-
Name	(II) After (I) and Proposed Share Consolidation		(III) After (II) and full conversion of Main Tranche 1, 2 and 3 Bonds	
	Direct	Indirect	Direct	Indirect
	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)
	% <sup>(3)</sup>	% <sup>(3)</sup>	% <sup>(4)</sup>	% <sup>(4)</sup>
Tai Tean Seng	9,000	5.40	9,000	1.82
		-		-
		-		-

#### Notes:

- (1) Based on 1,635,549,531 MQ Tech Shares in issue as at the LPD.
- (2) Based on 1,665,456,631 MQ Tech Shares in issue after full exercise of outstanding SIS Options.
- (3) Based on 166,545,663 MQ Tech Shares after the Proposed Share Consolidation.
- (4) Based on 493,628,085 MQ Tech Shares after taking into consideration the 327,082,422 new MQ Tech Shares issued pursuant to the full conversion of Main Tranche 1, 2 and 3 Bonds at the Illustrative Conversion Price.

It is expected that there will be no changes in our Company's major shareholders pursuant to the Proposed Issuance of Bonds as there will be no conversion of the Bonds by the Subscriber to transfer a controlling interest in our Company such that the Subscriber becomes controlling shareholder of our Company without the prior approval of our Company's shareholders, nor to hold more than 10% interest in the total number of issued shares of our Company, at any time and from time to time, without our Company's prior approval. In addition, the Conversion Shares are expected to be sold down via the open market on a progressive basis, in tandem with the progressive subscription and conversion of the Bonds.

## 6.4 Earnings and EPS

The Proposals are not expected to have a material effect on the earnings of our Group for the FYE 30 September 2024. However, pursuant to the Proposed Share Consolidation and all things being equal, there will be an increase in our Group's EPS corresponding to the reduced number of MQ Tech Shares in issue. The Conversion Shares to be issued pursuant to the Proposed Issuance of Bonds will result in an immediate dilution of the EPS of our Group due to the increased number of MQ Tech Share in issue.

Notwithstanding the above, the Proposed Issuance of Bonds is expected to contribute positively to our Group's future earnings as and when the benefits of the utilisation of proceeds from the Proposed Issuance of Bonds as set out in Section 3 of this Circular are realised.

## 6.5 Convertible securities

As at the LPD, our Company does not have any outstanding convertible securities.

For information, our Company has 29,907,100 outstanding SIS Options as at the LPD. In the event the outstanding SIS Options are not exercised prior to the Entitlement Date, the exercise price and number of outstanding SIS Options will be adjusted according to the By-Laws pursuant to the Proposed Share Consolidation. Please refer to Section 2.2.3 of this Circular for further details of the adjustments on the outstanding SIS Options.

## 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 August 2023 to July 2024 are as follows:

	<u>Highest</u>	<u>Lowest</u>
	RM	RM
<b><u>2024</u></b>		
July	0.015	0.010
June	0.015	0.010
May	0.020	0.010
April	0.020	0.015
March	0.020	0.015
February	0.025	0.015
January	0.030	0.015
<b><u>2023</u></b>		
December	0.030	0.020
November	0.030	0.020
October	0.030	0.020
September	0.030	0.020
August	0.030	0.025
Last transacted market price on 6 June 2024, being the last trading day preceding the announcement of the Proposals (RM)		0.015
Last transacted market price as at the LPD (RM)		0.010

(Source: Bloomberg)

## 8. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (v) Bursa Securities for the:
  - (a) Proposed Share Consolidation; and
  - (b) listing of and quotation for the Conversion Shares pursuant to the Proposed Issuance of Bonds on the ACE Market of Bursa Securities.

The approval of Bursa Securities was obtained vide its letter dated 7 August 2024 and is subject to the following conditions:

<b>No.</b>	<b>Condition</b>	<b>Status of compliance</b>
(1)	MQ Tech and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining of the implementation of the Proposed Share Consolidation and Proposed Issuance of Bonds;	To be complied
(2)	MQ Tech and Mercury Securities are required to make the relevant announcement pursuant to Rule 6.57(2)(ii) and (iii) of the Listing Requirements pertaining to the Proposed Share Consolidation;	To be complied
(3)	MQ Tech and Mercury Securities are required to inform Bursa Securities upon the completion of the Proposed Share Consolidation and Proposed Issuance of Bonds;	To be complied
(4)	Certified true copy of the resolution passed by shareholders at the forthcoming general meeting for the Proposals;	To be complied
(5)	MQ Tech and Mercury Securities are required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Share Consolidation and Proposed Issuance of Bonds are completed; and	To be complied
(6)	MQ Tech to furnish Bursa Securities on a quarterly basis a summary of the total number of MQ Tech Shares listed pursuant to the conversion of the Bonds as at the end of each quarter with a detailed computation of listing fees payable.	To be complied

- (vi) MQ Tech's shareholders at the forthcoming EGM for the Proposals;
- (vii) the sanction of the High Court of Malaya for the Proposed Share Capital Reduction; and
- (viii) any other approval(s) from any other relevant parties / authorities, if required.

In addition, our Company will also seek for its shareholders' approval to waive their statutory preemptive rights to be offered any new MQ Tech Shares ranking equally to the existing issued shares of our Company arising from the conversion of the Bonds pursuant to the Proposed Issuance of Bonds under Section 85 of the Act and Clause 54 of our Constitution at the EGM to be convened in respect of the Proposals.

The Proposed Share Capital Reduction is not conditional upon the Proposed Share Consolidation or Proposed Issuance of Bonds and vice versa. The Proposed Issuance of Bonds is conditional upon the Proposed Share Consolidation but not vice versa. The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by our Company.

The Proposed Share Consolidation is prescribed as a Specified Consolidation pursuant to Rule 13.14(1)(a) of the Listing Requirements as it is not conditional upon any other proposals undertaken or to be undertaken by our Company.

For information, the Proposed Share Consolidation will be implemented first, followed by the Proposed Issuance of Bonds and Proposed Share Capital Reduction of which will be implemented concurrently upon the completion of the Proposed Share Consolidation.

## **9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION**

Our Board confirms that, save for the Proposals, being the subject matter of this Circular, 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.

## **10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED**

None of our Directors, major shareholders, chief executive and/or persons connected with them has any interest, whether direct or indirect, in the Proposals.

## **11. DIRECTORS' STATEMENT / RECOMMENDATION**

Our Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of our Company.

Accordingly, our Board recommends that our shareholders to vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

## **12. TENTATIVE TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to the approvals stated in Section 8 of this Circular, the tentative timetable in relation to the Proposals is as follows:

<b>Date</b>	<b>Events</b>
9 September 2024	Convening of EGM to obtain the approval of our shareholders for the Proposals
Mid September 2024	Announcement on the Entitlement Date
End September 2024	<ul style="list-style-type: none"> <li>• Entitlement Date</li> <li>• Completion of the Proposed Share Consolidation</li> </ul>

<b>Date</b>	<b>Events</b>
Mid October 2024	<ul style="list-style-type: none"> <li>• Submission of documents to the High Court of Malaya for the Proposed Share Capital Reduction</li> <li>• First Sub-Tranche 1 Bonds to be available for issuance</li> </ul>
Early December 2024	Order by the High Court of Malaya for the Proposed Share Capital Reduction
Mid December 2024	Effective date of the Proposed Share Capital Reduction

### **13. EGM**

The EGM, the notice of which is enclosed together with this Circular, will be held at Unit 310, Block C, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor Darul Ehsan on Monday, 9 September 2024 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you are entitled to 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 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia 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 in person at the EGM should you subsequently wish to do so.

### **14. IMPLICATIONS FOR VOTING IN FAVOUR OF THE PROPOSED ISSUANCE OF BONDS**

Section 85(1) of the Act provides that:

*"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."*

Clause 54 of the Constitution of our Company states that:

*"Subject to any direction to the contrary that may be given by our Company in general meeting, any new shares or other convertible securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from our Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to our Company. The Directors may in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided."*

Section 85(1) of the Act, when read together with Clause 54 of the Constitution of our Company, would be construed to mean that all new shares or other convertible securities of our Company shall, before they are issued, be first offered to our existing shareholders in proportion, as nearly as the circumstances admit, to the number of existing shares or securities to which you are entitled (“**Pre-Emptive Rights**”).

Accordingly, if you vote in favour of the proposed resolutions pertaining to the Proposed Issuance of Bonds to be tabled at the EGM to be convened, you will be waiving your Pre-Emptive Rights and such proposed resolutions, if passed, would be tantamount to you agreeing to waive your Pre-Emptive Rights in respect of the allotment and issuance of the new MQ Tech Shares pursuant to the conversion of Bonds under the Proposed Issuance of Bonds, which will result in a dilution to your shareholding in our Company.

## **15. 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**  
Managing Director

## ADDITIONAL INFORMATION

### 1. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

The summary of the historical financial information of our Group for the audited 15-month FPE 30 September 2021, FYE 30 September 2022 and FYE 30 September 2023 together with the unaudited 6-month FPE 31 March 2023 and 6-month FPE 31 March 2024 as well as the commentaries are as follows:

	Audited			Unaudited	
	15-month FPE 30 September 2021 <sup>(1)</sup> (Restated)	FYE 30 September 2022	FYE 30 September 2023	6-month FPE 31 March 2023	6-month FPE 31 March 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	10,650	16,114	6,749	4,289	3,060
Cost of sales	(7,306)	(10,611)	(8,519)	(4,609)	(3,420)
<b>Gross profit/(loss)</b>	<b>3,344</b>	<b>5,503</b>	<b>(1,770)</b>	<b>(320)</b>	<b>(360)</b>
Other operating income	105	501	568	280	274
Operating expenses	(4,896)	(4,554)	(13,782)	(3,887)	(2,257)
<b>(Loss) / Profit from operations</b>	<b>(1,447)</b>	<b>1,450</b>	<b>(14,984)</b>	<b>(3,927)</b>	<b>(2,343)</b>
Finance costs	(11)	(8)	(9)	(4)	(4)
<b>(Loss) / Profit before tax ("LBT" / "PBT")</b>	<b>(1,458)</b>	<b>1,442</b>	<b>(14,993)</b>	<b>(3,931)</b>	<b>(2,347)</b>
Income tax (expenses) / income	102	740	(71)	-	-
<b>(Loss) / Profit for the financial year/ period</b>	<b>(1,356)</b>	<b>2,182</b>	<b>(15,064)</b>	<b>(3,931)</b>	<b>(2,347)</b>
Total equity/Shareholders' equity	43,828	66,395	63,661	74,794	65,508
Number of MQ Tech Shares in issue ('000)	847,030	1,251,092	1,381,216	1,381,216	1,520,816
NA per Share (RM) <sup>(2)</sup>	0.05	0.05	0.05	0.05	0.04
Borrowings (RM'000)	211	148	184	185	136
Gearing ratio (times) <sup>(3)</sup>	*	*	*	*	*
(Loss) / Earnings per Share (sen) <sup>(4)</sup>	(0.19)	0.22	(1.14)	(0.31)	(0.16)

#### Notes:

\* Being less than 0.01 time

(1) On 3 August 2021, our Company announced that our Board has approved the change of financial year end of our Company from 30 June 2021 to 30 September 2021.

(2) Calculated based on total equity divided by the number of MQ Tech Shares in issue..

(3) Calculated based on borrowings divided by shareholders' equity.

(4) Calculated based on (loss) / profit for the financial year / period over the weighted average number of ordinary shares outstanding during the respective financial year/ period

**ADDITIONAL INFORMATION (Cont'd)**

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**Commentaries:****15-month FPE 30 September 2021 vs FYE 30 September 2022**

For the FYE 30 September 2022, our Group's revenue increased by RM7.59 million or 89.08% to RM16.11 million (annualised 15-month FPE 30 September 2021: RM8.52 million). The increase in revenue was mainly due to increase in demand for our Group's manufacturing products in particular for the medical industry.

Our Group recorded a PBT of RM1.44 million for the FYE 30 September 2022 as compared to an annualised LBT of RM1.16 million for the 15-month FPE 30 September 2021 which was mainly due to the following:

- (i) increase in revenue as stated above;
- (ii) gross profit margin in FYE 30 September 2022 increased by 2.75% to 34.15% (15-month FPE 30 September 2021: 31.40%) as a result of effective overhead cost control; and
- (iii) higher other income in FYE 30 September 2022 of RM0.50 million (annualised 15-month FPE 30 September 2021: RM0.08 million) as a result of higher realised foreign exchange gain driven by the strengthening US Dollar against the Ringgit Malaysia.

**FYE 30 September 2022 vs FYE 30 September 2023**

For the FYE 30 September 2023, our Group's revenue decreased by RM9.36 million or 58.10% to RM6.75 million (FYE 30 September 2022: RM16.11 million). The decrease in revenue was mainly due to the substantial decrease in customer orders, particularly from our Group's major customers in Thailand as a result of the global uncertainties arising from the geopolitical tensions.

Our Group recorded a LBT of RM14.99 million for the FYE 30 September 2023 as compared to a PBT of RM1.44 million for the FYE 30 September 2022 which was mainly due to the following:

- (i) substantial decrease in revenue as stated above;
- (ii) negative gross profit margin of 26.23% in FYE 30 September 2023 as compare to the positive gross profit margin of 34.15% in FYE 30 September 2022 as a result of due to the substantial decrease in revenue as stated above resulting the revenue being lower than the operation's fixed cost; and
- (iii) operating expenses increased by RM9.23 million or 202.86% to RM13.78million (FYE 30 September 2022: RM4.55 million) mainly attributed to the following:
  - (a) expenses pertaining to the SIS Options increased by RM6.34 million to RM6.82 million (FYE 30 September 2022: RM0.48 million);
  - (b) impairment loss on the property, plant and equipment of RM1.28 million (FYE 30 September 2022: Nil).

**6-month FPE 31 March 2023 vs 6-month FPE 31 March 2024**

For the 6-month FPE 31 March 2024, the Group's revenue decreased by RM1.23 million or 28.67% to RM3.06 million (6-month FPE 31 March 2023: RM4.29 million). The decrease in revenue was mainly due to the substantial decrease in customers order as a result of weakening global economy.

**ADDITIONAL INFORMATION (Cont'd)**

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Notwithstanding the above, the Group recorded a LBT of RM2.35 million for the 6-month 31 March 2024 which is 40.20% lower as compared to a LBT of RM3.93 million for the 6-month FPE 31 March 2023 which was mainly due to the operating expenses decreased by RM1.63 million to RM2.26 million (6-month FPE 31 March 2023: RM3.89 million) as a result of:

- (i) decrease in expenses in relation to the Company's share issuance scheme; and
- (ii) absence of expenses incurred for the Melaka Land in the 6-month FPE 31 March 2024.

## **2. VALUE CREATION AND IMPACT OF THE PROPOSALS TO OUR COMPANY AND SHAREHOLDERS**

### **(i) Proposed Share Capital Reduction**

As set out in Section 4.1 of this Circular, the Proposed Share Capital Reduction is undertaken to reduce the accumulated losses of our Group and our Company via the cancellation of the issued share capital to reflect the value of the underlying assets and financial position of our Company and our Group more accurately.

For the avoidance of doubt, the Proposed Share Capital Reduction will not result in the following:

- (a) any adjustment to the reference share price of the MQ Tech Shares;
- (b) any change in the total number of MQ Tech Shares in issue or the number of Shares held by the shareholders of MQ Tech;
- (c) any payment to the shareholders of MQ Tech; and
- (d) any cash outflow or change in NA of our Group, save for the estimated expenses to be incurred in relation to the Proposals.

### **(ii) Proposed Share Consolidation**

The Proposed Share Consolidation is undertaken to improve our Company's capital structure as well as to facilitate the Proposed Issuance of Bonds.

As stated in Section 4.2 of this Circular, the potential dilutive effect arising from the conversion of Bonds would be mitigated or better managed through the Proposed Share Consolidation, as the consolidation of the existing MQ Tech Shares will reduce the number of our Company shares available in the market. Further, consolidating the Shares would lead to a reduction in the total number of shares available in the market and could potentially reduce the volatility in the trading price for MQ Tech Shares.

For the avoidance of doubt, the Proposed Share Consolidation will not affect the total market value of the Shares held by the shareholders and our Company's shareholding structure.

### **(iii) Proposed Issuance of Bonds**

As stated in Section 3 of this Circular, the Proposed Issuance of Bonds is intended to raise funds for, amongst others, the development funding of the Proposed Development Project and working capital requirement for existing businesses.

The Proposed Issuance of Bonds will enable our Company to tap into the equity market to raise funds without incurring additional interest cost associated with bank borrowings, thereby minimising any further cash outflow in respect of interest servicing costs and preserving our Group's cash flow and directly enhancing shareholders' value.

**ADDITIONAL INFORMATION (Cont'd)**

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As illustrated in Section 6 of this Circular, the Proposed Issuance of Bonds is expected to enlarge the share capital of MQ Tech and increase its shareholders' funds as and when the Bonds are converted into new MQ Tech Shares. The increase in the number of issued MQ Tech Shares arising from the Proposed Issuance of Bonds will have a dilutive impact on the shareholdings of our Company's existing shareholders as and when the Bonds are converted into Conversion Shares. It will also dilute the EPS of our Group if the earnings of our Group do not increase in tandem with the increase in the number of MQ Tech Shares issued pursuant to the Proposed Issuance of Bonds.

Nevertheless, the Proposed Issuance of Bonds is expected to have a positive impact on future earnings of our Group by providing MQ Tech with necessary funding to fund its Development Projects, working capital requirements and to upgrade the Factory, which is expected to preserve our Group's main source of income and to benefit from the interest savings respectively, which would then improve our Company's financial position.

**3. ADEQUACY OF THE PROPOSED ISSUANCE OF BONDS IN ADDRESSING THE FINANCIAL CONCERNS OF THE GROUP**

Our Board is of the view that the primary financial concerns of our Group are mainly on the funding requirements for the Development Project, working capital requirements and upgrade of the Factory as set out in Section 3 of this Circular and the Proposed Issuance of Bonds is the expeditious way to address our Group's funding requirements at this juncture.

Our Board believes that, barring any unforeseen circumstances, the Proposed Issuance of Bonds will adequately address the financial concerns of our Group as set out in Section 3 of this Circular.

Premised on the above, our Board is of the view that the utilisation of proceeds pursuant to the Proposed Issuance of Bonds will improve our Group's financial performance and financial position as and when the benefit of the utilisation of proceeds from the Proposed Issuance of Bonds as set out in Section 3 of this Circular are realised. Moving forward, our Group will continue to monitor our Group's funding requirements and in the event our Group requires additional capital in the future we may need to carry out further corporate proposals depending on our capital structure and cost of fundings at the relevant point in time.

**4. STEPS OR ACTIONS UNDERTAKEN OR TO BE UNDERTAKEN TO IMPROVE THE FINANCIAL CONDITION OF OUR GROUP**

Our Group have undertaken or to undertake the following measures / steps to improve the financial situation:

- (i) Our Group is currently adopting a more effective cost management measures to control its 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;
- (ii) In January 2023, our Group had diversified its business to include the Property Business to mitigate our Group's reliance on its manufacturing division through the acquisition of the Melaka Land which was completed on 16 January 2024. The Proposed Development Project will be undertaken as our Group's maiden property development project and moving forward, our Group intends to leverage on the successful completion of the Proposed Development Project as well as our Group's experience to bid for other property development projects.

**FURTHER INFORMATION**

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**1. 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 misleading.

**2. CONSENT AND CONFLICT OF INTERESTS**

Mercury Securities, being the Principal Adviser to our Company for the Proposals, 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 it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as Principal Adviser to our Company for the Proposals.

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

As at the LPD, there are no material commitments incurred or known to be incurred by our Group, which may have a material impact on the profits and/or NA of our Group.

**3.2 Contingent liabilities**

As at the LPD, there are no contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the profits and/or NA of our Group.

**4. MATERIAL LITIGATION, CLAIMS AND 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 affect the business or financial position of our Group.

**5. MATERIAL CONTRACT**

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Group within the 2 years preceding the date of this Circular:

- (i) Sale and purchase agreement dated 26 January 2023 entered into between SASB and Cash Support Sdn Bhd for the acquisition of Melaka Land for a total consideration of RM19,500,000.00. This transaction has been completed on 16 January 2024 and Melaka Land has been duly registered under the name of SASB; and
- (ii) Turnkey construction contract dated 28 February 2023 entered into between MPTSB and Cherish Words Sdn Bhd as turnkey contractor to construct three (3) storey factory at Plot 86B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, Penang and provide external works for a total sum of RM6,413,614.00.

**FURTHER INFORMATION** *(Cont'd)*

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**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection at the registered office of our Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan 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 EGM to be convened:

- (i) the Constitution;
- (ii) the audited consolidated financial statements of our Company for the FYE 30 September 2022 and FYE 30 September 2023 and the latest unaudited consolidated financial statements of our Company for the 6-month FPE 31 March 2024;
- (iii) the Subscription Agreement;
- (iv) the draft trust deed in relation to the Bonds;
- (v) the letter of consent and declaration of conflict of interest referred to in Section 2 of this Appendix; and
- (vi) the material contracts referred to in Section 5 of this Appendix.

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TECHNOLOGY BERHAD  
**MQ TECHNOLOGY BERHAD**  
(Registration No. 200301033383 (635804-H))  
(Incorporated in Malaysia)

## 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 Unit 310, Block C, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor Darul Ehsan on Monday, 9 September 2024 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions:

### **SPECIAL RESOLUTION 1**

**PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF MQ TECHNOLOGY BERHAD (“MQ TECH” OR “COMPANY”) OF RM50.00 MILLION PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 (“ACT”) (“PROPOSED SHARE CAPITAL REDUCTION”)**

“**THAT**, subject to all approvals of all relevant approvals being obtained from all relevant authorities and/or parties including but not limited to the confirmation by the High Court of Malaya pursuant to Section 116 of the Act, our Board of Directors of our Company (“**Board**”) be and is hereby given the authority and approval to reduce the share capital of our Company via the cancellation of the issue share capital of RM50.00 million and that the credit arising from such share capital reduction to be utilised to reduce the accumulated losses of our Company;

**THAT**, the surplus after the elimination of our Company’s accumulated losses pursuant to the Proposed Share Capital Reduction, if any, shall be credited to the retained earnings account of our Company, which may be utilised in such manner as our Board deems fit and in the best interest of our Company, as permitted by the relevant and applicable laws and the Constitution of our Company as well as the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”);

**AND THAT** our Board be and is hereby empowered and authorised to do all such acts, deeds and things and to execute, enter into, sign and deliver on behalf of our Company, all such documents and/or arrangements (including without limitation, the affixing of our Company’s common seal) as our Board may deem necessary, expedient and/or appropriate to implement, to finalise, to give full effect to and to complete the Proposed Share Capital Reduction, with full powers to assent to and/or accept any conditions, modifications, variations, arrangements and/or amendments as our Board may in their absolute discretion deem fit, necessary, expedient and/or in the best interest of our Company and/or as may be imposed by any relevant authorities and/or parties in connection with the Proposed Share Capital Reduction.”

### **SPECIAL RESOLUTION 2**

**PROPOSED CONSOLIDATION OF EVERY 10 EXISTING ORDINARY SHARES IN MQ TECH (“MQ TECH SHARES” OR “SHARES”) INTO 1 MQ TECH SHARE (“CONSOLIDATED SHARE(S)”) (“PROPOSED SHARE CONSOLIDATION”)**

“**THAT** subject to the approvals being obtained from the relevant authorities, approval be and is hereby given to our Company to give effect to the consolidation of every 10 existing Shares held by the entitled shareholders of our Company whose name appear on the Record of Depositors of our Company as at the close of business on an entitlement date to be determined by our Board and announced later by our Company (“**Entitlement Date**”) into 1 Consolidated Share;

**THAT** the Consolidated Shares shall, upon allotment and issuance, rank equally in all respects with one another;

**THAT** the fractional entitlements arising from the Proposed Share Consolidation shall be disregarded and / or dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company;

**AND THAT** our Board be and is hereby authorised to sign and execute all documents to give effect to the Proposed Share Consolidation with full power to assent to any conditions, modifications, variations and / or amendments in any manner as may be required or imposed by the relevant authorities and to take all steps and do all acts and things in the manner as our Board may consider necessary or expedient in order to implement, finalise and give full effect to the Proposed Share Consolidation.”

### **ORDINARY RESOLUTION**

#### **PROPOSED ISSUANCE OF REDEEMABLE CONVERTIBLE BONDS (“BONDS”) WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO RM150.00 MILLION (“PROPOSED ISSUANCE OF BONDS”)**

“**THAT**, subject to passing the Special Resolution 2 and all approvals of all relevant approvals being obtained from all relevant authorities and/or parties, approval be and is hereby given to our Company to:

- (i) issue up to RM150.00 million nominal value of Bonds, convertible into MQ Tech Shares at a conversion price to be determined in accordance with the terms and conditions of the subscription agreement dated 7 June 2024 entered into between our Company and Triton Capital Fund VCC as a subscriber in relation to the Proposed Issuance of Bonds (“**Subscription Agreement**”); and
- (ii) allot and issue such number of new MQ Tech Shares pursuant to the conversion of the Bonds, from time to time during the tenure of the Bonds, credited as fully paid-up in accordance with the terms and conditions of the Subscription Agreement.

**THAT** such new MQ Tech Shares to be issued arising from the conversion of the Bonds, shall, upon allotment and issuance, be listed on the ACE Market of Bursa Securities and rank equally in all respects with the then existing MQ Tech Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the relevant date of allotment of the MQ Tech Shares.

**THAT** pursuant to Section 85(1) of the Act to be read together with Clause 54 of the Constitution of our Company, should the resolution on Proposed Issuance of Bonds be passed by the shareholders of our Company, such resolution shall have the effect that the shareholders of our Company having agreed to irrevocably waive their pre-emptive rights to be offered in proportion to their shareholdings in our Company new MQ Tech Shares to be allotted and issued by our Company pursuant to conversion of the Bonds.

**AND THAT** our Board be and is hereby authorised to take all such steps and to enter into all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, assignments and guarantees with any party or parties and to do all acts and things, as our Board may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Issuance of Bonds with full powers to sign and execute all documents, make applications to authorities and regulatory bodies for any approvals and consents required and assent to any conditions, modifications, revaluations, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things in any manner as they may deem necessary or expedient and/or appropriate to implement, finalise and give full effect to the Proposed Issuance of Bonds.”

### **BY ORDER OF THE BOARD**

**LIM LI HEONG (MAICSA 7054716) (SSM PC No.: 202008001981)**  
**WONG MEE KIAT (MAICSA 7058813) (SSM PC No.: 202008001958)**  
Company Secretaries

Kuala Lumpur  
16 August 2024

**Notes:**

- (i) *For the purpose of determining who shall be entitled to attend the EGM, our Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to our Company, a Record of Depositors as at 2 September 2024. 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 at the EGM 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 our 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 our 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 our Company standing to the credit of the said securities account.*
- (v) *Where a member of our Company is an exempt authorised nominee which holds ordinary shares in our 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 our Company’s registered office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia not less than 24 hours before the time set for holding the EGM or at any adjournment thereof.*

**Explanatory Notes to Ordinary Resolution**

Pursuant to Section 85(1) of the Act read together with Clause 54 of our Company’s Constitution, the existing shareholders of our Company have a statutory pre-emptive right to be offered any new shares which rank equally to existing shares issued by our Company. By you voting in favour of the proposed Ordinary Resolution, you will be waiving your statutory pre-emptive right and the proposed Ordinary Resolution, if passed, will exclude your statutory pre-emptive right to be offered any new shares to be allotted and issued by our Company pursuant to the Proposed Issuance of Bonds, which will result in a dilution to your shareholding in our Company.

The details of the Proposals are set out in this Circular to shareholders dated 16 August 2024.

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**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 Unit 310, Block C, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor Darul Ehsan on Monday, 9 September at 11.00 a.m. or at any adjournment thereof to vote, in the manner indicated below:

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

RESOLUTIONS	DESCRIPTION	FOR	AGAINST
SPECIAL RESOLUTION 1	PROPOSED SHARE CAPITAL REDUCTION		
SPECIAL RESOLUTION 2	PROPOSED SHARE CONSOLIDATION		
ORDINARY RESOLUTION	PROPOSED ISSUANCE OF BONDS		

(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.)

For appointment of two (2) proxies, percentage shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1		
Proxy 2		
<b>Total</b>		<b>100%</b>

\_\_\_\_\_  
Signature/ Common Seal of Member  
Date:

**Notes:**

- (i) For the purpose of determining who shall be entitled to attend the EGM, our Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to our Company, a Record of Depositors as at 2 September 2024. 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 at the EGM 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 our 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 our 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 our Company standing to the credit of the said securities account.*
- (v) *Where a member of our Company is an exempt authorised nominee which holds ordinary shares in our 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 our Company’s registered office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia not less than 24 hours before the time set for holding the EGM or at any adjournment thereof.*

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AFFIX STAMP

**MQ TECHNOLOGY BERHAD**  
200301033383 (635804-H)  
C/O Acclime Corporate Services Sdn Bhd  
Level 5, Tower 8, Avenue 5, Horizon 2  
Bangsar South City  
59200 Kuala Lumpur  
Wilayah Persekutuan Kuala Lumpur  
Malaysia

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