6. APPROVALS AND CONDITIONS

6.1 APPROVALS AND CONDITIONS

The MITI, SC and Bursa Securities approved the Public Issue on 29 April 2004, 2 November 2004 and 4 November 2004 respectively. The conditions imposed by the authorities and status of compliance are as follows:-

Conditions Imposed By MITI		Status of Compliance
MITI'S letter dated 29 April 2004		
(i)	MQ to increase its Bumiputera equity to at least 30% within five (5) years after admission or within one (1) year after the Company has achieved profit record for listing on Second Board of Bursa Securities, whichever is earlier;	To be complied
(ii)	The allocation of shares to Bumiputera investors as per condition no. (i) above is subject to MITI's approval;	To be complied
(iii)	To obtain the SC's approval for the Listing Scheme and compliance with the guideline on acquisitions, mergers and take-overs; and	Complied. Approval was obtained from the SC on 2 November 2004
(iv)	To obtain the MESDAQ's approval.	Complied. Approval was obtained from Bursa Securities on 4 November 2004

Conditions Imposed By SC		Status of Compliance
SC's letter dated 2 November 2004		
(i)	MQ should disclose the status of utilisation of the listing proceeds to be raised from the public issue in its periodic and annual reports until the proceeds are fully utilised;	To be complied
(ii)	MQ should meet the 30% Bumiputera requirement within 1 year after MQ has achieved the profit track record requirement for companies applying for listing on the Second Board of Bursa Securities or 5 years after being listed on the MESDAQ Market of Bursa Securities, whichever is the earlier, in which the shares to be allocated to Bumiputera investors to be approved by MITI;	To be complied
(iii)	AmMerchant Bank/ MQ should submit to the SC within 6 months before the expiry date of compliance, a preliminary proposal on how MQ proposes to meet the Bumiputera equity condition; and	To be complied
(iv)	AmMerchant Bank/ MQ should inform the SC upon completion of the proposed flotation exercise.	To be complied

6. APPROVALS AND CONDITIONS *(Cont'd)*

The SC via its letter dated 2 November 2004 approved the Public Issue under the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests. The equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings of MQ that will be changed following the implementation of the Public Issue are as follows:-

	Before Public Issue (%)	After Public Issue (%)
Bumiputera	-	-
Non-Bumiputera	100.00	100.00
Foreign	-	-
Total	**100.00**	**100.00**

Conditions Imposed By Bursa Securities	Status of Compliance
Bursa Securities's letter dated 4 November 2004	
(i) With regard to the dependency on major customers, particularly Pre-Circuit Technology Corporation Sdn Bhd and PCA Hard.com Sdn Bhd (**"PCA Group"**), MQ to disclose in the Company's Prospectus the followings:-	
• To provide the background of PCA Group, its principal business activities and its business relationship with the MQ Group;	Complied. Please refer to Section 4.5
• Direct competitors to the MQ Group (particularly QBT) in supplying high precision coil for HDDs to PCA Group, its market shares and its unique competitive advantages against its competitors;	Complied. Please refer to Section 4.5
• Justification on the sustainability of the Group's business in view of its over reliance on few major customers particularly, PCA Group; and	Complied. Please refer to Sections 3(d) and 4.5
• Mitigating steps/actions taken/to be taken to reduce the dependency on a few major customers;	Complied. Please refer to Section 3(d)
(ii) MQ to inform Bursa Securities on the appointment of independent directors and to provide confirmation that they qualify as independent directors under the Listing Requirements;	Complied via letter dated 16 December 2004 to Bursa Securities
(iii) MQ to inform Bursa Securities on the appointment of Audit Committee members and to provide a confirmation that they qualify under the Listing Requirements; and	Complied via letter dated 16 December 2004 to Bursa Securities
(iv) MQ to include a negative statement in its prospectus on the exclusion of a profit forecast and projections from the Prospectus and the reasons thereof.	Not applicable. Please refer to Sections 9.5 and 9.6 for the profit estimate and forecast

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6. APPROVALS AND CONDITIONS *(Cont'd)*

6.2 MORATORIUM ON PROMOTERS' SHARES

Pursuant to the Listing Requirements of Bursa Securities for the MESDAQ Market, Shares held by the Promoters amounting to 45% of the enlarged issued and paid-up share capital of the Company as at the date of admission of the Company to the Official List of the MESDAQ Market are to be placed under moratorium. The Promoters whose Shares are subject to moratorium are as follows:-

Name	No. of Shares held after Public Issue (1)	% of Enlarged Issued and Paid-up Share Capital (2) %	No. of Shares Held under Moratorium	% of Enlarged Issued and Paid-up Share Capital (2) %
Chatar Singh a/l Santa Singh	30,842,600	26.82	23,817,400	20.71
Tan Cheow Boon	16,167,100	14.06	12,484,600	10.86
Chin Tee Kheng	16,167,100	14.06	12,484,600	10.86
Lee Chai Hock	3,837,400	3.34	2,963,400	2.57
	67,014,200	**58.28**	**51,750,000**	**45.00**

Notes:-

(1) Including their respective entitlements for the Pink Form Shares allocation pursuant to the Public Issue.

(2) Computed based on the enlarged issued and paid up share capital of 115,000,000 Shares.

The moratorium has been fully accepted by the Promoters. They will not be allowed to sell, transfer or assigned any part of their interest in the Shares under moratorium within one (1) year from the date of admission of the Company to the Official List of the MESDAQ Market, and thereafter, they are permitted to sell, transfer or assign up to a maximum of one third per annum of their respective shareholdings under moratorium on a straight-line basis.

The restriction will be specifically endorsed on the share certificates representing the respective shareholdings of the Promoters which are under moratorium to ensure that the Company's Registrar will not register any transfer not in compliance with the moratorium restrictions.

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7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST

7.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

The Group does not have any existing and proposed related party transactions with companies, which the Promoters, Directors and/or substantial shareholders of MQ are Directors and/or substantial shareholders.

7.2 TRANSACTIONS OF UNUSUAL IN THEIR NATURE OR CONDITIONS

There is no transaction that is unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Company or any of its parent or subsidiaries was a party in respect of the past one (1) financial year and the subsequent financial period thereof immediately preceding the date of this Prospectus.

7.3 OUTSTANDING LOANS MADE BY THE COMPANY OR ANY OF ITS PARENT OR SUBSIDIARIES TO/FOR THE BENEFIT OF RELATED PARTIES

There is no outstanding loan (including guarantees of any kind) made by the Company or any of its parent or subsidiaries to or for the benefit of the related party(ies) for the past one (1) financial year and the subsequent financial period thereof immediately preceding the date of this Prospectus.

7.4 INTEREST IN SIMILAR BUSINESS

None of the Director and/or substantial shareholder and/or key management of MQ and its subsidiaries is interested, directly or indirectly in any business carrying on a similar trade as the Company and its subsidiaries.

7.5 PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED/ TO BE ACQUIRED WITHIN TWO (2) YEARS PRECEDING THE DATE OF THIS PROSPECTUS

Save as disclosed below, none of the Directors and/or substantial shareholders have any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiaries within the two (2) years preceding the date of this Prospectus:-

(a) On 12 March 2004, MQ entered into a conditional share sale agreement with MPT for the acquisition of 100% of the issued and paid-up share capital of MPT for total purchase consideration of RM3,294,058 to be satisfied by the issuance of 3,294,058 new ordinary shares of RM1.00 each in MQ at an issue price of RM1.00 per share.

Acquisition of MPT by MQ		
Name	**Interest in MQ**	**Interest in MPT**
Tan Cheow Boon	Director and Substantial Shareholder	Director and Substantial Shareholder
Chin Tee Kheng	Director and Substantial Shareholder	Director and Substantial Shareholder

(b) On 12 March 2004, MQ entered into a conditional share sale agreement with QBT for the acquisition of 100% of the issued and paid-up share capital of QBT for total purchase consideration of RM3,924,595 to be satisfied by the issuance of 3,924,595 new shares of RM1.00 each in MQ at an issue price of approximately RM1.00 per new ordinary share.

Acquisition of QBT by MQ		
Name	**Interest in MQ**	**Interest in QBT**
Chatar Singh a/l Santa Singh	Director and Substantial Shareholder	Director and Substantial Shareholder
Kok Seng Loong	Director	Shareholder

(c) On 12 March 2004, MQ entered into a conditional share sale agreement with ME for the acquisition of 100% of the issued and paid-up share capital of ME for total purchase consideration of RM630,545 to be satisfied by the issuance of 630,545 new ordinary shares of RM1.00 each in MQ at an issue price of RM1.00 per share.

Acquisition of ME by MQ		
Name	**Interest in MQ**	**Interest in ME**
Tan Cheow Boon	Director and Substantial Shareholder	Director and Substantial Shareholder
Chin Tee Kheng	Director and Substantial Shareholder	Director and Substantial Shareholder
Kok Seng Loong	Director	Substantial Shareholder

7.6 CONTRACTS OR ARRANGEMENTS IN WHICH THE DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP

None of the Directors and/or substantial shareholders of MQ and its subsidiaries, and/or persons connected to them have material interest, directly and indirectly, in any contract or arrangement, which is significant in relation to the business of the Group and subsisting at the date of this Prospectus.

7.7 DECLARATION BY THE ADVISERS

AmMerchant Bank hereby confirms that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser to MQ Group for the Public Issue.

Messrs Zaid Ibrahim & Co. hereby confirms that at the date of this Prospectus, there is no existing or potential conflict of interest in their capacity as Solicitors to MQ Group for the Public Issue.

Messrs Deloitte KassimChan hereby confirms that at the date of this Prospectus, there is no existing or potential conflict of interest in their capacity as Auditors and Reporting Accountants to MQ Group for the Public Issue.

8. OTHER INFORMATION CONCERNING THE CORPORATION/ GROUP

8.1 INFORMATION ON LAND AND BUILDINGS

A summary of the land and buildings owned by the Group is as follows:-

No	Name of Registered Owner/ Postal Address/ Title Identification	Approximate Age of Building / Tenure / Date of Expiry of Lease	Description/ Existing Use	Land area / Built up area Sq ft	Restriction in Interest / Encumbrances	Prices Paid/ Date of Transaction/ Date of Issuance of Certificate of Fitness RM	Audited Net Book Value as at 30.6.2004 RM
1.	**MPT** No. 3, Lintang Beringin 8, Off Jalan Permatang Damar Laut, Diamond Valley Industrial Park II, Bayan Lepas, 11960 Penang/ PT 3178 H.S. M 1219, Mukim 12, South West District, Penang	10 years/ Freehold land/ Nil	Factory and office premises	2,292/ 2,400	Encumbrances – a charged registered on 21.08.2001 in favour of Standard Chartered Bank Berhad	RM465,000/ 15.05.2001/ 10.01.1996	465,000

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9. FINANCIAL INFORMATION

9.1 HISTORICAL FINANCIAL INFORMATION

This proforma consolidated results has been extracted from the Accountants' Report set out in Section 10 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

The following table sets out a summary of the proforma consolidated results of the Group for the past five (5) financial years ended 31 December 2003 and the six (6) months period ended 30 June 2004, prepared on the assumption that the Group has been in existence throughout the years/period under review.

	<----For the Financial Year Ended 31 December ----->					6 Months Period Ended
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	30.06.04 RM'000
Revenue	2,037	4,142	10,977	17,688	22,133	15,487
EBIDTA before R&D expenses	718	1,525	1,234	2,533	5,444	3,923
R&D expenses	-	-	-	-	(540)	(310)
EBIDTA	718	1,525	1,234	2,533	4,904	3,613
Interest expense	(93)	(189)	(197)	(144)	(130)	(76)
Depreciation	(374)	(519)	(611)	(878)	(977)	(638)
Amortisation	-	-	-	-	-	-
Exceptional items	-	-	-	-	-	-
Share of profits of associated companies	-	-	-	-	-	-
PBT	251	817	426	1,511	3,797	2,899
Taxation	(81)	(488)	132	(248)	(603)	(342)
PAT	170	329	558	1,263	3,194	2,557
Extraordinary items	-	-	-	-	-	-
MI	-	-	-	-	-	-
PAT after MI	170	329	558	1,263	3,194	2,557
No. of ordinary shares assumed in issue ('000)	78,492	78,492	78,492	78,492	78,492	78,492
Enlarged no. of shares assumed in issue ('000)	115,000	115,000	115,000	115,000	115,000	115,000
Gross EPS (sen) #	0.32	1.04	0.54	1.93	4.84	3.69
Net EPS (sen) #	0.22	0.42	0.71	1.61	4.07	3.26
Gross EPS (sen) @	0.22	0.71	0.37	1.31	3.30	2.52
Net EPS (sen) @	0.15	0.29	0.49	1.10	2.78	2.22

Notes:-

\# *Based on the number of Shares assumed in issue of 78,492,000.*

@ *Based on the enlarged number of Shares assumed in issue of 115,000.000.*

9. FINANCIAL INFORMATION *(Cont'd)*

(1) *The proforma consolidated income statement of the MQ Group have been prepared based on the audited financial statements of the subsidiaries and assuming that the effective shareholdings in subsidiaries held by MQ has been in effect throughout the financial years/ period under review.*

(2) *The financial year ends of certain subsidiaries which were not coterminous with the financial year end of MQ of 31 December are set out below:-*

Subsidiaries	***Financial year ends/ period which were not coterminous***
MPT	*Financial years ended 28 February 1999 to 2003* *Financial period from 1 March 2003 to 31 December 2003*
ME	*Financial period from 9 August 1999 (date of incorporation) to 28 February 2000* *Financial years ended 28 February 2001 to 2003* *Financial period from 1 March 2003 to 31 December 2003*

Accordingly, adjustments have been made on a time apportionment basis to arrive at the above results.

(3) *The MQ Group's financial performance has grown from strength to strength over the past five (5) financial years and six (6) months period ended 30 June 2004. The MQ Group's revenue showed an increasing trend from approximately RM2.04 million in the financial year ended 31 December 1999 to approximately RM22.13 million in the financial year ended 31 December 2003. During the six (6) months period ended 30 June 2004, the Group had recorded revenue of approximately RM15.49 million. Correspondingly, the MQ Group's PBT also showed an upward trend over the past five (5) financial years and six (6) months period ended 30 June 2004.*

(4) *The MQ Group achieved more than 100% improvement in revenue from approximately RM2.04 million in the financial year ended 31 December 1999 to approximately RM4.14 million in the financial year ended 31 December 2000. The significant increase in revenue was resulted from the expansion of high-technology customer base during the financial year. There was no significant change in selling prices throughout the year under review as the Group did not raise the selling prices in order to remain competitive in the industry. The increase in PBT by approximately 225% was resulted from the increase in revenue as well as huge decrease in Directors' fee.*

(5) *The Group's revenue increased by approximately 165% from approximately RM4.14 million in the financial year ended 31 December 2000 to approximately RM10.98 million in the financial year ended 31 December 2001 as a result of incorporation of QBT which contributed approximately 63% of the Group's revenue during the financial year. However, the Group's PBT eased approximately 48% as a result of the economy turmoil which affected most of the customers to delay their projects to a later period.*

(6) *As a result of the recovery of economy, revenue increased from approximately RM10.98 million to approximately RM17.69 million during the financial year, which shows an increase of approximately 61% as compared to last financial year. The increase in revenue in financial year ended 31 December 2002 was due to a number of new customers obtained during the year. As a result, the Group's achieved approximately 255% higher PBT than in last financial year.*

(7) *The Group recorded an increase in its revenue for the financial year ended 31 December 2003 by approximately 25% as compared to financial year ended 31 December 2002. The increase was mainly due to favourable economic conditions in the semiconductor and HDD industries and increase in sales demand by new customers as well as existing customers resulted from the extensive marketing done by the management in order to increase its sales volume. In addition, the Group introduced new products during the financial year in order to increase total sales. There was no significant change noted in the selling price and a marked increase in export sales was noted. As a result, the Group's PBT for financial year ended 31 December 2003 increased by approximately 151% as compared to financial year ended 31 December 2002.*

9. FINANCIAL INFORMATION *(Cont'd)*

(8) *During the six (6) months period ended 30 June 2004, the Group recorded higher revenue mainly due to favourable economic condition in the semiconductor industry and increase in sales demand by existing customers during the period. There was no significant change noted in the selling prices during the financial period. As a result, the Group achieved higher PBT of approximately RM2.56 million for the six (6) months period ended 30 June 2004.*

(9) *There were no extraordinary items during the financial years/ period under review.*

(10) *The under/ overprovision of income tax expense in prior years were excluded in calculating the effective tax rates. The effective tax rates for 1999 and 2000 were lower than the statutory income tax rate mainly due to the pioneer status granted by the MITI to MPT for the production of moulds, tools, dies, jigs and fixtures. Under this incentive, 70% of MPT's statutory income derived from the production of moulds, tools, dies, jigs and fixtures was exempted from income tax for a period of five years from 1 August 1996 to 31 July 2001. The effective tax rate for 2001 was lower than the statutory income tax rate mainly due to certain income were not taxable. The effective tax rate for 2002 was lower than the statutory income tax rate mainly due to reinvestment allowance claimed and the utilisation of unabsorbed tax losses and unabsorbed capital allowances by the subsidiary companies. The effective tax rates for 2003 and six (6) months period ended 30 June 2004 were lower than the statutory income tax rate mainly due to the tax savings from claim of reinvestment allowances, utilisation of unabsorbed capital allowances and tax losses and double deduction on R&D expenses and reduction in tax rate. The government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM100,000 and RM500,000 with effect from the year of assessment 2003 and 2004 respectively. For chargeable income in excess of these amounts, the corporate income tax rate is at 28%.*

(11) *The gross EPS has been calculated based on the proforma PBT divided by 78,492,000 Shares assumed in issue and enlarged issued and paid-up share capital of 115,000,000 Shares respectively.*

(12) *The net EPS has been calculated based on the proforma PAT divided by 78,492,000 Shares assumed in issue and enlarged issued and paid-up share capital of 115,000,000 Shares respectively.*

The financial statements of MQ Group for the years/period under review were not subjected to any audit qualification.

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9.2 ANALYSIS OF HISTORICAL FINANCIAL INFORMATION

9.2.1 Segmental Analysis of Revenue and PBT

Analysis of Revenue by Companies:-

	<------- Financial Year Ended 31 December ------->					6 Months Period Ended
	1999	2000	2001	2002	2003	30.6.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
MQ	-	-	-	-	-	-
MPT	1,965	4,095	3,924	4,805	6,847	5,394
QBT	-	-	6,948	12,809	15,233	10,146
ME	73	534	215	453	639	442
	2,038	4,629	11,087	18,067	22,719	15,982
Consolidated adjustments	(1)	(487)	(110)	(379)	(586)	(495)
Proforma consolidated revenue	2,037	4,142	10,977	17,688	22,133	15,487

Analysis of Revenue by Products and Services:-

	<------ Financial Year Ended 31 December ----->					6 Months Period Ended
	1999	2000	2001	2002	2003	30.6.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rapid Tooling and Prototyping	1,965	4,095	3,924	4,805	6,847	5,394
High Precision Coil Manufacturing/ Assembly	-	-	6,948	12,809	15,233	10,146
Precision Processes	73	534	215	453	639	442
	2,038	4,629	11,087	18,067	22,719	15,982
Consolidated adjustments	(1)	(487)	(110)	(379)	(586)	(495)
Proforma consolidated revenue	2,037	4,142	10,977	17,688	22,133	15,487

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Analysis of PBT by Companies:-

	<------- Financial Year Ended 31 December ------->					
	1999 RM'000	**2000 RM'000**	**2001 RM'000**	**2002 RM'000**	**2003 RM'000**	**6 Months Period Ended 30.6.2004 RM'000**
MQ	-	-	-	-	-	-
MPT	289	790	360	625	1,918	1,586
QBT	-	-	199	788	1,629	1,199
ME	(38)	27	(133)	98	250	114
	251	817	426	1,511	3,797	2,899
Consolidated adjustments	-	-	-	-	-	-
Proforma consolidated PBT	251	817	426	1,511	3,797	2,899

9.2.2 Overview of Revenue and PBT

The MQ Group's financial performance has grown from strength to strength over the past five (5) financial years and six (6) months period ended 30 June 2004. The MQ Group's revenue showed an increasing trend from approximately RM2.04 million in the financial year ended 31 December 1999 to approximately RM15.49 million in the six (6) months period ended 30 June 2004. Correspondingly, the MQ Group's PBT also showed an upward trend over the past five (5) financial years and six (6) months period ended 30 June 2004.

The MQ Group achieved more than 100% improvement in revenue from approximately RM2.04 million in the financial year ended 31 December 1999 to approximately RM4.14 million in the financial year ended 31 December 2000. The significant increase in revenue was resulted from the expansion of high-technology customer base during the financial year. There was no significant change in selling prices throughout the year under review as the Group did not raise the selling prices in order to remain competitive in the industry. The increase in PBT by approximately 225% was resulted from the increase in revenue as well as huge decrease in Directors' fee.

The Group's revenue increased by approximately 165% from approximately RM4.14 million in the financial year ended 31 December 2000 to approximately RM10.98 million in the financial year ended 31 December 2001 as a result of incorporation of QBT which contributed approximately 63% of the Group's revenue during the financial year. However, the Group's PBT eased 48% a result of the economy turmoil which affected most of the customers in delaying their projects to a later period.

As a result of the recovery of economy, revenue increased from approximately RM10.98 million in the financial year ended 2001 to RM17.69 million, which shows an increase of approximately 61%. The increase in revenue in financial year ended 31 December 2002 was due to a number of new customers obtained during the year. As a result, the Group's achieved approximately 255% higher PBT than in last financial year.

9. FINANCIAL INFORMATION *(Cont'd)*

The Group recorded an increase in its revenue for the financial year ended 31 December 2003 by approximately 25% as compared to financial year ended 31 December 2002. The increase was mainly due to favourable economic conditions in the semiconductor and HDD industries and increase in sales demand by new customers as well as existing customers resulted from the extensive marketing done by the management in order to increase its sales volume. In addition, the Group introduced new products during the financial year in order to increase total sales. There was no change in the selling price and there was a marked increase in export sales. As a result, the Group's PBT for financial year ended 31 December 2003 increased by approximately 151% as compared to financial year ended 31 December 2002.

During the six (6) months period ended 30 June 2004, the Group recorded higher revenue mainly due to favourable economic condition in the semiconductor industry and increase in sales demand by existing customers during the period. There was no significant change noted in the selling prices during the financial period. As a result, the Group achieved higher PBT of approximately RM2.56 million for the six (6) months period ended 30 June 2004.

9.2.3 Impact of Foreign Exchange/ Interest Rates/ Commodity Prices on PBT

(a) Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates approximating those prevailing on the transaction dates or, where settlement of liabilities and receivables has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing on that date. Gains and losses arising from foreign currency conversions are taken up in the income statement.

The principal closing rates used in the translation of foreign currencies are as follows:

	RM
1 USD	3.80
1 SGD	2.23
1 THB	0.09

(b) Hire-Purchase Interest Rate

The terms for hire-purchase of the Group ranges from two (2) to five (5) years. The effective interest rates for hire-purchase of the Group ranges from 4.76% to 13.33% per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

(c) Long Term Loans Interest Rate

The long-term loan bears interest at 1% below the base lending rate in the first year, 0% above base lending rate in the second year and 1% above the base lending rate in the 3rd year onwards.

The annual average effective interest rate for long-term loan of the Group is 7%.

(d) Bank Overdraft Facility Interest

The Group has available bank overdraft and other facilities obtained from a local bank. These banking facilities bear interest at a rate of 1.75% per annum above the lending bank's base lending rate.

The average effective interest rate is 8.15%.

9.2.4 Taxation

The effective tax rates for 1999 and 2000 were lower than the statutory income tax rate mainly due to the pioneer status granted by the MITI for the production of mould, tools, dies, jigs and fixture. Under this incentive, 70% of MPT's statutory income derived from the production of mould, tools, dies, jigs and fixture will be exempted from income tax for a period of five (5) years from 1 August 1996 to 31 July 2001. The effective tax rate for 2001 was lower than the statutory income tax rate mainly due to certain income which were not taxable for income tax purpose. The effective tax rate for 2002 was lower than the statutory income tax rate mainly due to the utilisation of reinvestment allowances, unabsorbed tax losses and unabsorbed capital allowances. The effective tax rates for 2003 and six (6) months period ended 30 June 2004 were lower than the statutory income tax rate mainly due to the utilisation of reinvestment allowances, unabsorbed tax losses and unabsorbed capital allowances as well as claiming of double deduction for R&D expenses and reduced in statutory tax rate. The government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM100,000 and RM500,000 with effect from the year of assessment 2003 and 2004 respectively. For chargeable income in excess of these amounts, the corporate income tax rate is at 28%.

If there is any significant under/ overprovision of income tax expense, the said income tax expenses had been reclassified to the respective financial years to reflect the actual income tax expense.

9.2.5 Exceptional and Extraordinary Items

There were no exceptional and extraordinary items during the financial years/ period under review.

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9.3 FINANCIAL PERFORMANCE, POSITION AND OPERATIONS

Save as disclosed in Sections 1.3, 9.1 and 10 of this Prospectus, the Directors are of the view that the financial performance, position and operations of the Group are not affected by any of the following:-

(i) Any known trend, demand, commitment, event or uncertainty that have had, or that the Group reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the Group;

(ii) Any material capital expenditure commitment, the purpose of such commitments and the anticipated source of funds;

(iii) Any unusual, infrequent events or transactions or any significant economic change that have materially affected the financial performance, position and operations of the Group; and the extent to which the financial performance, position and operations of the Group was so affected; and

(iv) Any known event, circumstance, trend, uncertainty and commitment that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

9.4 WORKING CAPITAL, MATERIAL LITIGATION, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

(i) Working Capital

The Directors of MQ are of the opinion that, after taking into consideration the cash flow position, the banking facilities available and the net proceeds from the Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(ii) Material Litigation

As at 30 November 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group is not engaged whether as plaintiff or defendant in any legal action, material litigation, claim, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position and business of the Group and the Directors do not know of any claim or proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position or business of MQ and its subsidiaries.

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(iii) Borrowings

As at 30 November 2004 (being the latest practicable date prior to the printing of this Prospectus), the total bank borrowings in the form of term loans and hire purchase financing amounted to approximately RM3.40 million. The borrowings can be analysed further as follows:-

Borrowings	**Amount RM'000**
Long term borrowings	
• Interest bearing	2,382
• Non-interest bearing	-
	2,382
Short term borrowings	
• Interest bearing	1,020
• Non-interest bearing	-
	1,020
Total borrowings	**3,402**

The Group has no foreign currency borrowings.

(iv) Contingent Liabilities

As at 30 November 2004 (being the latest practicable date prior to the printing of this Prospectus), there are no contingent liabilities incurred by the Group.

(v) Material Commitments

Save as disclosed below, as at 30 November 2004 (being the latest practicable date prior to the printing of this Prospectus), there are no material commitments for capital expenditure incurred or known to be incurred by the Group, which may have a substantial impact on the financial position of the Group.

Item	**Expected Cost RM'000**	**Deposit Paid RM'000**	**Commitment RM'000**
Acquisition of a piece of land measuring 1.89028 acres at Bayan Lepas Industrial Park IV	1,647	347	1,300

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9.5 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST OF THE MQ GROUP FOR THE YEARS ENDING 31 DECEMBER 2004 AND 2005
(Prepared for inclusion in the Prospectus)

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
4th Floor, Wisma Wang
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20 December 2004

The Board of Directors
MQ Technology Berhad
3rd Floor, Wisma Wang
251-A Jalan Burma
10350 PENANG
MALAYSIA

Dear Sirs,

MQ TECHNOLOGY BERHAD (COMPANY NO.: 635804-H)
CONSOLIDATED PROFIT ESTIMATE AND FORECAST
FOR THE YEARS ENDING 31 DECEMBER 2004 AND 2005

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of MQ Technology Berhad ("the Company") and its subsidiary companies ("the Group"), for which the Directors are solely responsible, for the two (2) years ending 31 December 2004 and 2005 as set out in the accompanying statement in connection with the public issue and subsequent listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities"), for inclusion in the Prospectus of the Company.

In our opinion, the consolidated profit estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the accompanying statement, and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,

Deloitte KassimChan

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/06(J)
Partner

9.6 CONSOLIDATED PROFIT ESTIMATE AND FORECAST AND ASSUMPTIONS FOR THE YEARS ENDING 31 DECEMBER 2004 AND 2005

MQ TECHNOLOGY BERHAD (COMPANY NO.: 635804-H)
(Incorporated in Malaysia)

CONSOLIDATED PROFIT ESTIMATE AND FORECAST AND ASSUMPTIONS
FOR THE YEARS ENDING 31 DECEMBER 2004 AND 2005

The Directors of MQ Technology Berhad ("MQ" or "the Company") and its subsidiary companies ("the Group") forecast that the consolidated profit after tax for the two (2) years ending 31 December 2004 and 2005 will be approximately as follows:

	2004 RM'000	2005 RM'000
Revenue	29,379	35,668
Consolidated profit before tax	4,751	6,136
Income tax expense	(710)	(606)
Consolidated profit after tax	4,041	5,530
Less: Minority interest	-	-
Consolidated profit after tax and minority interest	4,041	5,530
Less: Pre-acquisition profit	(3,961)	-
Add: Reserve on consolidation written off	3,961	-
	4,041	5,530
Number of ordinary shares assumed in issue ('000)	78,492	78,492
Enlarged issued and paid-up share capital ('000)	115,000	115,000
Gross earning per ordinary share (sen) (1)	6.05	7.82
Gross earning per ordinary share (sen) (2)	4.13	5.34
Net earning per ordinary share (sen) (1)	5.15	7.05
Net earning per ordinary share (sen) (2)	3.51	4.81
Gross price-earning multiple (times) (1)(3)	6.61	5.12
Gross price-earning multiple (times) (2)(3)	9.69	7.49
Net price-earning multiples (times) (1)(3)	7.77	5.67
Net price-earning multiples (times) (2)(3)	11.40	8.32

Notes:

(1) Based on the number of ordinary shares assumed in issue
(2) Based on the enlarged issue and paid-up share capital
(3) Based on the issue price of RM0.40 per ordinary share

MQ TECHNOLOGY BERHAD (COMPANY NO.: 635804-H)
(Incorporated in Malaysia)

The principal bases and assumptions upon which the above consolidated profit estimate and forecast have been made are set out below:

1. The Group will or has carried out the following:

   a) Acquisition of the entire issued and fully paid-up share capital of QB Technology Sdn. Bhd. ("QBT") comprising 1,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,924,595 satisfied by the issuance of 3,924,595 new ordinary shares of RM1.00 each at par in MQ ("Acquisition of QBT");

   b) Acquisition of the entire issued and fully paid-up share capital of Microlead Precision Technology Sdn. Bhd. ("MPT") comprising 336,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,294,058 satisfied by the issuance of 3,294,058 new ordinary shares of RM1.00 each at par in MQ ("Acquisition of MPT");

   c) Acquisition of the entire issued and fully paid-up share capital of Microlead Engineering Sdn. Bhd. ("ME") comprising 448,188 ordinary shares of RM1.00 each for a total purchase consideration of RM630,545 satisfied by the issuance of 630,545 new ordinary shares of RM1.00 each at par in MQ ("Acquisition of ME");

   d) Sub-division of the share capital of the Company from every existing one ordinary share of RM1.00 par value each into ten new ordinary shares of RM0.10 par value each (Sub-division); and

   e) Public issue of 36,508,000 new ordinary shares of RM0.10 each in MQ at an issue price of RM0.40 each ("Public Issue"). The proceeds from the public issue will be used to repay hire-purchase payables and term loan, for purchases of property, plant and equipment, for future overseas business expansion, for research and development expenditure, for payment of the estimated listing expenses and for working capital purposes.

   The Acquisition of QBT, Acquisition of MPT and Acquisition of ME were completed on November 25, 2004. The Acquisitions are accounted for under the acquisition method of consolidation. Goodwill/ reserve on consolidation which represents the difference between the purchase considerations and the fair values of the identifiable net assets of the subsidiaries of the Company at the date of acquisitions are written off in the income statements.

2. There will be no significant changes to the prevailing world economic and political conditions in Malaysia and elsewhere that may directly or indirectly affect the activities or performance of the Group and the business of the Group's major customers and suppliers.

3. There will be no significant changes in the present legislation or regulations, rates and bases of duties, levies and taxes which will affect the activities of the Group or the markets in which the Group operates.

4. There will be no significant fluctuations in foreign currency exchange and inflation rates from their present levels which would adversely affect the activities and operations of the Group. It is assumed that the exchange rate for US Dollar to Ringgit Malaysia will be maintained at USD1: RM3.80.

5. There will be no significant changes in the prices of raw materials, labour and overheads.

6. There will be no significant changes in the selling prices and products.

MQ TECHNOLOGY BERHAD (COMPANY NO.: 635804-H)
(Incorporated in Malaysia)

7. There will be no major breakdown or disruption of major industrial disputes, labour shortages, technological changes or any abnormal factors or changes both domestic and overseas, which will adversely affect the Group's operations.

8. There will be no significant changes in the present management structure, key personnel, ownership and operating and accounting policies adopted by the Group.

9. Existing financing facilities will remain available and that the level of interest rates will not change materially from those presently prevailing and that the Group will be able to secure sufficient financing facilities for working capital purposes if necessary. Additional financing facilities will be obtained at the present prevailing interest rate.

10. There will be no material acquisitions or disposals of property, plant and equipment or investments other than those that have been forecasted for. It is assumed that the set up of new plant in Thailand will be completed in 2005.

11. There will be no material changes in the principal activities and structure of the Group.

12. The demand for the products provided by the Group will be in line with the forecasted level and the Group will be able to maintain the current profit margins on its products.

13. There will be no major delays or cost overruns in the upgrading and capital expenditure program of the Group which will adversely affect the activities of the Group or the markets in which it operates.

14. The Group will not be engaged in any material litigation and there will be no legal proceedings which will adversely affect its activities or performance or give rise to any contingent liabilities which will materially affect the position or business of the Group.

15. Income tax for the financial years ending 31 December 2004 and 2005 is computed based on the statutory income tax rate of 20% on chargeable income of up to RM500,000 and 28% on chargeable income in excess of RM500,000. Income tax will be paid in the same financial year. It is assumed that:

    a) One of the subsidiary companies, MPT, has been granted pioneer status in principle by the Ministry of International Trade and Industry of Malaysia (MITI) under the Promotion of Investments Act, 1986 for the design, development and manufacture of advanced suspension tooling, progressive tooling, semiconductor cavity/encapsulation moulds for applications in hard disk drives and semiconductors industries. It is assumed that 100% of MPT's statutory income derived from the production of pioneer products will be exempted from income tax for a period of five years from 2005 to 2009.

    b) The subsidiaries, QBT and ME will be eligible to claim for reinvestment allowances under the Promotion of Investment Act, 1986 and the amount approved by the tax authorities will not vary significantly from the forecast.

    c) The new investment in Thailand will be granted the "BOI" incentives under Investment Promotion Act of Thailand where it will enjoy 100% corporate income tax exemption for eight years.

16. Listing expenses are estimated to be approximately RM1,200,000 which will be set-off against the share premium.

Stamped for the purpose of identification only with our letter / report dated

20 DEC 2004

Deloitte KassimChan
Penang

9.7 DIRECTORS' COMMENTS ON THE PROFIT ESTIMATE AND FORECAST

The Board confirms that the consolidated profit estimate and forecast of MQ and the underlying bases and assumptions stated herein have been reviewed by the Directors after due and careful enquiries, and that the Directors, having taken into account the future prospects of the industry, the future plans, strategies and direction of the Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit estimate and forecast of the Group is achievable and the assumptions made are reasonable.

Nevertheless, in the light of the current economic environment in Malaysia, regionally and globally, certain assumptions, including interest and exchange rates, may differ significantly from the date of this Prospectus and this may have a material impact on the Group's profit estimate and forecast.

9.8 DIVIDEND ESTIMATE AND FORECAST

No dividend will be declared for the financial year ending 31 December 2004 as it is assumed that the listing exercise will only be completed in the financial year ending 31 December 2005.

Based on the consolidated profit forecast for the financial year ending 31 December 2005 and on the assumption that the present basis for calculating of taxation and the rates of taxation will remain unchanged, the Directors of MQ anticipate that they will be in a position to propose, based on the enlarged issued share capital of 115,000,000 Shares, a forecast dividend of 10% for the financial year ending 31 December 2005.

Financial Year Ending 31 December	**Forecast 2005**
Gross dividend per Share (%)	10.00
Dividend yield based on the issue price of RM0.40 per Share (%)	2.50
Net dividend cover (times)*	4.92

Note:-

* *Based on the net dividend per Share and net EPS based on the enlarged issued and paid-up share capital.*

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group. However, investors should note that the payment of dividends is subject to the discretion of the Directors and may change accordingly to ensure adequate reserves for the future growth of the Group.

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9.9 SENSITIVITY ANALYSIS

The following sensitivity analysis is prepared by the management of the Group and has not been independently verified by the Reporting Accountants. It is based on the estimate and forecast assumptions set out in Section 9.5 of this Prospectus and assuming all factors remaining unchanged except for the 5% and 10% upward or downward variations in the revenue and cost of sales. Notwithstanding the impacts of the variations in the revenue and cost of sales as outlined here, there may exist other factors which have not been taken into account, while variations may have a significant effect, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:-

9.9.1 Variations in Revenue

The sensitivity analysis on units sold is prepared based on the assumption that all other things remain unchanged except for the 5% and 10% upward and downward variations in the units sold by the MQ Group.

Estimate for the financial year ending 31 December 2004

	Revenue RM'000	Cost Sales of RM'000	Gross Profit RM'000	PBT RM'000	PAT RM'000	Gross Profit Margin %
As Estimated	29,379	(21,726)	7,653	4,751	4,041	27.95%
Up to 10%	32,317	(21,726)	10,591	7,689	6,979	32.77%
Up to 5%	30,848	(21,726)	9,122	6,220	5,510	29.57%
Down 5%	27,910	(21,726)	6,184	3,282	2,572	22.16%
Down 10%	26,441	(21,726)	4,715	1,813	1,103	17.83%

Forecast for the financial year ending 31 December 2005

	Revenue RM'000	Cost Sales of RM'000	Gross Profit RM'000	PBT RM'000	PAT RM'000	Gross Profit Margin %
As Forecasted	35,668	(25,871)	9,797	6,136	5,530	27.47%
Up to 10%	39,235	(25,871)	13,364	9,703	9,097	34.06%
Up to 5%	37,451	(25,871)	11,580	7,919	7,313	30.92%
Down 5%	33,885	(25,871)	7,014	3,353	2,747	20.70%
Down 10%	32,101	(25,871)	6,230	2,569	1,963	19.41%

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9.9.2 Variations in Cost of Sales

The sensitivity analysis on cost of sales is prepared based on the assumption that all other things remain unchanged except for the 5% and 10% upward and downward variations in the cost of sales of MQ Group.

Estimate for the financial year ending 31 December 2004

	Revenue RM'000	Cost of Sales RM'000	Gross Profit RM'000	PBT RM'000	PAT RM'000	Gross Profit Margin %
As Estimated	27,379	(19,726)	7,653	4,751	4,041	27.95%
Up to 10%	27,379	(21,669)	5,680	2,778	2,068	20.75%
Up to 5%	27,379	(20,712)	6,667	3,765	3,055	24.35%
Down 5%	27,379	(18,740)	8,639	5,737	5,027	31.55%
Down 10%	27,379	(17,753)	9,626	6,724	6,014	35.16%

Forecast for the financial year ending 31 December 2005

	Revenue RM'000	Cost of Sales RM'000	Gross Profit RM'000	PBT RM'000	PAT RM'000	Gross Profit Margin %
As Forecasted	35,668	(25,871)	9,797	6,136	5,530	27.47%
Up to 10%	35,668	(28,458)	7,210	3,549	2,943	20.21%
Up to 5%	35,668	(27,165)	8,503	4,842	4,236	23.84%
Down 5%	35,668	(24,577)	11,091	7,430	6,824	31.10%
Down 10%	35,668	(23,284)	12,384	8,723	8,117	34.72%

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9.10 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004

(Prepared for inclusion in the Prospectus)

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
4th Floor, Wisma Wang
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10350 Penang
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20 December 2004

The Board of Directors
MQ Technology Berhad
3rd Floor, Wisma Wang
251-A Jalan Burma
10350 PENANG
MALAYSIA

Dear Sirs,

MQ TECHNOLOGY BERHAD (COMPANY NO.: 635804-H)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF 30 JUNE 2004

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of MQ Technology Berhad ("MQ") and its subsidiaries ("the Group") as of 30 June 2004, together with the notes thereto for which the Directors are solely responsible, as set out in the accompanying statements which we have stamped for the purpose of identification. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only, in connection with the public issue of MQ and the subsequent listing of and quotation for the entire enlarged issued and paid-up share capital of MQ on the MESDAQ Market of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities").

In our opinion,

(i) the Proforma Consolidated Balance Sheets, together with the notes thereto, which are provided for illustrative purposes, have been properly compiled on the basis set out in the Notes and Assumptions to the Proforma Consolidated Balance Sheets;

(ii) such basis is consistent with the accounting policies normally adopted by the Group; and

(iii) the adjustments as explained in Notes to the Proforma Consolidated Balance Sheets are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

Yours faithfully,

Deloitte KassimChan

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/06(J)
Partner

9.11 PROFORMA CONSOLIDATED BALANCE SHEETS OF MQ GROUP AS AT 30 JUNE 2004
(Prepared for inclusion in the Prospectus)

MQ TECHNOLOGY BERHAD (COMPANY NO.: 635804-H)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF 30 JUNE 2004

	As of 30 June 2004 RM'000	Proforma I RM'000	Proforma II RM'000
PROPERTY, PLANT AND EQUIPMENT	-	9,374	14,699
CURRENT ASSETS			
Inventories	-	1,014	1,014
Trade receivables	-	6,632	6,632
Other receivables and prepaid expenses	194	994	994
Fixed deposit with a licensed bank	-	250	250
Cash and bank balances	-	897	8,043
Total Current Assets	194	9,787	16,933
CURRENT LIABILITIES			
Trade payables	-	1,647	1,647
Other payables and accrued expenses	200	1,994	1,994
Amount owing to directors	-	566	566
Bank borrowings	-	932	-
Hire-purchase payables	-	1,183	1,183
Tax liabilities	-	305	305
Total Current Liabilities	200	6,627	5,695
NET (CURRENT LIABILITIES)/ CURRENT ASSETS	(6)	3,160	11,238
	(6)	12,534	25,937
SHARE CAPITAL	-	7,849	11,500
SHARE PREMIUM	-	-	9,752
(ACCUMULATED LOSSES)/ RETAINED PROFIT	(6)	2,551	2,551
SHAREHOLDERS' EQUITY	(6)	10,400	23,803
LONG-TERM AND DEFERRED LIABILITIES			
Hire-purchase payables	-	1,718	1,718
Deferred tax liabilities	-	416	416
Total Long-term and Deferred Liabilities	-	2,134	2,134
	(6)	12,534	25,937
Par value per ordinary share (RM)	1.00	1.00	0.10
Number of ordinary shares ('000)	0.002	7,849	115,000
Net Tangible Assets (RM'000)	(6)	10,400	23,803
Net Tangible Assets per ordinary share (RM)	(3,000)	1.33	0.21

Stamped for the purpose of identification only with our letter / report dated

2 D

Deloitte KassimChan
Penang

MQ TECHNOLOGY BERHAD (COMPANY NO.: 635804-H)
NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. Basis of Preparation

The Proforma Consolidated Balance Sheets together with the notes thereon have been prepared for illustrative purposes only based on accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements of MQ Technology Berhad ("MQ") and its subsidiary companies ("the Group") as of 30 June 2004 and on the assumptions that the following transactions have been effected on 30 June 2004.

Proforma I

Proforma I has been presented based on the audited balance sheet of MQ as of 30 June 2004 and incorporating the following:

i. acquisition of the entire issued and fully paid-up share capital of QB Technology Sdn. Bhd. ("QBT") comprising 1,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,924,595 satisfied by the issuance of 3,924,595 new ordinary shares of RM1.00 each at par in MQ ("Acquisition of QBT");

ii. acquisition of the entire issued and fully paid-up share capital of Microlead Precision Technology Sdn. Bhd. ("MPT") comprising 336,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,294,058 satisfied by the issuance of 3,294,058 new ordinary shares of RM1.00 each at par in MQ ("Acquisition of MPT"); and

iii. acquisition of the entire issued and fully paid-up share capital of Microlead Engineering Sdn. Bhd. ("ME") comprising 448,188 ordinary shares of RM1.00 each for a total purchase consideration of RM630,545 satisfied by the issuance of 630,545 new ordinary shares of RM1.00 each at par in MQ ("Acquisition of ME").

The Acquisition of QBT, Acquisition of MPT and Acquisition of ME are hereinafter collectively referred to as the "Acquisitions".

The Acquisitions are accounted for using the acquisition method of consolidation.

Proforma II

Proforma II incorporates the effects of Proforma I and the following:

i. sub-division of the share capital of MQ from every existing one ordinary share of RM1.00 par value each into ten new ordinary shares of RM0.10 par value each (Sub-division); and

ii. public issue of 36,508,000 new ordinary shares of RM0.10 each in MQ at an issue price of RM0.40 each ("Public Issue").

The gross proceeds from the Public Issue amounting to RM14,603,200 will accrue entirely to MQ and will be utilised as follows:

	RM'000
Construction of new factory building	3,000
Purchase of plant, machinery and equipment	2,325
Repayment of bank borrowings	1,070
R&D expenditure	800
Future overseas business expansion	2,000
Working capital	4,208
Estimated listing expenses	1,200
Total	14,603

The estimated listing expenses of RM1,200,000 will be set-off against the share premium account.

2. **The movement of the issued and paid-up capital, share premium, retained profit/ (accumulated losses), property, plant and equipment, bank borrowings and cash and bank balances after taking into account the above transactions are as follows:**

	Share Capital RM'000	Share Premium RM'000	Retained Profit/ (Accumulated Losses) RM'000	Property, Plant and Equipment RM'000	Bank Borrowings RM'000	Cash and Bank Balances RM'000
As of 30 June 2004	0.002	-	(6)	-	-	0.002
Acquisitions	7,849	-	2,557	9,374	932	897
Proforma I	7,849	-	2,551	9,374	932	897
Public Issue	3,651	10,952	-	-	-	14,603
Estimated listing expenses	-	(1,200)	-	-	-	(1,200)
Purchase of property, plant and equipment	-	-	-	5,325	-	(5,325)
Repayment of bank borrowings	-	-	-	-	(932)	(932)
Proforma II	11,500	9,752	2,551	14,699	-	8,043

Stamped for the purpose of identification only with our letter / report dated

20 DEC 2004

Deloitte KassimChan
Penang

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
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The Board of Directors
MQ Technology Berhad
3rd Floor, Wisma Wang
251-A Jalan Burma
10350 PENANG
MALAYSIA

20 December 2004

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Deloitte KassimChan, an approved company auditor, for inclusion in the Prospectus of MQ Technology Berhad (hereinafter referred to as "MQ") dated 31 December 2004 in connection with the following:

i. public issue of 36,508,000 new ordinary shares of RM0.10 each in MQ at an issue price of RM0.40 per ordinary share; and

ii. listing of and quotation for the entire enlarged issued and paid-up share capital of MQ comprising 115,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities").

2. GENERAL INFORMATION

2.1 Background

MQ was incorporated in Malaysia under Companies Act, 1965 on 2 December 2003 as a private limited company under the name of MQ Technology Sdn. Bhd. Subsequently, on 13 February 2004 it was converted to a public limited company under the name of MQ Technology Berhad.

MQ is principally involved in investment holding and provision of management services.

2.2 Corporate Exercise

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of MQ on the MESDAQ Market of the Bursa Securities, MQ's Corporate Exercise which was approved by the relevant authorities involves the following inter-conditional transactions:

i. Acquisitions

a. MQ acquired the entire issued and fully paid-up share capital of QB Technology Sdn. Bhd. ("QBT") comprising 1,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,924,595 satisfied by the issuance of 3,924,595 new ordinary shares of RM1.00 each at par in MQ;

b. MQ acquired the entire issued and fully paid-up share capital of Microlead Precision Technology Sdn. Bhd. ("MPT") comprising 336,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,294,058 satisfied by the issuance of 3,294,058 new ordinary shares of RM1.00 each at par in MQ; and

c. MQ acquired the entire issued and fully paid-up share capital of Microlead Engineering Sdn. Bhd. ("ME") comprising 448,188 ordinary shares of RM1.00 each for a total purchase consideration of RM630,545 satisfied by the issuance of 630,545 new ordinary shares of RM1.00 each at par in MQ.

The Acquisitions are accounted for using the acquisition method of consolidation. The purchase considerations for the Acquisitions were determined based on their respective audited net tangible assets values as of 31 December 2003. The said acquisitions were completed on 25 November 2004.

ii. Sub-division

After the Acquisitions, MQ makes a sub-division of the share capital of MQ from every existing one ordinary share of RM1.00 par value each into ten new ordinary shares of RM0.10 par value each ("MQ Shares").

iii. Public Issue

After the Acquisitions and Sub-division, MQ proposes a public issue of 36,508,000 new MQ Shares of RM0.10 each at an issue price of RM0.40 each.

Upon completion of the Acquisitions, Sub-division and Public Issue, the issued and paid-up share capital of MQ will increase to RM11,500,000 comprising 115,000,000 MQ Shares of RM0.10 each credited as fully paid-up.

iv. Listing

In conjunction with the Public Issue, MQ seeks the admission and the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 115,000,000 MQ Shares of RM0.10 each on the Official List of the MESDAQ Market of Bursa Securities.

2.3 Share Capital

The authorised and issued and paid-up share capital of MQ as of the date of this report are as follows:

	No. of shares	Par value RM	Amount RM
Authorised			
Ordinary shares	150,000,000	0.10	15,000,000
Issued and fully paid-up			
Ordinary shares	78,492,000	0.10	7,849,200

Details of the changes in the issued and paid-up share capital of MQ since the date of its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration/ Type of issue	Total issued and paid-up share capital RM
2 December 2003	2	1.00	Subscribers' shares	2
25 November 2004	7,849,198	1.00	Considerations for the Acquisitions	7,849,200
29 November 2004	78,492,000	0.10	Sub-division of par value from RM1.00 per ordinary share to RM0.10 per ordinary share	7,849,200

Upon completion of the Public Issue, the issued and paid-up share capital of MQ would be increased by 36,508,000 new MQ Shares of RM0.10 each to 115,000,000 MQ Shares of RM0.10 each credited as fully paid-up. The new ordinary shares issued shall rank pari passu in all respects with the existing MQ Shares.

2.4 Subsidiary Companies

Details of the subsidiary companies of MQ as of the date of this report are as follows:

Name	Date/ Country of incorporation	Issued and paid-up share capital RM	Effective equity interest %	Principal activities
MPT	12 December 1995/ Malaysia	336,000	100	Manufacture of moulds, tools, dies, jigs and fixtures mainly for use in manufacturing hard disk drives for computers.
ME	9 August 1999/ Malaysia	448,188	100	Manufacture of precision milling and drilling of metal plates.
QBT	5 January 2001/ Malaysia	1,800,000	100	Manufacture of electronic coil for computer disc.

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

We have been appointed as the statutory auditors of MQ since the date of its incorporation. We also have been appointed as the statutory auditors of the subsidiary companies of MQ since the following financial period/ year:

i. MPT and ME for the financial period from 1 March 2003 to 31 December 2003; and

ii. QBT for the financial year ended 31 December 2003.

The financial statements of the subsidiary companies prior to the abovementioned period/ year were audited by other firms of auditors.

The financial statements of the subsidiary companies during the financial years/ periods under review were not subject to any qualification.

The financial statements of MQ and its subsidiary companies ("MQ Group") have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

This report is prepared on a basis consistent with the accounting policies normally adopted by MQ Group and in accordance with the applicable approved accounting standards in Malaysia.

4. DIVIDENDS

No dividends have been paid or declared by MQ since the date of its incorporation.

Details of dividends declared by the subsidiary companies for the past five financial years are as follows:

Financial year/ period ended	Issued and paid-up share capital	Interim/ final dividend	Gross dividend per ordinary share		Net dividend	Financial years in which dividend was paid
			Tax exempt	Less tax		
	RM		RM	RM	RM	
MPT						
28.02.2002	336,000	Final	1.00	-	336,000	28.02.2002
31.12.2003	336,000	Final	3.1586	-	1,061,291	31.12.2003

5. SUMMARISED INCOME STATEMENTS

5.1 The Proforma Group

The summarised proforma consolidated income statement of MQ Group for the past five financial years ended from 31 December 1999 to 2003 and for the 6 months ended 30 June 2004 have been prepared for illustrative purposes only after making such adjustments that we consider necessary and assuming that the MQ Group has been in existence throughout the financial years under review.

	--------Financial years ended 31 December-------					6 months ended 30 June
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	2,037	4,142	10,977	17,688	22,133	15,487
Profit before R&D expenses, interest, depreciation and amortisation	718	1,525	1,234	2,533	5,444	3,923
R&D expenses	-	-	-	-	(540)	(310)
Interest expense	(93)	(189)	(197)	(144)	(130)	(76)
Depreciation expense	(374)	(519)	(611)	(878)	(977)	(638)
Profit before tax	251	817	426	1,511	3,797	2,899
Tax (expense)/ income	(81)	(488)	132	(248)	(603)	(342)
Profit after tax	170	329	558	1,263	3,194	2,557
Number of ordinary shares assumed in issue ('000)	78,492	78,492	78,492	78,492	78,492	78,492
Gross earnings per ordinary share (RM)	0.003	0.010	0.005	0.019	0.048	0.037
Net earnings per ordinary share (RM)	0.002	0.004	0.007	0.016	0.041	0.033

Notes:

i. The proforma consolidated income statement of MQ Group have been prepared based on the audited financial statements of the subsidiary companies and assuming that the effective shareholdings in subsidiary companies held by MQ as mentioned under Note 2.4 has been in effect throughout the financial years under review.

ii. The financial year ends of certain subsidiary companies which were not coterminous with the financial year end of MQ as of 31 December are set out below:

Subsidiary companies	Financial year ends/ period which were not coterminous
MPT	Financial years ended 28 February 1999 to 2003 Financial period from 1 March 2003 to 31 December 2003
ME	Financial period from 9 August 1999 (date of incorporation) to 28 February 2000 Financial years ended 28 February 2001 to 2003 Financial period from 1 March 2003 to 31 December 2003

Accordingly, adjustments have been made on a time apportionment basis to arrive at the above results.

iii. MQ Group's financial performance has grown from strength to strength over the past five financial years and 6 months ended 30 June 2004. MQ Group's revenue showed an increasing trend from approximately RM2 million in the financial year ended 1999 to approximately RM22 million in the financial year ended 31 December 2003. During the 6 months period ended 30 June 2004, the Group had recorded revenue of approximately RM15 million. Correspondingly, MQ Group's profit before tax also showed an upward trend over the past five financial years and 6 months period ended June 30, 2004.

iv. MQ Group achieved more than 100% improvement in revenue from approximately RM2 million in the financial year ended 1999 to approximately RM4 million in the financial year ended 2000. The significant increase in revenue was resulted from the expansion of high-technology customers base during the financial year. There was no significant change in selling prices throughout the year under review as the Group did not raise the selling prices in order to remain competitive in the industry. The increase in profit before tax by approximately 225% was resulted from the increase in revenue as well as huge decrease in directors' fee.

v. The Group's revenue increased by approximately 165% from approximately RM4 million in the financial year ended 2000 to approximately RM11 million in the financial year ended 2001 as a result of incorporation of QB Technology Sdn. Bhd. which contributed approximately 63% of the Group's revenue during the financial year. However, the Group's profit before tax eased approximately 48% as a result of the economy turmoil which affected most of the customers to delay their projects to a later period.

vi. As a result of the recovery of economy, revenue increased from approximately RM11 million to approximately RM18 million during the financial year, which show an increase of approximately 61% as compared to last financial year. The increase in revenue in financial year ended 2002 was mainly due to a number of new customers obtained during the year. As a result, the Group achieved approximately 255% higher profit before tax than in last financial year.

vii. The Group recorded an increase in its revenue for the financial year ended 2003 by approximately 25% as compared to financial year ended 2002. The increase was mainly due to favourable economic condition in the semi-conductor industry and increase in sales demand by new customers as well as existing customers resulted from the extensive marketing done by the management in order to increase its sales volume. In addition, the Group introduced new products during the financial year in order to increase total sales. There was no significant change noted in the selling prices and a marked increase in export sales was noted. As a result, the Group's profit before tax for financial year ended 2003 increased by approximately 151% as compared to financial year ended 2002.

viii. During the 6 months ended 30 June 2004, the group recorded higher revenue mainly due to favourable economic condition in the semi-conductor industry and increase in sales demand by existing customers during the year. There was no significant change noted in the selling prices during the financial period. As a result, the group achieved higher profit before tax of approximately RM2.56 million for 6 months ended 30 June 2004.

ix. There were no extraordinary items during the financial years under review.

x. The under/ overprovision of income tax expense in prior years were excluded in calculating the effective tax rates. The effective tax rates for 1999 and 2000 were lower than the statutory income tax rate mainly due to the pioneer status granted by the Ministry of International Trade and Industry to MPT for the production of moulds, tools, dies, jigs and fixtures. Under this incentive, 70% of MPT's statutory income derived from the production of moulds, tools, dies, jigs and fixtures was exempted from income tax for a period of five years from 1 August 1996 to 31 July 2001. The effective tax rate for 2001 was lower than the statutory income tax rate mainly due to certain income were not taxable. The effective tax rate for 2002 was lower than the statutory income tax rate due mainly to reinvestment allowance claimed and the utilisation of unabsorbed tax losses and unabsorbed capital allowances by the subsidiary companies. The effective tax rates for the year ended 31 December 2003 and for the 6 months ended 30 June 2004 were lower than the statutory income tax rate mainly due to the tax savings from claim of reinvestment allowances, utilisation of unabsobed capital allowances and tax losses, double deduction on research and development expenses and reduction in statutory tax rate. The government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM100,000 and RM500,000 for the year of assessment 2003 and 2004 respectively. For chargeable income in excess of these amounts, the corporate income tax rate is at 28%.

xi. The gross earnings per ordinary share have been calculated based on the proforma consolidated profit before tax divided by the enlarged issued and paid-up share capital of MQ of 78,492,000 ordinary shares of RM0.10 each following the restructuring scheme mentioned under Note 2.2 but before the Public Issue.

xii. The net earnings per ordinary share have been calculated based on the proforma consolidated profit after tax divided by the enlarged issued and paid-up share capital of MQ of 78,492,000 ordinary shares of RM0.10 each following the restructuring scheme mentioned under Note 2.2 but before the Public Issue.

5.2 MQ and its subsidiary companies

The summarised income statements of each company within the MQ Group for the relevant financial years/ periods are as follows:

5.2.1 MQ

	7 months ended 30 June 2004 RM'000
Revenue	-
Loss before interest, depreciation and amortisation	(6)
Interest expense	-
Depreciation expense	-
Loss before tax	(6)
Tax expense	-
Loss after tax	(6)
Weighted average number of ordinary shares in issue ('000)	0.002
Gross loss per ordinary share (RM'000)	(3)
Net loss per ordinary share (RM'000)	(3)

Notes:

i. MQ was incorporated on 2 December 2003 and no statutory audited financial statements have been drawn up since the date of its incorporation.

ii. There were no extraordinary items during the period under review.

iii. No provision for income tax was made for the 7 months ended 30 June 2004 as MQ has not commenced operations and incurred operating losses.

iv. The gross loss per ordinary share is calculated by dividing the loss before tax by the number of ordinary shares in issue as of the end of the period.

v. The net loss per ordinary share is calculated by dividing the loss after tax by the number of ordinary shares in issue as of the end of the period.

5.2.2 MPT

	Financial years ended 28 February				10 months ended 31 December	6 months ended 30 June
	2000	2001	2002	2003	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,060	4,502	3,809	5,004	6,012	5,394
Profit before R&D expenses, interest, depreciation and amortisation	708	1,484	847	1,257	2,555	2,070
R&D expenses	-	-	-	-	(317)	(89)
Interest expense	(93)	(159)	(142)	(85)	(38)	(46)
Depreciation expense	(355)	(429)	(452)	(472)	(399)	(349)
Profit before tax	260	896	253	700	1,801	1,586
Tax (expense)/ income	(97)	(547)	336	(167)	(301)	(252)
Profit after tax	163	349	589	533	1,500	1,334
Weighted average number of ordinary shares in issue ('000)	336	336	336	336	336	336
Gross earnings per ordinary share (RM)	0.77	2.67	0.75	2.08	5.36	4.72
Net earnings per ordinary share (RM)	0.49	1.04	1.75	1.59	4.46	3.97

Notes:

i. There were no extraordinary items during the financial years/ period under review.

ii. The under/ overprovision of income tax expense in prior years were excluded in calculating the effective tax rates. The effective tax rates for 2000 and 2001 were lower than the statutory income tax rate mainly due to the pioneer status granted by the Ministry of International Trade and Industry for the production of moulds, tools, dies, jigs and fixtures. Under this incentive, 70% of the Company's statutory income derived from the production of moulds, tools, dies, jigs and fixtures was exempted from income tax for a period of five years from 1 August 1996 to 31 July 2001. The effective tax rate for 2002 was lower than the statutory income tax rate mainly due to certain income were not taxable. The effective tax rates for the year ended 2003 was lower than the statutory income tax rate mainly due to the tax savings from claim of reinvestment allowances and double deduction on research and development expenses. The effective tax rates for the 10 months ended December 31, 2003 and for the 6 months ended 30 June 2004 were lower than the statutory income tax rate mainly due to the tax savings from claim of reinvestment allowances, double deduction on research and development expenses and reduction in statutory tax rate. The government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM100,000 and RM500,000 for the year of assessment 2003 and 2004 respectively. For chargeable income in excess of these amounts, the corporate income tax rate is at 28%.

iii. The gross earnings per ordinary share is calculated by dividing the profit before tax by the weighted average number of ordinary shares in issue during the financial years/ period.

iv. The net earnings per ordinary share is calculated by dividing the profit after tax by the weighted average number of ordinary shares in issue during the financial years/ period.

5.2.3 ME

	7 months ended 28 February 2000 RM'000	Financial years -----ended 28 February------ 2001 RM'000	2002 RM'000	2003 RM'000	10 months ended 31 December 2003 RM'000	6 months ended 30 June 2004 RM'000
Revenue	102	606	137	515	553	442
Profit/ (loss) before interest, depreciation and amortisation	11	202	(13)	293	327	168
Interest expense	(8)	(47)	(53)	(38)	(15)	(4)
Depreciation expense	(57)	(104)	(104)	(104)	(87)	(50)
(Loss)/ profit before tax	(54)	51	(170)	151	225	114
Income tax expense	-	(19)	-	-	(2)	(22)
(Loss)/ profit after tax	(54)	32	(170)	151	223	92
Weighted average number of ordinary shares in issue ('000)	200	200	200	200	225	448
Gross earnings per ordinary share (RM)	(0.27)	0.26	(0.85)	0.76	1.00	0.25
Net earnings per ordinary share (RM)	(0.27)	0.16	(0.85)	0.76	0.99	0.21

Notes:

i. There were no extraordinary items during the financial years/ period under review.

ii. The under/ overprovision of income tax expense in prior years were excluded in calculating the effective tax rates. The effective tax rates for 2000 and 2002 were nil due to the losses incurred. The effective tax rates for 2001 and 2003 were nil mainly due to the utilisation of unabsorbed tax losses and unabsorbed capital allowances. The effective tax rates for the 10 months ended 31 December 2003 and 6 months ended 30 June 2004 was lower than statutory tax rate due to the utilisation of unabsobed capital allowances and tax losses, reinvestment allowances claimed and reduction in tax rate. The government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM100,000 and RM500,000 for the year of assessment 2003 and 2004 respectively. For chargeable income in excess of these amounts, the corporate income tax rate is at 28%.

iii. The gross earnings per ordinary share is calculated by dividing the (loss)/ profit before tax by the weighted average number of ordinary shares in issue during financial years/ period.

iv. The net earnings per ordinary share is calculated by dividing the (loss)/ profit after tax by the weighted average number of ordinary shares in issue during the financial years/ period.

5.2.4 QBT

	Financial years ---------ended 31 December---------			6 months ended 30 June
	2001	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	6,948	12,809	15,233	10,146
Profit before R&D expenses, interest, depreciation and amortisation	258	1,102	2,305	1,685
R&D expenses	-	-	(223)	(221)
Interest expense	-	(9)	(57)	(26)
Depreciation expense	(59)	(306)	(396)	(239)
Profit before tax	199	787	1,629	1,199
Income tax expense	(54)	(165)	(272)	(68)
Profit after tax	145	622	1,357	1,131
Weighted average number of ordinary shares in issue ('000)	100	800	1,508	1,800
Gross earnings per ordinary share (RM)	1.99	0.98	1.08	0.67
Net earnings per ordinary share (RM)	1.45	0.78	0.90	0.63

Notes:

i. There were no extraordinary items during the financial years/ period under review.

ii. The effective tax rate for 2001 was lower than the statutory income tax rate due mainly to certain income which were not taxable for income tax purpose. The effective tax rate for 2002 was lower than the statutory income tax rate due mainly to reinvestment allowance claimed by the Company. The effective tax rates for 2003 and 2004 was lower than the statutory income tax rate due mainly to reinvestment allowance claimed as well as claiming of double deduction for R&D expenses by the Company and reduction in tax rate. The government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM100,000 and RM500,000 with effect from the year of assessment 2003 and 2004 respectively. For chargeable income in excess of these amounts, the corporate income tax rate is at 28%.

iii. The gross earnings per ordinary share is calculated by dividing the profit before tax by the weighted average number of ordinary shares in issue during the financial years/ period.

iv. The net earnings per ordinary share is calculated by dividing the profit after tax by the weighter average number of ordinary shares in issue during the financial years/ period.

6. SUMMARISED BALANCE SHEETS

As the Acquisitions stated in Note 2.2 of this report only took place on 25 November 2004, it is therefore impracticable to present the proforma balance sheets of MQ Group throughout the financial years/ period under review. The proforma financial position of MQ Group has been presented by way of proforma statement of assets and liabilities as of 30 June 2004 based on the latest audited financial statements as of 30 June 2004 of MQ Group in Note 7 of this report.

The summarised balance sheets of each company within the MQ Group based on their respective audited financial statements as of the end of the relevant financial years/ periods are as follows:

6.1 MQ

	As of 30 June 2004 RM'000
Current assets	194
Current liabilities	(200)
	(6)
Share capital	-
Accumulated losses	(6)
	(6)
Number of ordinary shares in issue ('000)	0.002
Net tangible assets per ordinary share (RM)	(3,000)

6.2 MPT

	As of 28 February				As of 31 December	As of 30 June
	2000	2001	2002	2003	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	2,530	2,809	2,989	2,719	2,960	4,974
Investment	103	215	119	85	-	-
Current assets	1,111	1,754	1,515	1,513	3,295	4,363
Current liabilities	(1,390)	(1,142)	(1,481)	(1,064)	(2,549)	(3,125)
Net current assets/ (liabilities)	(279)	612	34	449	746	1,238
	2,354	3,636	3,142	3,253	3,706	6,212
Share capital	336	336	336	336	336	336
Retained profit	1,384	1,733	1,986	2,520	2,958	4,292
Shareholders' equity	1,720	2,069	2,322	2,856	3,294	4,628
Long-term and deferred liabilities	634	1,567	820	397	412	1,584
	2,354	3,636	3,142	3,253	3,706	6,212
Number of ordinary shares ('000)	336	336	336	336	336	336
Net tangible assets per ordinary share (RM)	5.12	6.16	6.91	8.50	9.80	13.77

6.3 ME

	As of 28 February				As of 31 December	As of 30 June
	2000	2001	2002	2003	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	475	843	741	637	559	509
Current assets	74	278	52	124	215	363
Current liabilities	(125)	(472)	(511)	(518)	(142)	(126)
Net current assets/ (liabilities)	(51)	(194)	(459)	(394)	73	237
	424	649	282	243	632	746
Share capital	200	200	200	200	448	448
Retained profit/ (accumulated losses)	(54)	(22)	(192)	(41)	182	274
Shareholders' equity	146	178	8	159	630	722
Long-term and deferred liabilities	278	471	274	84	2	24
	424	649	282	243	632	746
Number of ordinary shares ('000)	200	200	200	200	448	448
Net tangible assets per ordinary share (RM)	0.73	0.89	0.04	0.80	1.41	1.61

6.4 QBT

	--------------As of 31 December	--------------		As of 30 June
	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,431	2,981	3,137	3,892
Current assets	2,014	2,557	3,957	5,306
Current liabilities	(3,146)	(2,834)	(2,658)	(3,616)
Net current assets/ (liabilities)	(1,132)	(277)	1,299	1,690
	299	2,704	4,436	5,582
Share capital	100	1,300	1,800	1,800
Retained profit	145	768	2,125	3,255
Shareholders' equity	245	2,068	3,925	5,055
Long-term and deferred liabilities	54	636	511	527
	299	2,704	4,436	5,582
Number of ordinary shares ('000)	100	1,300	1,800	1,800
Net tangible assets per ordinary share (RM)	2.45	1.59	2.18	2.81

7. STATEMENT OF ASSETS AND LIABILITIES

The following are the detailed statement of assets and liabilities of MQ and its subsidiaries ("Proforma Group") which have been prepared for illustrative purposes only and based on the audited balance sheets of MQ ("the Company"), QBT, MPT and ME as of 30 June 2004. The statement of assets and liabilities of the Proforma Group have been prepared on the assumption that the restructuring scheme as mentioned under Note 2.2 had been effected on 30 June 2004 and should be read in conjunction with the notes thereon.

	Note	MQ RM'000	Proforma Group RM'000
PROPERTY, PLANT AND EQUIPMENT	9.3	-	14,699
CURRENT ASSETS			
Inventories	9.4	-	1,014
Trade receivables	9.5	-	6,632
Other receivables and prepaid expenses	9.6	194	994
Fixed deposit with a licensed bank		-	250
Cash and bank balances		-	8,043
Total Current Assets		194	16,933
CURRENT LIABILITIES			
Trade payables	9.7	-	1,647
Other payables and accrued expenses	9.8	200	1,994
Amount owing to directors	9.9	-	566
Hire-purchase payables	9.10	-	1,183
Tax liabilities		-	305
Total Current Liabilities		200	5,695
NET CURRENT (LIABILITIES)/ ASSETS		(6)	11,238
		(6)	25,937
SHARE CAPITAL	9.11	-	11,500
RESERVES	9.12	(6)	12,303
SHAREHOLDERS' EQUITY		(6)	23,803
LONG-TERM AND DEFERRED LIABILITIES			
Hire-purchase payables	9.10	-	1,718
Deferred tax liabilities	9.13	-	416
Total Long-Term and Deferred Liabilities		-	2,134
		(6)	25,937
Par value per share (RM)		1.00	0.10
Number of ordinary shares in issue/ assumed in issue ('000)		0.002	115,000
Net Tangible Assets (RM'000)		(6)	23,803
Net Tangible Assets per ordinary share (RM)		(3,000)	0.21

8. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The following are the proforma consolidated cash flow statement of MQ and its subsidiaries ("Proforma Group") which have been prepared for illustrative purposes only and based on the audited financial statements of MQ, QBT, MPT and ME for the period from 1 January 2004 to 30 June 2004. The proforma consolidated cash flow statement of the Proforma Group have been prepared on the assumption that the Proforma Group had been in existence throughout the said financial period.

	Proforma Group RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipt from customers	13,447
Cash paid to suppliers and employees	(11,822)
Cash generated from operations	1,625
Tax refunded	30
Tax paid	(324)
Net cash generated from operating activities	1,331
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceed from disposal of property, plant and equipment	22
Interest received	6
Purchase of property, plant and machinery	(6,574)
Net cash used in investing activities	(6,546)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from public issue	14,603
Listing expenses paid	(1,200)
Dividend paid	(500)
Repayments of hire purchase payables	(456)
Fixed deposit held as security value	(250)
Repayment of term loan	(148)
Interest paid	(75)
Net cash generated from financing activities	11,974
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,759
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,284
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,043

	Proforma Group RM'000
Cash and cash equivalents comprise of:	
Fixed deposit with a licensed bank	250
Cash and bank balances	8,043
	8,293
Less: Fixed deposit held as security value	(250)
	8,043

9. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

9.1 BASIS OF PREPARATION OF STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities has been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

9.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial period. All significant intercompany balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The Group adopts the acquisition method of consolidation. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial period are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

The difference between the consideration paid for shares in the subsidiary companies and the value of attributable net assets acquired at the date of acquisition is included in the consolidated balance sheet as goodwill/ reserve arising on consolidation. Goodwill/ reserve arising on consolidation is either amortised on a straight-line basis over twenty years or written off to the consolidated income statement.

Revenue and Revenue Recognition

Revenue represents gross invoiced values of sales less return and discount.

Sales revenue are recognised upon delivery of products and when the risks and rewards of ownership have passed. Other revenue are recognised on an accrual basis.

Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transactions which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates approximating those prevailing on the transaction dates or, where settlement of liabilities and receivables has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing on that date. Gains and losses arising from foreign currency conversions are taken up in the income statements.

The principal closing rates used in translation of foreign currency amounts are as follows:

	RM
1 United States Dollar	3.80
1 Singapore Dollar	2.22
1 Swiss Franc	3.00

Employees Benefit Costs

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the employees' provident fund. Such contributions are recognised as expenses in the income statement as incurred.

Impairment of Assets

At each balance sheet date, the Group and the Company reviews the carrying amounts of assets to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal is recognised in the income statements, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

Borrowing Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation of property, plant and equipment except for freehold land and building which is not depreciated, is computed on the straight-line method based on the estimated useful lives of the various property, plant and equipment at the following annual rates:

	Rates
Plant and machinery	10%
Factory equipment	20%
Office equipment	10% - 20%
Furniture, fixture and fittings	10% - 20%
Motor vehicles	20% - 33%

Gains or losses arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated cost to completion.

Cost of raw materials consists of the purchase price plus the cost incurred in bringing the inventories to their present location. Cost of work-in-progress consists of cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

Payables

Payables are stated at costs.

Hire-Purchase

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations are treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Share Capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise it is charged to the income statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Financial Instruments

Financial instruments carried on the balance sheets include cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

9.3 PROPERTY, PLANT AND EQUIPMENT

Proforma Group

Cost	Beginning of period RM'000	Additions RM'000	Disposals RM'000	End of period RM'000
Freehold land and building	465	3,000	-	3,465
Plant and machinery	7,796	4,919	-	12,715
Factory equipment	75	6	-	81
Office equipment	335	59	-	394
Furniture, fixtures and fittings	754	137	-	891
Motor vehicles	627	583	(40)	1,170
	10,052	8,704	(40)	18,716

Accumulated Depreciation	Beginning of period RM'000	Charge for the period RM'000	Disposals RM'000	End of period RM'000
Plant and machinery	2,734	468	-	3,202
Factory equipment	19	7	-	26
Office equipment	131	27	-	158
Furniture, fixtures and fittings	173	43	-	216
Motor vehicles	340	93	(18)	415
	3,397	638	(18)	4,017

	Proforma Group RM'000
Net Book Value:	
Freehold land and building	3,465
Plant and machinery	9,513
Factory equipment	55
Office equipment	236
Furniture, fixtures and fittings	675
Motor vehicles	755
	14,699

As of 30 June 2004, certain of the Group's freehold land and building with a total carrying value of RM465,000 are pledged to certain local banks as securities for credit facilities granted to the Group as mentioned in Note 9.14.

During the financial period, the Proforma Group acquired property, plant and equipment with an aggregate cost of RM8,704,000 of which RM2,130,000 was acquired by means of hire-purchase and the balance of RM6,574,000 was paid by cash.

As of 30 June 2004, the carrying value of property, plant and equipment of the Group which are acquired under hire-purchase arrangements of which instalments are still outstanding are as follows:

	Proforma Group RM'000
Plant and machinery	3,460
Motor vehicles	764
	4,224

9.4 INVENTORIES

	Proforma Group RM'000
At cost:	
Raw materials	809
Work-in-progress	122
Finished goods	83
	1,014

9.5 TRADE RECEIVABLES

Trade receivables of the Group comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods ranges from 30 to 90 days.

9.6 OTHER RECEIVABLES AND PREPAID EXPENSES

	Proforma Group RM'000
Other receivables	419
Prepaid expenses	452
Refundable deposits	123
	994

9.7 TRADE PAYABLES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit periods granted to the Group ranges from 30 to 90 days.

9.8 OTHER PAYABLES AND ACCRUED EXPENSES

	Proforma Group RM'000
Other payables	546
Accrued expenses	1,448
	1,994

Other payables comprise mainly amount outstanding for ongoing costs.

9.9 AMOUNT OWING TO DIRECTORS

The amount owing to directors as of 30 June 2004 represent dividend and remuneration payable to them.

9.10 HIRE-PURCHASE PAYABLES

	Proforma Group RM'000
Total outstanding	3,164
Less: Interest-in-suspense outstanding	(263)
Principal outstanding	2,901
Less: Current portion	(1,183)
Non-current portion	1,718

The non-current portion is repayable as follows:

	Proforma Group RM'000
Later than one year and not later than two years	970
Later than two years and not later than five years	748
	1,718

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The terms for hire-purchase of the Group range from two to five years. The effective interest rates for hire-purchase of the Group range from 3.40% to 13.33% per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the financial institutions' charge over the assets under hire-purchase.

9.11 SHARE CAPITAL

	MQ		Proforma Group	
	No. of shares '000	RM'000	No. of shares '000	RM'000
Authorised:				
Shares:				
At beginning of period	100	100	100	100
Increased during the period	-	-	14,900	14,900
Sub-division of par value from RM1.00 to RM0.10 per share	-	-	135,000	-
At end of period	100	100	150,000	15,000
Issued and fully paid:				
Ordinary shares:				
At beginning of period *	-	-	-	-
New shares issued pursuant to the Acquisitions	-	-	7,849	7,849
Sub-division of par value from RM1.00 to RM0.10 per share	-	-	70,643	-
Public Issue	-	-	36,508	3,651
At end of period	* -	* -	115,000	11,500

* The issued and fully paid share capital consists of 2 ordinary shares of RM1.00 each.

9.12 RESERVES

	Proforma Group RM'000
Non-distributable:	
Share premium	9,752
Distributable:	
Retained profit	2,551
	12,303

Share premium arose from allotment of ordinary shares at premium net of share issue expenses.

Distributable reserve are those available for distribution by way of dividends.

9.13 DEFERRED TAX LIABILITIES

The deferred tax liabilities are in respect of the followings:

	Proforma Group RM'000
Temporary differences between tax capital allowances and depreciation of property, plant and equipment	(417)
Tax effect of carryforward tax losses	1
	(416)

9.14 BANKING FACILITIES

The Proforma Group has banking facilities totaling RM1 million which are secured as follows:

i) fixed deposit of RM250,000;

ii) joint and several guarantees by all the directors of a subsidiary company; and

iii) a legal charge over certain of the Group's freehold land and building.

The bankers acceptance bears acceptance commission at 2.0% per annum while other banking facilities bear interests at rates ranging from 1.25% to 2.0% per annum above the lending banks' base lending rates.

9.15 LEASE COMMITMENTS

As of 30 June 2004, non-cancellable long-term lease commitments in respect of rental of premises are as follows:

	Proforma Group RM'000
Not later than one year	124
Later than one year and not later than five years	56
	180

9.16 CAPITAL COMMITMENTS

As of 30 June 2004, the Group has capital expenditure contracted but not provided for in the financial statements of approximately RM912,000.

9.17 SUBSEQUENT EVENTS

Subsequent to 30 June 2004, the Group purchased:

i) a piece of land for a total purchase consideration of RM1,647,000;

ii) a motor vehicle amounting to RM210,000 of which RM180,000 is financed under hire-purchase arrangement;

iii) a machinery amounting to RM350,000 of which RM280,000 is financed under hire-purchase arrangement;

iv) 10 units of machinery for a total purchase consideration of JPY25,500,000 (equivalent to RM921,000) which are to be financed under hire-purchase arrangement; and

v) a machinery for a total purchase consideration of USD42,000 (equivalent to RM159,000) which is to be financed under hire-purchase arrangement.

10. CONSOLIDATED NET TANGIBLE ASSETS

Based on the statement of assets and liabilities of the Proforma Group as of 30 June 2004, the proforma consolidated net tangible assets per ordinary share of 10 sen each is as follows:

	Proforma Group
Net tangible assets of MQ Group as of 30 June 2004 (RM'000)	23,803
Number of ordinary shares in issue as of 30 June 2004 ('000) *	-
Issue of ordinary shares of RM1.00 each pursuant to the Acquisitions ('000)	7,849
Sub-division of par value from RM1.00 to RM0.10 per share ('000)	70,643
Public Issue ('000)	36,508
	115,000
Net tangible assets per ordinary share of RM0.10 each of the Proforma Group (RM)	0.21

* The number of ordinary shares in issue as of 30 June 2004 is 2 ordinary shares of RM1.00 each.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2004.

Yours faithfully,

Deloitte KassimChan

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/06(J)
Partner

(Prepared for inclusion in the Prospectus)

MQ TECHNOLOGY

20 December 2004

The Shareholders of
MQ TECHNOLOGY BERHAD
3rd Floor, Wisma Wang
251-A, Jalan Burma
10350 Penang

Dear Sir/Madam,

On behalf of the Board of Directors, I wish to report after due enquiry that between the period from 30 June 2004 (being the date to which the last audited financial statements of the Company and its subsidiaries ("**Group**") has been made up) to 20 December 2004 (being a date not earlier than 14 days before the issuance of this Prospectus), that:-

(a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) No contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiaries;

(e) in the opinion of the Directors, since the last audited financial statements of the Group, they are not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowing; and

(f) save as disclosed in the "Proforma Consolidated Balance Sheets" and the "Accountants' Report" of this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited financial statements of the Group.

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

Tan Cheow Boon
Managing Director

MQ Technology Berhad
No. 3, Lintang Beringin 8, Off Jalan Permatang Damar Laut, Diamond Valley Industrial Park II, Bayan Lepas, 11960 Penang, Malaysia.
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