

MQ TECHNOLOGY BERHAD
(Company No. 635804-H)
(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2008

B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

B1 Review of performance

The Group recorded a profit before tax ("PBT") of approximately RM0.02 million for the current quarter as compared to the PBT of RM1.75 million in the preceding year corresponding quarter. Revenue for the current quarter is RM12.69 million as compared to RM14.03 million in the preceding year corresponding quarter. The decrease in revenue by approximately 9.55% in the current quarter as compared to the preceding year corresponding quarter was mainly contributed by the decline in sales achieved by the precision engineering division of the Group during the current quarter. As a result of the lower sales achieved by the precision engineering division which commands higher margin as well as higher operating expenses incurred by the Group in the current quarter, the Group recorded a much lower PBT in the current quarter as compared to the preceding year corresponding quarter.

For the current year-to-date, the Group registered a revenue and PBT of RM48.78 million and RM2.07 million respectively as compared to the preceding year corresponding period of RM54.89 million and RM7.74 million respectively. The drop in revenue and PBT was mainly due to lower revenue recorded by the precision engineering division of the Group which commands higher margin.

B2 Variation of results against immediate preceding quarter

For the current quarter, the Group achieved a revenue of RM12.69 million as compared to RM12.46 million in the preceding quarter and a PBT of approximately RM0.02 million for the current quarter as compared to PBT of RM1.45 million in the preceding quarter. The drop in PBT was mainly due to higher operating expenses incurred by the Group in the current quarter as compared to the preceding quarter.

B3 Prospects for the forthcoming financial year

In view of the current bleak economic situation, the Board expects its business prospects for the financial year ending 31 December 2009 to be challenging.

B4 Profit forecast and profit guarantee

The Group did not provide any profit forecast/profit guarantee in any public documents for the financial year ended 31 December 2008.

B5 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31-Dec-08 RM	Preceding year corresponding quarter 31-Dec-07 RM	Current year to date 31-Dec-08 RM	Preceding year corresponding period 31-Dec-07 RM
Tax based on results for the quarter/period:				
Malaysian income tax and deferred tax	648,036	25,810	824,036	219,234

The Group's effective tax rate in the current quarter and year-to-date is higher than the statutory tax rate of 26% mainly due to the recognition of deferred tax liabilities, current period tax losses of the company and a subsidiary company of which the related deferred tax assets have not been recognised, and certain expenses were non-deductible for tax purposes.

B6 Sale of unquoted investments and/or properties

There were no sale of unquoted investments or properties during the period under review.

B7 Purchase or Sale of quoted securities

There were no purchase or sale of quoted securities during the period under review.

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B8 Status of Corporate Proposals

Save as disclosed above, there were no other corporate proposals announced but not completed as at 19 February 2009 (being the latest practicable date which shall not be earlier than 7 days from the date of this announcement).

- (a) On 21 August 2006, on behalf of the Board of Directors of MQ Technology Berhad ("MQ"), AmInvestment Bank Berhad had announced that MQ is proposing to undertake, amongst others, the proposed special issue of up to 82,143,000 new ordinary shares of RM0.10 each in the Company ("Shares") to Bumiputera investors to be approved by Ministry of International Trade and Industry ("MITI") at an issue price to be determined later after obtaining all relevant approvals ("Special Issue").

The Special Issue has been approved by MITI, the Securities Commission ("SC") and shareholders of MQ on 28 September 2006, 13 October 2006 and 5 December 2006 respectively. On 23 April 2007, the first tranche of the Special Issue comprising 14,690,000 new Shares issued to identified Bumiputera investors approved by MITI at the issue price of RM0.28 per Share were listed on the MESDAQ Market of the Bursa Securities. The gross proceeds arising from the first tranche of the Special Issue of RM4,113,200 has been fully utilised.

The remaining 67,453,000 Special Issue Shares and the issue price shall be announced when they are to be placed out later. The SC had via its letter dated 9 October 2008 approved the extension of time of up to 12 October 2009 for MQ to complete the implementation of the Special Issue. The MITI had also via its letter dated 18 November 2008 taken note of MQ's application for an extension of time up to 12 October 2009 to increase its Bumiputera equity to at least 30%.

- (b) On 19 February 2009, MQ had entered into a conditional share sale agreement with JCY HDD Technology Sdn Bhd ("JCY") to dispose 100% equity interest in QB Technology Sdn Bhd ("QBT"), an existing wholly owned subsidiary of MQ for a cash consideration of RM10,000,000 ("Proposed Disposal").

The Proposed Disposal is subject to shareholders' approval at an Extraordinary General Meeting to be convened.

B9 Group's borrowings and debt securities

		AS AT 31-Dec-08 RM
(a) <u>Short term borrowings</u>		
Secured		2,932,538
Unsecured		210,263
		3,142,801
(b) <u>Long term borrowings</u>		
Secured		1,998,069
Unsecured		-
		1,998,069
Borrowings denominated in foreign currency:		
	THB	RM (Equivalent)
Thai Baht ("THB")	2,344,291	233,018

B10 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at 19 February 2009 (being the latest practicable date which shall not be earlier than 7 days from the date of this announcement).

B11 Material litigation

There were no material litigations pending since the end of the previous financial year ended 31 December 2007 to 19 February 2009 (being the date not earlier than 7 days from the date of this announcement).

B12 Dividends

No dividend has been declared or paid by the Company in this financial quarter.

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B13 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31-Dec-08	Preceding year corresponding quarter 31-Dec-07	Current year to date 31-Dec-08	Preceding year corresponding period 31-Dec-07
Net (loss)/profit attributable to shareholders (RM)	(627,754)	1,725,645	1,247,626	7,521,773
Weighted average number of ordinary shares in issue	230,562,907	230,562,907	230,562,907	209,120,287
(Loss)/Earnings per share - (Sen)				
Basic	(0.27)	0.75	0.54	3.60
Diluted	NA	NA	NA	NA

B14 Auditor's report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Company's statutory financial statements for the year ended 31 December 2007 in their report dated 24 March 2008.

B15 Authorise for issue

The interim financial statements were authorised for issue by the Board of Directors on 25 February 2009.