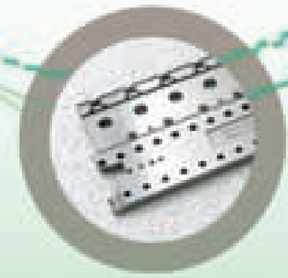
MQ TECHNOLOGY
# MQ TECHNOLOGY BERHAD
(635804-H)

ANNUAL REPORT **2010**



# CONTENTS



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Chatar Singh A/L Santa Singh**
*Non-Independent Non-Executive Chairman*

**Tan Cheow Boon**
*Managing Director*

**Chin Tee Kheng**
*Executive Director*

**Dato' Dr. Chong Eng Keat @ Teoh Eng Keat**
*Independent Non-Executive Director*

**Kok Seng Loong**
*Independent Non-Executive Director*

## COMPANY SECRETARIES

**Angelina Cheah Gaik Suan**
(MAICSA 7035272)

**Chan Wai Fen**
(MAICSA 7028962)

## AUDIT COMMITTEE

**Kok Seng Loong**
*Chairman (Independent Non-Executive Director)*

**Dato' Dr. Chong Eng Keat @ Teoh Eng Keat**
*Member (Independent Non-Executive Director)*

**Chatar Singh A/L Santa Singh**
*Member (Non-Independent Non-Executive Chairman)*

## REMUNERATION COMMITTEE

**Chatar Singh A/L Santa Singh**
*Chairman (Non-Independent Non-Executive Chairman)*

**Tan Cheow Boon**
*Member (Managing Director)*

**Kok Seng Loong**
*Member (Independent Non-Executive Director)*

## AUDITORS

Messrs. Crowe Horwath
Chartered Accountants
17.01 Menara Boustead Penang
39 Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : 604-227 7061
Fax : 604-227 8011

## REGISTERED OFFICE

Suite S-21-H, 21st Floor
Menara Northam
55, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : 604-642 9887
Fax : 604-645 6698

## HEAD OFFICE

Plot 86-B, Lintang Bayan Lepas 9,
Bayan Lepas Industrial Park 4,
11900 Bayan Lepas,
Penang, Malaysia
Tel : 604-646 5888
Fax : 604-644 6888
Website : www.mqtech.com.my

## SOLICITOR

Zaid Ibrahim & Co

## PRINCIPAL BANKERS

Ambank (M) Berhad
Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Berhad

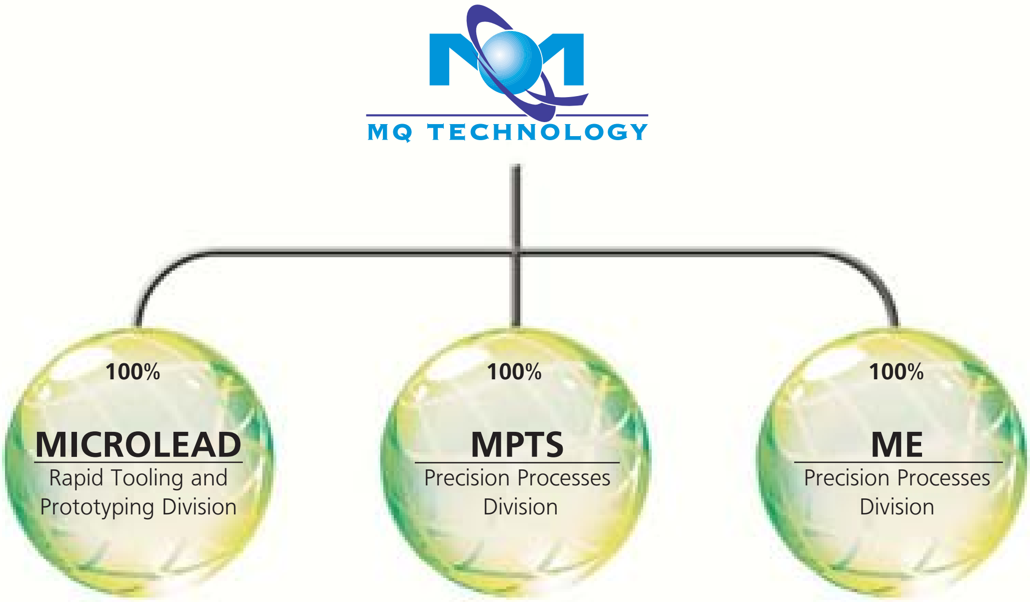
## SHARE REGISTRAR

Tricor Investor Services Sdn. Bhd. (118401-V)
Level 17, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200, Kuala Lumpur, Malaysia
Tel : 603-2264 3883
Fax : 603-2282 1886

## STOCK EXCHANGE LISTING

ACE Market of
Bursa Malaysia Securities Berhad

# CORPORATE STRUCTURE




MQ Technolgy Berhad (”MQ”) was incorporated in Malaysia under the 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 and since then assumed its present name.

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

| Company | Date/ Place of Incorporation | Issued and Paid-up Share Capital RM | Effective Equity Interest % | Principal Activities |
|---|---|---|---|---|
| Microlead Precision Technology Sdn Bhd ("MICROLEAD") | 12.12.1995/ Malaysia | 336,000 | 100.00 | (i) Manufacture of moulds, tools, dies, jigs and fixtures mainly for use in the manufacture of hard disk drives<br>(ii) Design, development and manufacture of advanced suspension tooling, progressive tooling, semiconductor cavity/encapsulation moulds for application in hard disk drives and semiconductor industries<br>(iii) Design, development and manufacture of advanced automation modules/assemblies for digital data storage, medical instrument systems/devices and optoelectronics applications and related components |
| Microlead Engineering Sdn Bhd ("ME") | 09.08.1999/ Malaysia | 448,188 | 100.00 | Dormant |
| MPT Solution Co., Ltd ("MPTS") | 29.03.2004/ Thailand | 961,900 | 100.00 | Manufacture of car spare parts, plastic moulds, metal moulds and blowing moulds for plastic products, tooling, jig and fixtures for electronic and semiconductor |

# CHAIRMAN'S STATEMENT

**Chatar Singh A/L Santa Singh**
*Non-Independent Non-Executive Chairman*

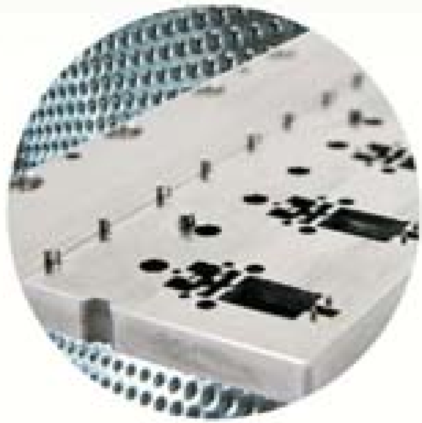
## On behalf of the Board of Directors of MQ Technology Berhad, I am pleased to present to you the Annual Report of the Company for the financial year ended 31 December 2010.

### FINANCIAL PERFORMANCE

The group has achieved a good result for the financial year ended 31 December 2010 despite the drastic change in the condition of the industry we served. The Group recorded revenue of RM42.17 million and profit after tax of RM2.69 million, representing an increase of 8.61% and 1,034.85% respectively as compared to financial year ended 31 December 2009. Furthermore, the earnings per share has increased to 1.17 sen, an increase of 1,070% as compared to 0.10 sen.

### PROSPECTS

Based on the industry outlook of the hard disk drive ("HDD") and, barring any unforeseen circumstances, the Group is expected to continue to operate profitably in the coming financial year. Nevertheless, the Group has continued to take actions for cost reduction and seeks opportunity for business growth in order to strengthen the Group's financial performance.



# CHAIRMAN'S STATEMENT (CONT'D)

## INDUSTRY TRENDS AND DEVELOPMENT

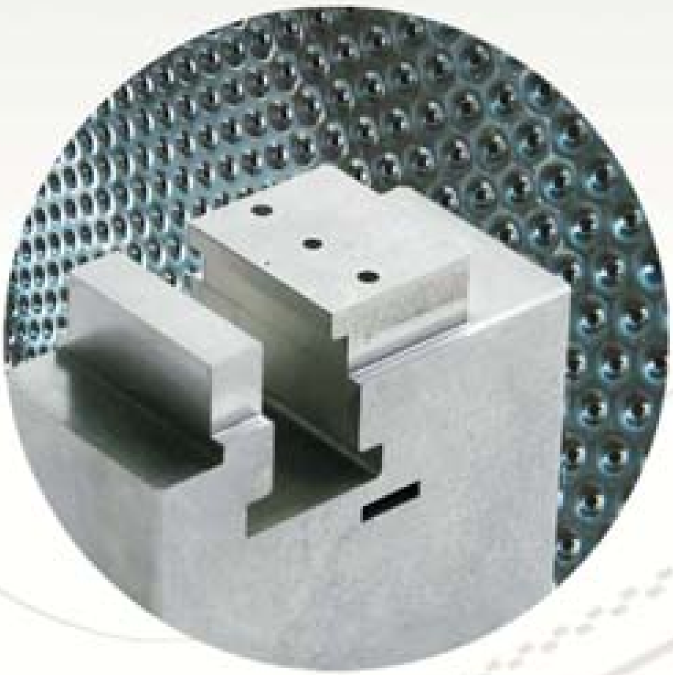
HDD Industry, which has been an important source of growth for the Group, is forecasted to have better business prospects as the HDD manufacturers expand their capital expenditure requirements to cater for growing market demand in the long run. The expanding digital universe creates a tremendous opportunity for HDD storage used in PCs, enterprise systems and personal storage devices. Therefore, the fundamental need for additional storage capacity worldwide will continue to generate solid HDD demand. As a result, capitalizing on the Group strong financial position, the Group expects to have good opportunities to generate higher revenue and profits for the coming financial year.

## DIVIDENDS

There was no dividend declared or paid for the financial year ended 31 December 2010 as we remained prudent in our efforts to preserve capital and enhance the liquidity position of the Group.

## APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank all our employees for their ongoing dedication, loyalty and commitment to the Group. To all shareholders, I am sincerely grateful for your confidence in the Company. I also wish to extend our appreciations to our valued customers and business associates, regulatory bodies for their continuous support.



# PROFILE OF DIRECTORS

**CHATAR SINGH A/L SANTA SINGH,** Malaysian, aged 59, appointed as Executive Chairman on 26 November 2004 and redesignated as Non-Independent Non-Executive Chairman on 1 January 2009.

He graduated with B.Sc (Hons) degree majoring in Physics and Chemistry from University Sains Malaysia, Penang in 1976 and has more than 25 years of experience in the electronics manufacturing industry.

He started his career in Sharp-Roxy Corporation (M) Sdn Bhd in Sungai Petani, Kedah and was with the company for 7 years before leaving for LH Research, an American switching power supply company based in Prai, Penang. He was with LH Research for a total of 9 years and was responsible for managing the factories in the Caribbean (Puerto Rico and Dominican Republic) for approximately 3 years. In 1992, he joined Dai-Ichi Industries Berhad ("Dai-Ichi") as General Manager and was later appointed as a Director when the company was listed on the Second Board (now known as Main Market) of Bursa Securities.

He resigned from the board of Dai-Ichi in 1999. In 1994, he was the Managing Director of SMT Technologies Sdn Bhd, a company involved in electronics contract manufacturing using surface mount technology. He left SMT Technologies Sdn Bhd in 1999. Thereafter, he was with PCA Mahlin Technology, a company involved in making actuators for the HDD industry from 2000 to 2001 as the Managing Director.

Currently, he is a Chairman of the Remuneration Committee and also a member of the Audit Committee. He is also a Non-Independent Executive Director of JCY International Berhad, a company listed on the Main Market of Bursa Securities.

He attended 3 out of 4 of the Board of Directors' Meetings held in the financial year ended December 2010.

He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and has had no convictions for offences within the past 10 years.

**TAN CHEOW BOON,** Malaysian, aged 43, appointed as Managing Director on 26 November 2004.

He graduated from the Philip Government Training Centre in year 1991.

Upon graduation, he served the Philip Government Training Centre of Singapore as a workshop assistant and training the other students of the Centre. He joined Integrate (S) Pte Ltd in 1991 as a technician to gain more experience in the wire cut industry. As he gained more exposure, he joined Victoria Mechanical Engineering Works in Singapore as the Head of Wire Cut Department and Sales. In 1994, he moved to Precision Wire-Cut Pte Ltd as an Assistant Manager to manage the company in sales and planning.

With his vast experience and contacts in the industry, he decided to venture out on his own together with his partner, Chin Tee Kheng. Together they formed Microlead and has built up the business to where it is today.

He is a member of the Remuneration Committee.

He attended all Board of Directors' Meetings held in the financial year ended December 2010.

He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and has had no convictions for offences within the past 10 years.

**CHIN TEE KHENG,** Malaysian, aged 44, appointed as Executive Director on 26 November 2004.

He graduated from the Philip Government Training Centre in 1990. Upon his graduation, he served the Philip Government Training Centre of Singapore as a workshop assistant and training the other students of the Centre. Subsequently, he joined Charmilles Technologies (SEA) Pte Ltd, a worldwide supplier for Electrical Discharge Machine (EDM), as an Application Engineer. During his seven (7) years in the company, he travelled extensively to most of the countries in South East Asia to provide technical support for the setting up of new workshops and tool rooms for customers of the company. He was also involved in R&D work on EDM wire machines, test cut on lead frames, IC moulds, punches and dies, jigs and fixtures. He also had the opportunity to assist on management and planning for subordinate engineers.

With his extensive exposure in the industry, he decided to channel his knowledge into his own company, Microlead which he set up with Tan Cheow Boon. Subsequently in 1999, he also set up ME which he is currently a Director.

He attended all Board of Directors' Meetings held in the financial year ended December 2010.

He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and has had no convictions for offences within the past 10 years.

**DATO' DR CHONG ENG KEAT @ TEOH ENG KEAT,** Malaysian, aged 65, appointed as Independent Non-Executive Director on 26 November 2004.

He is currently the Executive Vice Chairman of the GEM Group.

He graduated from Universiti Sains Malaysia ("USM") in 1975 with an Honours Degree in Chemistry and went on an Australian National University Scholarship to do his PhD in Chemistry in 1976. After obtaining his PhD in 1979, he returned to USM as a lecturer in the School of Chemistry.

In 1980, he left USM to join Intel Technology Sdn Bhd ("Intel") as a Senior Process Engineer. During his 22 years in Intel, he held various senior general management positions in manufacturing as well as in Technology Development. He started up the Intel's Kulim site as the pioneer Managing Director in 1995 and at the time of his retirement in 2002 he was the Vice-President and General Manager of Intel's worldwide Board and Systems operations.

He is currently a member of the Audit Committee. He also sits on the Board of Globetronics Technology Bhd and Elsoft Research Bhd.

He attended all Board of Directors' Meetings held in the financial year ended December 2010.

He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and has had no convictions for offences within the past 10 years.

**KOK SENG LOONG,** Malaysian, aged 35, appointed as Independent Non-Executive Director on 26 November 2004.

He graduated with a professional accountancy qualification from Association of Chartered Certified Accountants in 1998 and later with a Master Degree in Business Administration from Edinburgh Business School in 2000. He is currently a Fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

He started his career in the public practice with KPMG in 1998. He then joined the manufacturing sector where he gained years of operation and corporate finance experience with the MNCs i.e. Intel Technology Sdn Bhd and Dell Asia Pacific Sdn Bhd since 1999. He is the Group Financial Controller of Tejari Technologies Bhd, a public listed company on the MESDAQ Market (now known as ACE Market) of the Bursa Securities. He left Tejari Technologies Berhad in May 2007.

He is the Chairman of the Audit Committee and also a member of the Remuneration Committee.

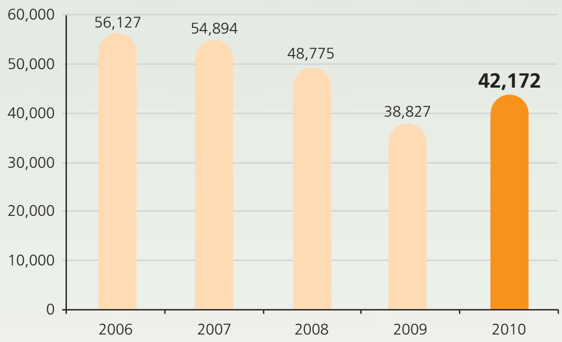
He attended all Board of Directors' Meetings held in the financial year ended December 2010.

He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest in any business arrangements involving the Company and has had no convictions for offences within the past 10 years.

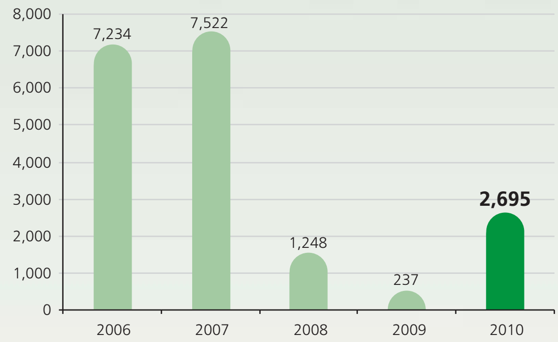
# FINANCIAL HIGHLIGHTS

| | Group 2006 RM'000 | Group 2007 RM'000 | Group 2008 RM'000 | Group 2009 RM'000 | Group 2010 RM'000 |
|---|---|---|---|---|---|
| Turnover | 56,127 | 54,894 | 48,775 | 38,827 | **42,172** |
| Profit Before Taxation | 7,844 | 7,741 | 2,072 | 451 | **2,209** |
| Profit After Taxation | 7,234 | 7,522 | 1,248 | 237 | **2,695** |
| No. of Share assumed in Issue ('000) | 191,667 | 230,563 | 230,563 | 230,563 | **230,563** |
| Earnings per Share (sen) | 3.77 | 3.60 | 0.54 | 0.10 | **1.17** |

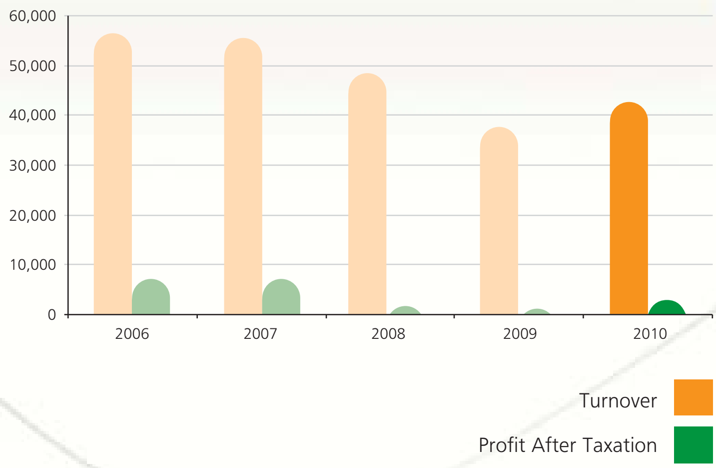
**Turnover (RM'000)**




**Profit After Taxation (RM'000)**




**Turnover vs Profit (RM'000)**




## A. THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("CODE")

The Board of Directors of MQ ("the Board") is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of MQ. To this end, the Board continues to support the recommendations of the Code.

The Company has adopted most of the best practices recommended by the Code with the following exceptions:

1) The Company has not set up a Nomination Committee. The functions of a Nomination Committee, mainly to review, identify and recommend new nominees to the Board and to nominate Directors to Board Committees are assumed by the Board as a whole.

2) The Board has not appointed a Senior Independent Non-Executive Director to whom shareholders may address their grievances and concerns. The Board is collectively responsible to address all grievances and concerns brought up by the shareholders.

The Board will review the necessity to implement the above-mentioned best practices from time to time.

## B. BOARD OF DIRECTORS

### 1. The Board and Board Balance

The Board consists of five (5) members and is made up of two (2) Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Independent Directors. The Board members are from various professions with a range of experience in relevant fields such as accounting and engineering. Together, the Directors bring a broad range of skills, knowledge, business and financial experience relevant to the MQ Group. The composition of the Board and the profile of each Director are provided on page 6 to 7 of this Annual Report.

The Board assumes overall responsibility for reviewing strategic plans and setting the appropriate policies for managing business risks to ensure that a good internal control system is in place to support operational efficiency and effectiveness of the Group. There is a clear division of responsibility between the Chairman and the Managing Director to ensure a balance of power and authority. The Board operates in an open environment in which opinions and information are freely exchanged. The presence of Independent Directors provide independent views, advice and judgment and take into account the interests of the Group and the various parties that include shareholders, employees, customers, suppliers and other communities in which the Group conducts its business.

### 2. Appointment of Directors

The Board appoints its members through a formal and transparent selection process, which is in accordance with the Articles of Association of the Company ("the Articles"). The Board is of the opinion that a Nomination Committee is currently not required as the full Board is involved in assessing new appointments (if any). New appointees will be considered and evaluated by the Board. A Board Meeting or Resolution, made through the Company Secretary, will be convened or circulated to all Board Members to decide on the appointment of the suitable candidates as Directors (if any).

### 3. Re-election of Directors

In accordance with the Articles, Directors who are appointed by the Board to fill a casual vacancy shall hold office only until the next Annual General Meeting ("AGM") and shall then be eligible for re-election. The Articles also provide that one-third or the number nearest to one-third (1/3) of the Directors shall retire from office at every AGM and if eligible, may offer themselves for re-election. Each Director shall retire from office at least once in every three (3) years. The Articles further provide that a Managing Director can be appointed for a fixed term which shall not exceed 3 years.

### 4. Meetings

The Board meets at least four (4) times a year at quarterly intervals where additional meetings convened when necessary. At the meeting, the Group's financial results are deliberated and considered prior to public release through the Bursa Malaysia Securities Berhad ("Bursa Securities").

## B. BOARD OF DIRECTORS (CONT'D)

### 4. Meetings (Cont'd)

There were four (4) Board Meetings held during the financial year ended 31 December 2010. The record of attendance for each Director at those meetings is set out below:

| Name of Directors | Attendance |
|---|---|
| Chatar Singh A/L Santa Singh | 3/4 |
| Tan Cheow Boon | 4/4 |
| Chin Tee Kheng | 4/4 |
| Dato' Dr. Chong Eng Keat @ Teoh Eng Keat | 4/4 |
| Kok Seng Loong | 4/4 |

### 5. Supply of Information

The Board members have full and unrestricted access to information on the Group's business and affairs in discharging their duties. Prior to meetings, a full set of Board papers are forwarded to the Directors for their perusal in a timely manner so that they may have sufficient time to prepare for the meetings.

All Directors also have full access to the advice and service of the Company Secretary in furtherance of their duties. When necessary, the Directors may request independent professional advice at the Company's expense on specific issues to enable the Board to properly discharge their duties on the matters being deliberated.

### 6. Remuneration Committee

The Remuneration Committee ("RC") was set up on 13 May 2009. The RC currently comprises the following:

| | |
|---|---|
| Chatar Singh A/L Santa Singh | Chairman<br>Non-Independent Non-Executive Chairman |
| Tan Cheow Boon | Member<br>Managing Director |
| Kok Seng Loong | Member<br>Independent Non-Executive Director |

The RC shall comprise of not fewer than three (3) members, at least one (1) member who shall be independent and knowledgeable in executive compensation, failing which expert advice may be obtained internally or externally.

The RC is responsible for, inter-alia recommending to the Board the remuneration policies for Directors as well as the remuneration packages of Executive Directors. The Executive Directors should play no part in determining their individual remuneration while the determination of the remuneration payable to Non-Executive Directors should be a matter for the Board as a whole with individual Directors abstaining from discussion and voting in respect of their individual remuneration.

The policy practice on Directors' remuneration by the RC is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Group and to align the interest of the Directors with those of the shareholders.

The amounts of remuneration paid to the Directors during the financial year ended 31 December 2010 were as follows:

| Category | Fees (RM) | EPF & other emoluments (RM) | Total (RM) |
|---|---|---|---|
| Executive Directors | 120,000 | 1,086,713 | 1,206,713 |
| Non-Executive Directors | 132,000 | - | 132,000 |

The number of Directors whose remuneration are within the following bands is as follows:

| Remuneration Band | Number of Directors | |
|---|---|---|
| | Executive | Non-Executive |
| RM50,000 and below | - | 2 |
| RM50,001 – RM100,000 | - | 1 |
| RM500,001 – RM550,000 | 1 | - |
| RM650,001 – RM700,000 | 1 | - |

## B. BOARD OF DIRECTORS (CONT'D)

### 7. Training

As at the date of this Statement, all Directors of MQ have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities. In addition, the Directors will continue to participate in other relevant training programmes and seminars to further enhance their skills and knowledge in order to effectively discharge their duties as Directors.

During the financial year under review, Mr. Chatar Singh A/L Santa Singh, Mr. Tan Cheow Boon, Mr. Chin Tee Kheng and Mr. Kok Seng Loong had attended the "2011 Budget and Tax Planning" conducted by Crowe Horwath Penang Tax Sdn. Bhd.. Meanwhile, Dato' Dr. Chong Eng Keat @ Teoh Eng Keat had attended the "Practical Application and Implementation Issue Encountered When Applying FRSs" conducted by Malaysian Institute of Accountants.

Throughout the year, the Directors have received updates from time to time on relevant new laws and regulations. Arrangements are also made for the Non-Executive Directors to visit the Group's operations in order to update them on the Group's operations.

## C SHAREHOLDERS

The Board acknowledges the need for shareholders to be informed of all significant matters affecting the Group. The participation of shareholders and investors, both individual and institutional, at general meetings are encouraged whilst requests for briefings from the press and investment analysts are welcomed.

Notice of AGM and the Annual Report are sent to shareholders at least 21 days before the date of the AGM. In addition, shareholders and investors may obtain the Company's latest announcements through the Bursa Securities website **(www.bursamalaysia.com)** or the Company's website **(www.mqtech.com.my)**

## D. ACCOUNTABILITY AND AUDIT

### 1. The Audit Committee

The Audit Committee was set up on 24 November 2004. The composition of the Committee, its terms of reference and attendance of meeting by each of the Committee Members are set out on page 13 to 15 of this Annual Report.

### 2. Responsibility for Annual Audited Financial Statements

The Directors are required to prepare annual audited financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as of financial year-end and of the results of the business and the cash flows of the Group and of the Company for the year then ended.

In preparing these annual audited financial statements, the directors are required to comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board in Malaysia, to make judgments and estimates that are reasonable and prudent and to adopt and consistently apply suitable accounting policies.

The Directors are responsible for on-going maintenance of proper accounting records that disclose with reasonable accuracy of the financial position of the Group and of the Company, which enables them to ensure compliance of the annual audited financial statements with the Companies Act, 1965. The Directors are also responsible for the assets of the Group and of the Company and hence responsible for taking reasonable steps to prevent and detect fraud and other irregularities.

This statement is disclosed on page 16 of this Annual Report.

**Internal Control**

Information pertaining to the Company's internal control is presented in the Statement on Internal Control set out on page 12 of this Annual Report.

### 3. Relationship with the Auditors

The Board maintains a formal and transparent arrangement with its auditors in seeking professional advice and ensuring compliance with Financial Reporting Standards issued by the Malaysian Accounting Standards Board in Malaysia.

Through the Audit Committee, the Group has established a transparent and appropriate professional relationship with the both external and internal auditors.

This statement was made in accordance with a Board of Directors' Resolution dated 15 April 2011.

# STATEMENT OF INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance requires a listed company to maintain a sound system of internal control to safeguard its shareholders' investment and its assets.

The Board is pleased to present its Statement on Internal Control for the financial year ended 31 December 2010, which has been prepared pursuant to Rule 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements, and in accordance with the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

## BOARD RESPONSIBILITY

The Board acknowledges that it is responsible for the system of internal controls which includes the establishment of an appropriate control environment and framework, and the review of the effectiveness, adequacy and integrity. A set of policies and procedures is in place to ensure that assets are adequately protected against unauthorized use or disposal and that the interests of shareholders are safeguarded.

Due to the inherent limitations of the system of internal control, such system is designed to manage rather than eliminate the risks of failure to achieve the Group's corporate objectives. Therefore, the system can only provide a reasonable and not absolute assurance against material misstatement or loss.

## SYSTEM OF INTERNAL CONTROL

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

The following outlines the main elements of the Group's internal control system:
(i) Having an organizational structure that ensures segregation of duties among employees so that there is an appropriate level of checks and balances on the activities of individual employee.
(ii) Supplying comprehensive financial and management reports to the Audit Committee and the Board on a quarterly basis for review.
(iii) Stringent recruitment policy is set to ensure that only capable and competent staffs are employed which in turn ensure each operating unit is functioning effectively.
(iv) The Group's performance is monitored through management and operational meeting attended by Senior Management. The Managing Director and Executive Director are involved in the day to day operations of the Group.
(v) Internal policies and procedures are updated regularly to reflect changing risks or resolve operational deficiencies.

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

## INTERNAL AUDIT FUNCTION

The Board has outsourced its internal audit function to an independent professional firm.

During the financial year under review, the internal auditors conducted reviews based on an approved internal audit plan and the results of these reviews were tabled at the Audit Committee meetings. The internal auditors have also carried out follow-up reviews to ensure that recommendations for improving the internal control systems were being implemented satisfactorily. The cost incurred for the internal audit for the financial year 2010 was RM10,944.

During the course of their internal audits, the internal auditors have identified areas that required improvement. These areas were duly highlighted in the internal audit reports along with internal audit recommendations.

In addition, the Audit Committee and the Senior Management work closely with the internal auditors to review accounting and control issues to ensure significant issues are brought to the attention of the Board.

## CONCLUSION

The Board is of the view that the existing system of internal control is sound and adequate for the current level of operations. There were no significant weaknesses or material problems in the internal control procedures that had arisen during the current financial year which resulted in material losses, contingencies or uncertainties and that would require separate disclosure in this report.

This statement was made in accordance with a Board of Directors' Resolution dated 11 April 2011.

# AUDIT COMMITTEE REPORT

## AUDIT COMMITTEE

| | |
|---|---|
| **Kok Seng Loong** | Chairman<br>Independent Non-Executive Director |
| **Chatar Singh A/L Santa Singh** | Member<br>Non-Independent Non-Executive Chairman |
| **Dato' Dr. Chong Eng Keat @ Teoh Eng Keat** | Member<br>Independent Non-Executive Director |

## TERMS OF REFERENCE

### 1. MEMBERSHIP

a) The Audit Committee shall be appointed by the Board from amongst their members and comprising not less than three (3) members, exclusively Non-Executive Directors of whom majority shall be the Independent Directors.

b) At least one of the members of the Audit Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and either must have passed the examinations specified in Part I of the schedule of Accountants Act, 1967, or must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act, 1967 or fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

. c) The members of the Audit Committee must elect a Chairman among themselves who is an Independent Director. No alternate director shall be appointed as a member of the Audit Committee.

d) If a member of the Audit Committee, for whatsoever reason ceases to be a member with a result that the number of members is reduced below three (3), the Board shall, within three (3) months of the event, appoints such number of new members as may be required to make the minimum number of three (3) members.

### 2. ATTENDANCE AT MEETINGS

The Head of Finance and Head of Internal Audit, if any will attend the meetings. At least twice a year, the Committee shall meet with external/internal auditors, excluding the attendance of the other directors and employees of the Company. The Company Secretary shall be the secretary of the Committee.

### 3. FREQUENCY AT MEETINGS

Meetings will be held not less than four times a year. The external auditors may request a meeting if they consider that one is necessary. The quorum for any meeting shall be two members of the Committee who shall be Independent Directors.

### 4. AUTHORITY

The Committee is authorized by the Board to investigate any activity within its term of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

### 5. DUTIES

The duties of the Committee shall include:

a) to recommend the appointment of the external auditors, their audit fee and any question of their resignation of dismissal to the Board.

b) to discuss the nature and scope of the audit with the external auditors before the audit commences.

## 5. DUTIES (CONT'D)

c) To review the financial statements of the Company and the Group before submission to the Board, focusing particularly on:-
- public announcements of results and dividend payments;
- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- compliance with accounting standards; and
- compliance with stock exchange and legal requirements.

d) to discuss problems and reservations arising from the interim and final audits and any matters the external/internal auditors may wish to discuss (in the absence of management where necessary).
e) to review the internal audit programme, consider the major findings of internal audit investigations and management's response and ensure co-ordination between the internal and external auditors.
f) to review the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its work.
g) to review the appraisal or assessment of the performance of the staff of the internal audit function.
h) to approve any appointment or termination of senior staff of the internal audit function.
i) to keep under review the effectiveness of internal control system and, in particular, review external auditors management letter and management's response.
j) to review any related party transactions that may arise within the Company or the Group.
k) to carry out such other functions and consider other topics, as may be agreed upon by the Board.

## 6. REPORTING PROCEDURES

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

## 7. ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2010 , the Audit Committee held four (4) meetings to discuss the matters relating to the accounting and reporting practices of the Group and the Company. Details of attendance of the Committee Members are as follows:-

| Audit Committee Members | Attendance |
|---|---|
| Kok Seng Loong | 4 / 4 |
| Chatar Singh A/L Santa Singh | 3 / 4 |
| Dato' Dr. Chong Eng Keat @ Teoh Eng Keat | 4 / 4 |

## 8. SUMMARY OF ACTIVITIES

The following activities were undertaken by the Audit Committee during the four (4) meetings in discharging their duties and responsibilities:-

a) Reviewed the draft quarterly results and year-end financial statements before submission to the Board for approval.
b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2010.
c) Reviewed the state of internal control with external auditors on findings and recommendation.
d) Reviewed with external auditors on the results and issues arising from their audit of the financial year end statements and their resolutions of such issues highlighted in their report to the Committee.
e) Considered and recommended the external auditors for re-appointment.
f) Review and discuss the internal audit report issued by the internal auditors for audit assignments carried out during the year.
g) Considered the adequacy of management actions taken on internal and external audit reports.
h) Review the recurrent related party transactions entered into by the Group.

## 9. INTERNAL AUDIT

At present, the Group does not have an in-house internal audit department. The Board has outsourced the internal audit function to an independent professional firm. The cost incurred for the internal audit for financial year 2010 was RM10,944.

During the financial year under review, the internal auditors have carried out the followings:

(i) Compiled internal audit plan which was approved by the Audit Committee.
(ii) Performed internal audit on Customers Management and Sales Cycle which covered the areas of marketing, invoicing, receipts, goods return, credit control, product pricing and organization structure.
(iii) Presented the internal audit report to the Audit Committee for review and discussion in the Audit Committee Meeting.
(iv) Overall conclusion on internal controls by the internal auditors was that there were no major weaknesses noted and no significant and urgent matters that require the action of the Audit Committee.
(v) Discussed matters that required improvements with the management and action plan have been agreed.

The internal auditors will carry out the internal audit assignments based on the internal audit plan. Any findings arising from the internal audit review has been reported to the Audit Committee. The internal auditors will, on a continuous basis, advise the management on areas of improvement and initiate follow-up action to determine the extent of implementation of their recommendations.

## 10. STATEMENT ON EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company has not granted any option under the ESOS to the Directors and eligible employees of the Group for the finanicial year ended 31 December 2010. The ESOS of the Company which was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005 has lapsed on 30 June 2010.

Statement was made in accordance with a Board of Directors' Resolution dated 15 April 2011.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act, 1965 to prepare the annual audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:

- That the Group and the Company have used appropriate accounting policies, and are consistently applied;
- That reasonable and prudent judgments and estimates were made;
- That Financial Reporting Standards issued by the Malaysian Accounting Standards Board in Malaysia have been applied; and
- That the preparation of the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

This Statement was made in accordance with a Board of Directors' Resolution dated 15 April 2011.

# CORPORATE SOCIAL RESPONSIBILITY

The MQ Group ("the Group") has recognised Corporate Social Responsibility ("CSR") as conducting business in a socially responsible and ethical manner for long term success. The Group has adopted a CSR policy which could be applied into the Group's operational activities and employees' day-to-day work activities. As a responsible corporate citizen, the Group have initiated, supported and successfully implemented various social, community and environmental projects.

## COMMUNITY

The Company has recognised the importance of education and has contributed to the capabilities of tomorrow's workforce. During the financial year under review, the Company continued to participate in the Sponsorship For Industry Partnership Programme conducted by Disted Stamford College in order to sponsor engineering student to study from foundation to degree level.

## WORKPLACE

1. **Environment Health and Safety**

   The Company recognised the importance of pollution prevention and environmental protection by reducing the usage of the hazardous compounds in materials which are essential in maintaining the environment. The management and employees are responsible for contributing towards a safe working environment including fostering safe working attitudes and operating in an environmentally responsible manner.

2. **Business Ethics and Transparency**

   The Company is committed in maintaining the highest standards of integrity and corporate governance practices in order to maintain excellence in daily operations and to promote confidence with business partners, customers and suppliers to look forward to long term relationship.

3. **Staff Development Programme**

   The Company is committed to staff development by providing on-the-job training and external training programmes for all level of staff in order to improve their skills and knowledge for their career advancement. The Company will review the adequacy and suitability of the training requirements of the staff on a regular basis.

4. **Staff Welfare**

   Employees are the most important assets to the Company; therefore the Company has offered attractive benefits package to retain and attract staff with relevant experience and expertise to continue servicing the Company. The package provided including personal accident insurance, hospitalisation insurance, allowance, festive dinner and annual dinner.

# DISCLOSURE REQUIREMENTS
## PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS

**1. Utilisation of Proceeds**

There were no proceeds raised by the Company from any corporate proposals during the financial year.

**2. Share Buybacks**

During the financial year, the Company did not enter into any share buyback transactions.

**3. Options, Warrants or Convertible Securities**

No options, warrants or convertible securities were granted or issued by the Company during the financial year.

**4. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

During the financial year, the Company did not sponsor any ADR or GDR programme.

**5. Imposition of Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

**6. Non-Audit Fees**

Non-audit fees amounting to RM7,500 were incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's external auditors and a company affiliated to the external auditors.

**7. Profit Forecast and Unaudited Results Deviation**

There was no profit forecast issued by the Group during the financial year.

There were no material variation between the audited results for the financial year ended 31 December 2010 and the unaudited results released for the financial quarter ended 31 December 2010.

**8. Profit Guarantee**

The Company did not receive any profit guarantee during the financial year.

**9. Material Contract**

During the financial year, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests.

**10. Revaluation Policy**

The Company did not revalue any of its landed properties during the financial year.

**11. Recurrent Related Party Transactions ("RRPT") of a Revenue and Trading Nature**

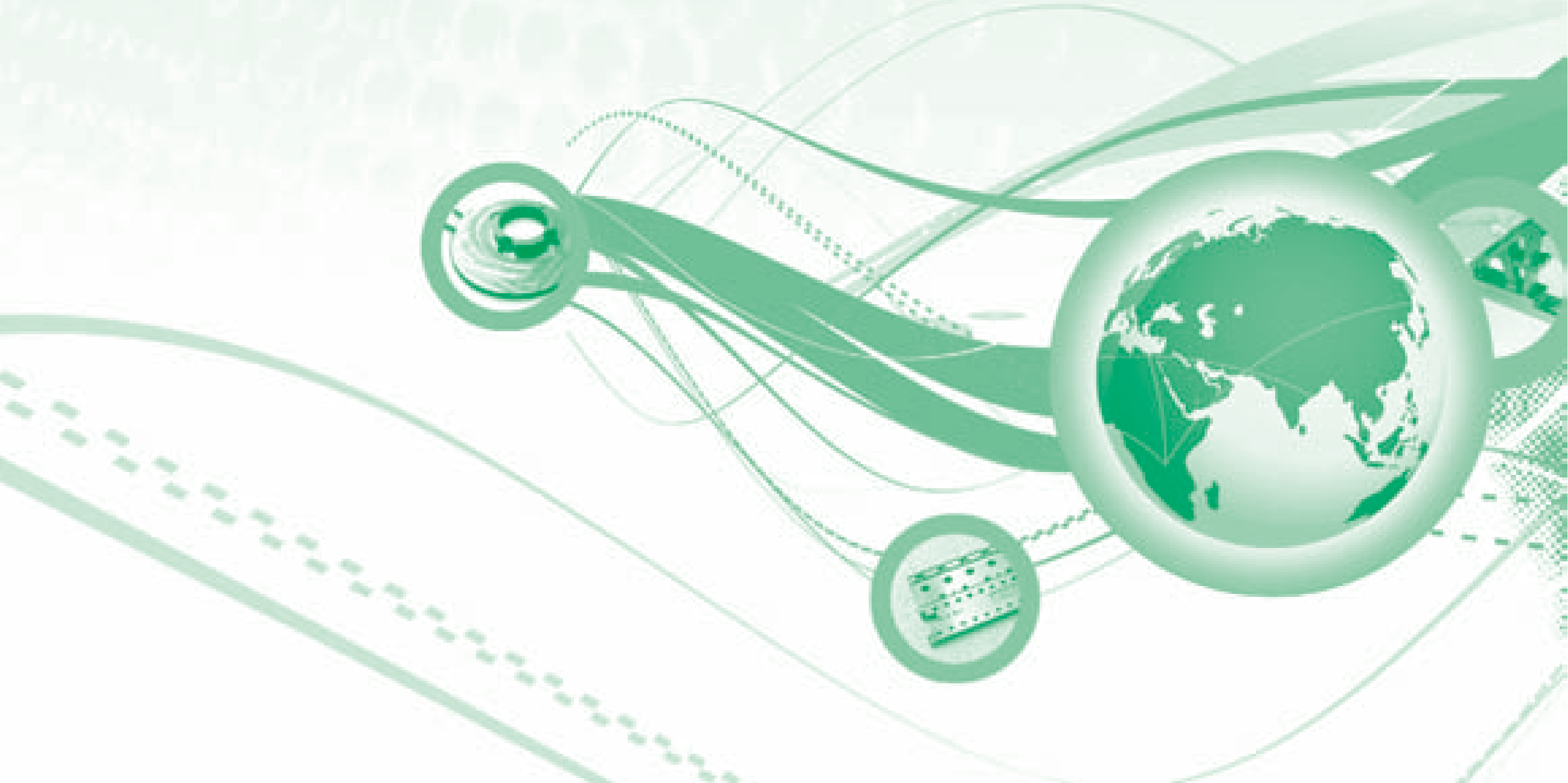
Details of the RRPT of a revenue and trading nature entered into during the financial year ended 31 December 2010, in accordance with the shareholders' mandate obtained at the Extraordinary General Meeting of the Company held on 22 June 2010, were as follows :

| No. | Related Parties | | Nature of Transactions | Actual Amount | Interested Related Party |
|---|---|---|---|---|---|
| | Buyer | Seller | | | |
| 1. | Magnecomp Precision Technology Public Company Limited ("MPT") | Microlead | Supply of advanced suspension tooling and progressive tooling | RM30,817,654 | MPT is a major shareholder of MQ |
| 2. | MPT | MPT Solution Co., Ltd | Supply of advanced suspension tooling and progressive tooling | THB48,358,920 | MPT is a major shareholder of MQ |

The Company is proposing to seek a renewal of shareholders' mandate at its forthcoming Extraordinary General Meeting pursuant to Rule 10.09(2) and Guidance Note 8 of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements for RRPT of a revenue and trading nature. Details of the proposals are being disclosed in the Circular to Shareholders dated 29 April 2011.

# FINANCIAL STATEMENTS





# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2010.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

## RESULTS

| | The Group RM | The Company RM |
|---|---|---|
| Profit/(Loss) for the financial year | 2,694,547 | (105,339) |

## DIVIDENDS

No dividends were proposed, declared or paid by the Company since the end of the previous financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year apart from those disclosed in the financial statements.

## ISSUE OF SHARES OR DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

## EMPLOYEE SHARE OPTION SCHEME

The Employee Share Option Scheme ("ESOS") of the Company was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005 and all relevant authorities.

The principal features of the ESOS are as follows:-

(i) The maximum number of new ordinary shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS.

(ii) The ESOS will be available to directors and eligible employees of the Group and the Company.

(iii) To be eligible to participate in the ESOS, an employee must be at least 18 years of age, have been employed in the Group for at least 12 months and have been confirmed in service.

(iv) The ESOS shall be in force for a period of 5 years from the date of the confirmation letter submitted to Bursa Malaysia Securities Berhad. However, the Company may, if the Board of Directors deems fit upon recommendation of the ESOS committee, extend the scheme for a further 5 years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS Bye-Laws subject to any amendment and/or change to the relevant statute and/or regulation currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities.

## EMPLOYEE SHARE OPTION SCHEME (Cont'd)

(v) The price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the 5 market days preceding the date of offer or at the par value of the ordinary shares, whichever is the higher.

(vi) The new shares to be issued pursuant to the ESOS shall, upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares in the Company except that they will not be entitled to participate in any dividends, rights, allotments and/or any other distributions which may be declared, made or paid before the allotment of such shares.

The ESOS has expired on 30 June 2010 and the directors did not intend to extend the scheme.

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that no making of allowance for doubtful debts was necessary.

At the date of this report, the directors are not aware of any circumstances which would require the writing off of bad debts or the making of allowance for doubtful debts.

## CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

## VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group or the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

### ITEMS OF AN UNUSUAL NATURE

Except for any effects arising from the changes in accounting policies following the adoption of the amended/revised/new Financial Reporting Standards as disclosed in Note 2.2 to the financial statements, the results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

### DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Dato' Dr. Chong Eng Keat @ Teoh Eng Keat
Chatar Singh A/L Santa Singh
Tan Cheow Boon
Chin Tee Kheng
Kok Seng Loong

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

| | NUMBER OF ORDINARY SHARES OF RM0.10 EACH | | | |
|---|---|---|---|---|
| | BALANCE AT 1.1.2010 | BOUGHT | (SOLD) | BALANCE AT 31.12.2010 |
| Dato' Dr. Chong Eng Keat @ Teoh Eng Keat | 41,666 | 0 | 0 | 41,666 |
| Chatar Singh A/L Santa Singh | 49,775,166 | 0 | 0 | 49,775,166 |
| Tan Cheow Boon | 25,957,666 | 0 | 0 | 25,957,666 |
| Chin Tee Kheng | 26,349,333 | 0 | 0 | 26,349,333 |
| Kok Seng Loong | 0 | 0 | 0 | 0 |

By virtue of his interests in shares in the Company, Chatar Singh A/L Santa Singh is also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement, apart from the Company's ESOS, whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**AUDITORS**

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS**
**DATED 11 APRIL 2011**

**Chatar Singh A/L Santa Singh**

**Tan Cheow Boon**

# STATEMENT BY DIRECTORS

We, Chatar Singh A/L Santa Singh and Tan Cheow Boon, being two of the directors of MQ Technology Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 27 to 59 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 60 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS**
**DATED 11 APRIL 2011**

**Chatar Singh A/L Santa Singh** **Tan Cheow Boon**

# STATUTORY DECLARATION

I, Tan Cheow Boon, being the director primarily responsible for the financial management of MQ Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 27 to 59 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by Tan Cheow Boon at Georgetown in the State of Penang on this 11 April 2011

**Tan Cheow Boon**

Before me

**Goh Suan Bee**
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MQ TECHNOLOGY BERHAD

**Report on the Financial Statements**

We have audited the financial statements of MQ Technology Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 59.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(ii) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements.

(iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(iv) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 60 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Horwath**
Firm No: AF 1018
Chartered Accountants

**Eddy Chan Wai Hun**
Approval No: 2182/10/11 (J)
Chartered Accountant

Date: 11 April 2011
Penang

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

| | Note | 31.12.2010 RM | 31.12.2009 RM (Restated) | 1.1.2009 RM (Restated) |
|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 4 | **35,021,121** | 30,644,662 | 34,587,113 |
| Goodwill | 5 | **960,221** | 960,221 | 960,221 |
| | | **35,981,342** | 31,604,883 | 35,547,334 |
| CURRENT ASSETS | | | | |
| Inventories | 7 | **1,773,398** | 2,128,851 | 3,281,523 |
| Trade and other receivables | 8 | **8,612,963** | 10,349,451 | 9,716,063 |
| Prepayments | | **1,404,234** | 584,225 | 855,733 |
| Current tax assets | | **68,854** | 510,717 | 484,872 |
| Cash and cash equivalents | 9 | **18,672,502** | 17,608,198 | 13,885,885 |
| | | **30,531,951** | 31,181,442 | 28,224,076 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 10 | **4,855,908** | 5,764,628 | 5,006,281 |
| Loans and borrowings - secured | 11 | **2,590,664** | 1,712,408 | 3,142,801 |
| Current tax liabilities | | **0** | 0 | 219,220 |
| | | **7,446,572** | 7,477,036 | 8,368,302 |
| NET CURRENT ASSETS | | **23,085,379** | 23,704,406 | 19,855,774 |
| NON-CURRENT LIABILITIES | | | | |
| Loans and borrowings - secured | 11 | **3,411,424** | 1,800,606 | 1,998,069 |
| Deferred tax liabilities | 12 | **139,000** | 685,000 | 952,000 |
| | | **3,550,424** | 2,485,606 | 2,950,069 |
| NET ASSETS | | **55,516,297** | 52,823,683 | 52,453,039 |
| EQUITY | | | | |
| Share capital | 13 | **23,056,291** | 23,056,291 | 23,056,291 |
| Share premium | | **8,527,123** | 8,527,123 | 8,527,123 |
| Currency translation reserve | | **220,730** | 222,663 | 89,455 |
| Retained profits | | **23,712,153** | 21,017,606 | 20,780,170 |
| TOTAL EQUITY | | **55,516,297** | 52,823,683 | 52,453,039 |

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Revenue | 14 | **42,171,507** | 38,826,882 |
| Other income | | **350,461** | 996,784 |
| Changes in inventories of work-in-progress and finished goods | | **(550,469)** | 84,042 |
| Raw materials consumed | | **(18,496,717)** | (12,893,581) |
| Employee benefits expense | 15 | **(9,526,203)** | (11,443,836) |
| Depreciation | | **(3,825,578)** | (3,861,035) |
| Finance costs | | **(270,208)** | (218,982) |
| Other expenses | | **(7,643,392)** | (11,039,183) |
| Profit before tax | 16 | **2,209,401** | 451,091 |
| Tax income/(expense) | 17 | **485,146** | (213,655) |
| Profit for the financial year | | **2,694,547** | 237,436 |
| Other comprehensive income:- | | | |
| Currency translation differences for foreign operation | | **(1,933)** | 133,208 |
| Other comprehensive income for the financial year | | **(1,933)** | 133,208 |
| Total comprehensive income for the financial year | | **2,692,614** | 370,644 |
| Earnings per share (sen) | 18 | | |
| - Basic | | **1.17** | 0.10 |
| - Diluted | | **1.17** | 0.10 |

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | | Non-distributable | | Distributable | |
|---|---|---|---|---|---|
| | Share capital RM | Share premium RM | Currency translation reserve RM | Retained profits RM | Total equity RM |
| Balance at 1 January 2009 | 23,056,291 | 8,527,123 | 89,455 | 20,780,170 | 52,453,039 |
| Total comprehensive income for the financial year | 0 | 0 | 133,208 | 237,436 | 370,644 |
| Balance at 31 December 2009 | 23,056,291 | 8,527,123 | 222,663 | 21,017,606 | 52,823,683 |
| Total comprehensive income for the financial year | 0 | 0 | (1,933) | 2,694,547 | 2,692,614 |
| Balance at 31 December 2010 | 23,056,291 | 8,527,123 | 220,730 | 23,712,153 | 55,516,297 |

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Note | 2010<br>RM | 2009<br>RM |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | **2,209,401** | 451,091 |
| Adjustments for:- | | | |
| Depreciation | | **3,825,578** | 3,861,035 |
| Interest expense | | **270,208** | 218,982 |
| Interest income | | **(310,963)** | (297,331) |
| Loss/(Gain) on disposal of property, plant and equipment | | **91,484** | (204,290) |
| Loss on disposal of subsidiary | | **0** | 3,627,051 |
| Property, plant and equipment written off | | **137,126** | 917,315 |
| Unrealised loss on foreign exchange | | **350,690** | 168,094 |
| Operating profit before working capital changes | | **6,573,524** | 8,741,947 |
| Changes in:- | | | |
| Inventories | | **355,453** | (168,651) |
| Receivables and prepayments | | **821,438** | (7,142,482) |
| Payables | | **(909,639)** | 3,489,492 |
| Cash generated from operations | | **6,840,776** | 4,920,306 |
| Tax paid | | **(94,647)** | (355,671) |
| Tax refunded | | **475,656** | 0 |
| Net cash from operating activities | | **7,221,785** | 4,564,635 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Disposal of subsidiary, net of cash disposed of | 19 | **0** | 5,959,253 |
| Interest received | | **310,963** | 297,331 |
| Proceeds from disposal of property, plant and equipment | | **57,103** | 1,027,744 |
| Purchase of property, plant and equipment | 19 | **(3,562,961)** | (4,524,934) |
| Net cash (used in)/from investing activities | | **(3,194,895)** | 2,759,394 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | | **(270,208)** | (218,982) |
| Repayment of hire purchase obligations | | **(1,941,626)** | (2,417,538) |
| Repayment of term loans | | **(499,200)** | (866,627) |
| Net cash used in financing activities | | **(2,711,034)** | (3,503,147) |
| Currency translation differences | | **(251,552)** | (98,569) |
| Net increase in cash and cash equivalents | | **1,064,304** | 3,722,313 |
| Cash and cash equivalents brought forward | | **17,608,198** | 13,885,885 |
| Cash and cash equivalents carried forward | 9 | **18,672,502** | 17,608,198 |

The annexed notes form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | **3,277** | 4,079 |
| Investments in subsidiaries | 6 | **5,403,718** | 5,403,718 |
| | | **5,406,995** | 5,407,797 |
| CURRENT ASSETS | | | |
| Other receivables | 8 | **21,010,104** | 21,025,104 |
| Current tax assets | | **0** | 72,233 |
| Cash and cash equivalents | 9 | **10,236,352** | 10,251,247 |
| | | **31,246,456** | 31,348,584 |
| CURRENT LIABILITIES | | | |
| Other payables | 10 | **39,959** | 37,550 |
| | | **39,959** | 37,550 |
| NET CURRENT ASSETS | | **31,206,497** | 31,311,034 |
| NET ASSETS | | **36,613,492** | 36,718,831 |
| EQUITY | | | |
| Share capital | 13 | **23,056,291** | 23,056,291 |
| Share premium | | **8,527,123** | 8,527,123 |
| Retained profits | | **5,030,078** | 5,135,417 |
| TOTAL EQUITY | | **36,613,492** | 36,718,831 |

The annexed notes form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Revenue | | **0** | 0 |
| Other income | | **262,190** | 6,166,218 |
| Employee benefits expense | 15 | **(252,000)** | (252,000) |
| Depreciation | | **(802)** | (803) |
| Other expenses | | **(114,727)** | (341,016) |
| (Loss)/Profit before tax | 16 | **(105,339)** | 5,572,399 |
| Tax expense | 17 | **0** | 0 |
| (Loss)/Profit for the financial year | | **(105,339)** | 5,572,399 |
| Other comprehensive income for the financial year | | **0** | 0 |
| Total comprehensive income for the financial year | | **(105,339)** | 5,572,399 |

The annexed notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | | Non-distributable | Distributable | |
|---|---|---|---|---|
| | Share capital RM | Share premium RM | Retained profits RM | Total equity RM |
| Balance at 1 January 2009 | 23,056,291 | 8,527,123 | (436,982) | 31,146,432 |
| Total comprehensive income for the financial year | 0 | 0 | 5,572,399 | 5,572,399 |
| Balance at 31 December 2009 | 23,056,291 | 8,527,123 | 5,135,417 | 36,718,831 |
| Total comprehensive income for the financial year | 0 | 0 | (105,339) | (105,339) |
| Balance at 31 December 2010 | 23,056,291 | 8,527,123 | 5,030,078 | 36,613,492 |

The annexed notes form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss)/Profit before tax | | **(105,339)** | 5,572,399 |
| Adjustments for:- | | | |
| Depreciation | | **802** | 803 |
| Gain on disposal of subsidiary | | **0** | (6,010,255) |
| Interest income | | **(262,190)** | (155,963) |
| Operating loss before working capital changes | | **(366,727)** | (593,016) |
| Changes in:- | | | |
| Receivables | | **15,000** | 190,909 |
| Payables | | **2,409** | (28,004) |
| Cash absorbed by operations | | **(349,318)** | (430,111) |
| Tax refunded | | **72,233** | 0 |
| Net cash used in operating activities | | **(277,085)** | (430,111) |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | **262,190** | 155,963 |
| Net proceeds from disposal of subsidiary | | **0** | 9,934,850 |
| Net cash from investing activities | | **262,190** | 10,090,813 |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | **(14,895)** | 9,660,702 |
| | | | |
| Cash and cash equivalents brought forward | | **10,251,247** | 590,545 |
| | | | |
| Cash and cash equivalents carried forward | 9 | **10,236,352** | 10,251,247 |

The annexed notes form an integral part of these financial statements.

## 1. GENERAL INFORMATION

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

The registered office of the Company is located at 57-1, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at Plot 86-B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, 11900 Bayan Lepas, Penang.

The consolidated financial statements set out on pages 27 to 30 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 31 to 34 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 11 April 2011.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Financial Reporting Standards ("FRSs") and the Companies Act 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM").

The following amended/revised/new FRSs became effective for the financial year under review:-

| FRS | Effective for financial periods beginning on or after |
|---|---|
| Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* | 1 January 2010 |
| Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations* | 1 January 2010 |
| Amendments to FRS 132 *Financial Instruments: Presentation* | 1 January 2010 |
| Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives* | 1 January 2010 |
| Amendments to FRS 139 *Financial Instruments: Recognition and Measurement* | 1 January 2010 |
| Amendments to FRSs contained in the document entitled *"Improvements to FRSs (2009)"* | 1 January 2010 |
| FRS 4 *Insurance Contracts* | 1 January 2010 |
| FRS 7 *Financial Instruments: Disclosures* | 1 January 2010 |
| FRS 8 *Operating Segments* | 1 July 2009 |
| FRS 101 *Presentation of Financial Statements* (revised in 2009) | 1 January 2010 |
| FRS 123 *Borrowing Costs* | 1 January 2010 |
| FRS 139 *Financial Instruments: Recognition and Measurement* | 1 January 2010 |
| IC Interpretation 9 *Reassessment of Embedded Derivatives* | 1 January 2010 |
| IC Interpretation 10 *Interim Financial Reporting and Impairment* | 1 January 2010 |
| IC Interpretation 11 FRS 2 - *Group and Treasury Share Transactions* | 1 January 2010 |
| IC Interpretation 13 Customer *Loyalty Programmes* | 1 January 2010 |
| IC Interpretation 14 FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* | 1 January 2010 |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of Preparation of Financial Statements (Cont'd)

The adoption of the above amended/revised/new FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as disclosed in Note 2.2.

The Group and the Company have not applied the following amended/revised/new FRSs which have been issued as at the end of the reporting period but are not yet effective:-

| FRS | Effective for financial periods beginning on or after |
|---|---|
| Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters* | 1 January 2011 |
| Amendments to FRS 1 *Additional Exemptions for First-time Adopters* | 1 January 2011 |
| Amendments to FRS 2 *Share-based Payment* | 1 July 2010 |
| Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions* | 1 January 2011 |
| Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* | 1 July 2010 |
| Amendments to FRS 7 *Improving Disclosures about Financial Instruments* | 1 January 2011 |
| Amendments to FRS 132 *Financial Instruments: Presentation* | 1 March 2010 |
| Amendments to FRS 138 *Intangible Assets* | 1 July 2010 |
| Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives* | 1 July 2010 |
| Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement* | 1 July 2011 |
| Amendments to FRSs contained in the document entitled *"Improvements to FRSs (2010)"* | 1 January 2011 |
| FRS 1 *First-time Adoption of Financial Reporting Standards* (revised in 2010) | 1 July 2010 |
| FRS 3 *Business Combinations* (revised in 2010) | 1 July 2010 |
| FRS 124 *Related Party Disclosures* (revised in 2010) | 1 January 2012 |
| FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010) | 1 July 2010 |
| IC Interpretation 4 *Determining whether an Arrangement contains a Lease* | 1 January 2011 |
| IC Interpretation 12 *Service Concession Arrangements* | 1 July 2010 |
| IC Interpretation 15 *Agreements for the Construction of Real Estate* | 1 January 2012 |
| IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* | 1 July 2010 |
| IC Interpretation 17 *Distributions of Non-cash Assets to Owners* | 1 July 2010 |
| IC Interpretation 18 *Transfers of Assets from Customers* | 1 January 2011 |
| IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* | 1 July 2011 |

Management foresees that the initial application of the above amended/revised/new FRSs will not have any significant impacts on the financial statements except as follows:-

**FRS 3 *Business Combinations* (revised in 2010)**

FRS 3 (revised in 2010), which supersedes FRS 3 Business Combinations (issued in 2005), introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all acquisition-related costs, other than the costs to issue debt or equity securities, shall be recognised in profit or loss as incurred. In accordance with the transitional provisions of FRS 3 (revised in 2010), the Group and the Company will apply the standard prospectively to business combinations for which the acquisition date is on or after the effective date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of Preparation of Financial Statements (Cont'd)

**FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)**

FRS 127 (revised in 2010), which supersedes FRS 127 *Consolidated and Separate Financial Statements* (revised in 2005), requires the total comprehensive income of a subsidiary to be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The revised standard also requires the changes in a parent's ownership interest in a subsidiary that do not result in a loss of control to be accounted for as equity transactions. In accordance with the transitional provisions of FRS 127 (revised in 2010), the aforementioned amendments will be applied prospectively.

### 2.2 Changes in Accounting Policies

Significant changes in the accounting policies of the Group and the Company following the adoption of the amended/revised/new FRSs are summarised below:-

**Amendments to FRS 117 *Leases***

Included in *Improvements to FRSs (2009)* are amendments to FRS 117 which clarify that the classification of leasehold land as a finance lease or an operating lease shall be based on the extent to which risks and rewards incidental to ownership lie.

Prior to the adoption of the amendments to FRS 117, leasehold land was classified as an operating lease and recognised as prepaid lease payments.

In accordance with the transitional provisions of the amendments, the Group has reassessed the classification on the effective date on the basis of information existing at the inception of the lease. Accordingly, the effects of adopting the amendments have been accounted for retrospectively in accordance with FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* by restating the following comparative figures:-

| | As previously reported RM | Effects of adopting amendments to FRS 117 RM | As restated RM |
|---|---|---|---|
| Consolidated Statement of Financial Position (Extract) | | | |
| As at 1 January 2009 | | | |
| Property, plant and equipment | 32,991,989 | 1,595,124 | 34,587,113 |
| Prepaid lease payments | 1,595,124 | (1,595,124) | 0 |
| As at 31 December 2009 | | | |
| Property, plant and equipment | 29,078,022 | 1,566,640 | 30,644,662 |
| Prepaid lease payments | 1,566,640 | (1,566,640) | 0 |

**FRS 123 *Borrowing Costs***

FRS 123, which supersedes FRS $123_{2004}$ *Borrowing Costs*, removes the option of immediately recognising in profit or loss borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Prior to the adoption of FRS 123, all borrowing costs were recognised in profit or loss in the period in which they were incurred.

In accordance with the transitional provisions of FRS 123, the Group has applied the standard prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Changes in Accounting Policies (Cont'd)

**FRS 139 Financial Instruments: Recognition and Measurement**

FRS 139 sets out the accounting principles for recognising and measuring financial instruments. Some of the key principles established are disclosed in Notes 2.8 and 2.9.

Prior to the adoption of FRS 139 (and the amendments thereto), financial assets and financial liabilities were mainly recorded at cost less, in the case of a financial asset, any allowance for diminution in value or impairment.

In accordance with the transitional provisions of FRS 139, the Group and the Company have applied the standard prospectively and concluded that no adjustment to any opening balance as at 1 January 2010 was necessary.

### 2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the purchase method. The results of the subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date represents goodwill. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.6. When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date exceeds the cost of acquisition, the excess (hereinafter referred to as "negative goodwill"), after reassessment, is recognised in profit or loss.

### 2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.6.

Freehold land is not depreciated. Leasehold land is depreciated on a straight-line basis over the lease term of 59 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

| | |
|---|---|
| Buildings and improvements | 2-20% |
| Plant and machinery | 10-20% |
| Furniture, fittings and office equipment | 10-20% |
| Motor vehicles | 20% |

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

### 2.5 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.6.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

### 2.7 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.8 Financial Assets

Financial assets of the Group and the Company consist of receivables and cash and cash equivalents.

#### Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is initially recognised at fair value plus directly attributable transaction costs. After initial recognition, the financial asset is measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

#### Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

#### Determination of Fair Values

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and financial guarantee contracts.

**Recognition and Measurement**

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process. After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

**Determination of Fair Values**

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

The fair values of long-term loans and borrowings are estimated by discounting the expected future cash flows using the current market interest rates for similar liabilities.

The fair values of financial guarantee contracts are estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors.

### 2.10 Leases

**Finance Lease**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

**Operating Lease**

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

### 2.11 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Foreign Currency Transactions and Translation (Cont'd)

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the required presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation occurring after 1 January 2006 are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate. As allowed by the transitional provisions of FRS 121 *The Effects of Changes in Foreign Exchange Rates*, goodwill and fair value adjustments arising from the acquisition which occurred before 1 January 2006 have not been restated and continue to be treated as assets and liabilities of the acquirer. Accordingly, these goodwill and fair value adjustments are reported using the exchange rate at acquisition date.

### 2.12 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

### 2.13 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income is recognised using the effective interest method.

### 2.14 Employee Benefits

#### Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

#### Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss or included in development expenditure, where appropriate, in the period in which the associated services are rendered by the employee.

#### Equity Compensation Benefits

The Employee Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.16 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill, negative goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.17 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, term deposits (including those pledged as security), bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

### Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management makes the following judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements:-

### (i) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to ownership of the land through a finance lease.

## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

### Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

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

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives to be within 5 to 50 years. Changes in the expected level of usage and technological development will impact on the economic useful lives and residual values of the assets and therefore, future depreciation charges may be revised. The carrying amounts of property, plant and equipment are disclosed in Note 4.

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

When the recoverable amount of a non-financial asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows. The carrying amounts of non-financial assets subject to impairment assessment are disclosed in Notes 4 and 5.

#### (iii) Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 7.

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

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 8.

#### (v) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognise tax assets/liabilities based on their understanding of the prevailing tax laws and estimates of whether such assets/liabilities will be realised/settled in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact on the tax recognition in the period in which the outcome is determined. The carrying amounts of tax assets/liabilities as at 31 December 2010 are as follows:-

| | The Group<br>RM | The Company<br>RM |
|---|---|---|
| Current tax assets | 68,854 | 0 |
| Deferred tax liabilities | 139,000 | 0 |

## 4. PROPERTY, PLANT AND EQUIPMENT

The Group

| | Freehold land RM | Long-term leasehold land RM | Buildings and improvements RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| AT COST | | | | | | | |
| Balance at 1 January 2009 | | | | | | | |
| - As previously reported | 807,871 | 0 | 5,673,490 | 37,897,005 | 2,218,553 | 2,200,032 | 48,796,951 |
| - Effects of adopting amendments to FRS 117 | 0 | 1,680,577 | 0 | 0 | 0 | 0 | 1,680,577 |
| - As restated | 807,871 | 1,680,577 | 5,673,490 | 37,897,005 | 2,218,553 | 2,200,032 | 50,477,528 |
| Additions | 0 | 0 | 0 | 5,778,078 | 156,277 | 253,543 | 6,187,898 |
| Disposal of subsidiary | 0 | 0 | 0 | (7,429,272) | (1,069,307) | (386,345) | (8,884,924) |
| Disposals/Write-offs | (245,000) | 0 | (220,000) | (1,606,443) | (250,783) | (390,685) | (2,712,911) |
| Currency translation differences | 18,778 | 0 | 29,219 | 68,208 | 2,029 | 7,113 | 125,347 |
| Balance at 31 December 2009 | 581,649 | 1,680,577 | 5,482,709 | 34,707,576 | 1,056,769 | 1,683,658 | 45,192,938 |
| Balance at 1 January 2010 | | | | | | | |
| - As previously reported | 581,649 | 0 | 5,482,709 | 34,707,576 | 1,056,769 | 1,683,658 | 43,512,361 |
| - Effects of adopting amendments to FRS 117 | 0 | 1,680,577 | 0 | 0 | 0 | 0 | 1,680,577 |
| - As restated | 581,649 | 1,680,577 | 5,482,709 | 34,707,576 | 1,056,769 | 1,683,658 | 45,192,938 |
| Additions | 0 | 0 | 567,023 | 6,480,838 | 211,526 | 1,233,474 | 8,492,861 |
| Disposals/Write-offs | 0 | 0 | 0 | (852,481) | (40,147) | 0 | (892,628) |
| Reclassification | 0 | 0 | 0 | (142,322) | 142,322 | 0 | 0 |
| Currency translation differences | (2,503) | 0 | (2,466) | (1,741) | (385) | (1,663) | (8,758) |
| Balance at 31 December 2010 | 579,146 | 1,680,577 | 6,047,266 | 40,191,870 | 1,370,085 | 2,915,469 | 52,784,413 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| Balance at 1 January 2009 | | | | | | | |
| - As previously reported | 0 | 0 | 559,821 | 12,319,414 | 1,220,272 | 1,705,455 | 15,804,962 |
| - Effects of adopting amendments to FRS 117 | 0 | 85,453 | 0 | 0 | 0 | 0 | 85,453 |
| - As restated | 0 | 85,453 | 559,821 | 12,319,414 | 1,220,272 | 1,705,455 | 15,890,415 |
| Depreciation | 0 | 28,484 | 155,809 | 3,310,996 | 145,156 | 220,590 | 3,861,035 |
| Disposal of subsidiary | 0 | 0 | 0 | (3,261,220) | (756,942) | (247,930) | (4,266,092) |
| Disposals/Write-offs | 0 | 0 | (11,000) | (360,187) | (210,270) | (390,685) | (972,142) |
| Currency translation differences | 0 | 0 | 9,932 | 22,294 | 841 | 1,993 | 35,060 |
| Balance at 31 December 2009 | 0 | 113,937 | 714,562 | 12,031,297 | 399,057 | 1,289,423 | 14,548,276 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group

| | Freehold land RM | Long-term leasehold land RM | Buildings and improvements RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2010 | | | | | | | |
| - As previously reported | 0 | 0 | 714,562 | 12,031,297 | 399,057 | 1,289,423 | 14,434,339 |
| - Effects of adopting amendments to FRS 117 | 0 | 113,937 | 0 | 0 | 0 | 0 | 113,937 |
| - As restated | 0 | 113,937 | 714,562 | 12,031,297 | 399,057 | 1,289,423 | 14,548,276 |
| Depreciation | 0 | 28,485 | 139,494 | 3,385,907 | 117,248 | 154,444 | 3,825,578 |
| Disposals/Write-offs | 0 | 0 | 0 | (578,652) | (28,263) | 0 | (606,915) |
| Reclassification | 0 | 0 | 0 | (65,054) | 65,054 | 0 | 0 |
| Currency translation differences | 0 | 0 | (1,221) | (2,189) | (339) | 102 | (3,647) |
| Balance at 31 December 2010 | 0 | 142,422 | 852,835 | 14,771,309 | 552,757 | 1,443,969 | 17,763,292 |
| CARRYING AMOUNT | | | | | | | |
| Balance at 1 January 2009 (Restated) | 807,871 | 1,595,124 | 5,113,669 | 25,577,591 | 998,281 | 494,577 | 34,587,113 |
| Balance at 31 December 2009 (Restated) | 581,649 | 1,566,640 | 4,768,147 | 22,676,279 | 657,712 | 394,235 | 30,644,662 |
| Balance at 31 December 2010 | 579,146 | 1,538,155 | 5,194,431 | 25,420,561 | 817,328 | 1,471,500 | 35,021,121 |

Certain plant and machinery with a total carrying amount of RM1,779,500 (2009 : RM2,091,500) have been pledged as security for credit facilities granted to the Group.

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

| | The Group 2010 RM | The Group 2009 RM |
|---|---|---|
| Plant and machinery | **7,243,893** | 7,689,302 |
| Motor vehicles | **1,223,402** | 108,701 |
| | **8,467,295** | 7,798,003 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company

| | Furniture, fittings and office equipment RM |
|---|---|
| AT COST | |
| Balance at 1 January 2009 | 8,025 |
| Movement during the year | 0 |
| Balance at 31 December 2009 | 8,025 |
| Movement during the year | 0 |
| Balance at 31 December 2010 | 8,025 |
| ACCUMULATED DEPRECIATION | |
| Balance at 1 January 2009 | 3,143 |
| Depreciation | 803 |
| Balance at 31 December 2009 | 3,946 |
| Depreciation | 802 |
| Balance at 31 December 2010 | 4,748 |
| CARRYING AMOUNT | |
| Balance at 1 January 2009 | 4,882 |
| Balance at 31 December 2009 | 4,079 |
| Balance at 31 December 2010 | 3,277 |

## 5. GOODWILL

The Group

Goodwill is attributable to MPT Solution Co., Ltd., which represents a separate cash-generating unit ("CGU").

The recoverable amount of the CGU was determined based on its value in use calculated using cash flow projections for the next five financial years. Management projected the cash flows based on its most recent approved financial budgets/forecasts using a growth rate of 5% per annum. A discount rate of 7% per annum was applied to the cash flow projections.

Barring any unforeseen circumstances, management believes that no reasonably possible change in the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

## 6. INVESTMENTS IN SUBSIDIARIES

The Company

| | **2010 RM** | 2009 RM |
|---|---|---|
| Unquoted shares, at cost | **5,403,718** | 5,403,718 |

## 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

| Name of Subsidiary | Country of Incorporation | Effective Ownership Interest 2010 | Effective Ownership Interest 2009 | Principal Activity |
|---|---|---|---|---|
| Microlead Precision Technology Sdn. Bhd. | Malaysia | **100%** | 100% | (i) Manufacture of moulds, tools, dies, jigs and fixtures mainly for use in the manufacture of hard disk drives<br>(ii) Design, development and manufacture of advanced suspension tooling, progressive tooling, semiconductor cavity/encapsulation moulds for application in hard disk drives and semiconductor industries<br>(iii) Design, development and manufacture of advanced automation modules/assemblies for digital data storage, medical instrument systems/devices and optoelectronics applications and related components |
| Microlead Engineering Sdn. Bhd. | Malaysia | **100%** | 100% | Dormant |
| MPT Solution Co., Ltd. * | Thailand | **100%** | 100% | Manufacture of car spare parts, plastic moulds, metal moulds and blowing moulds for plastic products, tooling, jigs and fixtures for electronic and semiconductor |

* *Not audited by Crowe Horwath*

## 7. INVENTORIES

The Group

| | **2010 RM** | 2009 RM |
|---|---|---|
| Raw materials | **353,142** | 167,968 |
| Work-in-progress | **577,486** | 266,275 |
| Finished goods | **789,497** | 1,651,177 |
| Consumables | **53,273** | 43,431 |
| | **1,773,398** | 2,128,851 |

## 8. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Trade receivables | **8,545,274** | 10,317,033 | **0** | 0 |
| Other receivables:- | | | | |
| - Subsidiaries | **0** | 0 | **21,010,104** | 21,025,104 |
| - Unrelated parties | **67,689** | 32,418 | **0** | 0 |
| | **67,689** | 32,418 | **21,010,104** | 21,025,104 |
| | **8,612,963** | 10,349,451 | **21,010,104** | 21,025,104 |

The currency profile of trade and other receivables is as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Ringgit Malaysia | **854,104** | 336,948 | **21,010,104** | 20,123,267 |
| Thai Baht | **1,561,164** | 649,670 | **0** | 901,837 |
| US Dollar | **6,197,695** | 9,362,833 | **0** | 0 |
| | **8,612,963** | 10,349,451 | **21,010,104** | 21,025,104 |

### Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

The ageing analysis of trade receivables not impaired is as follows:-

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RM** | RM |
| Not past due | **5,947,799** | 6,093,438 |
| Past due 1 to 30 days | **2,176,046** | 3,082,827 |
| Past due 31 to 120 days | **339,249** | 1,114,605 |
| Past due more than 120 days | **82,180** | 26,163 |
| | **8,545,274** | 10,317,033 |

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2010, there was 1 (2009 : 1) major customer, which is also a substantial shareholder of the Company, that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM7,053,174 (2009 : RM9,022,411). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RM** | RM |
| Malaysia | **345,761** | 321,110 |
| Thailand | **7,933,941** | 9,320,512 |
| Others | **265,572** | 675,411 |
| | **8,545,274** | 10,317,033 |

### Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of refundable deposits which have no fixed repayment terms.

## 9. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Highly liquid investments | **10,319,103** | 11,568,332 | **10,230,688** | 10,245,225 |
| Term deposits with licensed banks (fixed rate) | **1,186,123** | 0 | **0** | 0 |
| Cash and bank balances | **7,167,276** | 6,039,866 | **5,664** | 6,022 |
| | **18,672,502** | 17,608,198 | **10,236,352** | 10,251,247 |

The effective interest rates of term deposits as at 31 December 2010 range from 0.50% to 1.25% per annum.

The currency profile of cash and cash equivalents is as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Ringgit Malaysia | **10,761,467** | 13,893,551 | **10,236,352** | 10,251,247 |
| Thai Baht | **2,625,972** | 1,494,123 | **0** | 0 |
| US Dollar | **5,285,063** | 2,220,524 | **0** | 0 |
| | **18,672,502** | 17,608,198 | **10,236,352** | 10,251,247 |

## 10. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Trade payables | **2,522,435** | 4,130,102 | **0** | 0 |
| Other payables | **2,333,473** | 1,634,526 | **39,959** | 37,550 |
| | **4,855,908** | 5,764,628 | **39,959** | 37,550 |

The currency profile of trade and other payables is as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Ringgit Malaysia | **3,764,732** | 5,249,168 | **39,959** | 37,550 |
| Japanese Yen | **643,256** | 0 | **0** | 0 |
| Singapore Dollar | **210,966** | 287,220 | **0** | 0 |
| Thai Baht | **180,283** | 226,802 | **0** | 0 |
| US Dollar | **56,671** | 1,438 | **0** | 0 |
| | **4,855,908** | 5,764,628 | **39,959** | 37,550 |

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

**Trade Payables**

Trade payables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

**Other Payables**

Other payables are unsecured and non-interest bearing. The amounts mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

## 11. LOANS AND BORROWINGS - SECURED

The Group

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Hire purchase payables (fixed rate) | 5,406,088 | 2,417,814 |
| Term loans (floating rate) | 596,000 | 1,095,200 |
| | 6,002,088 | 3,513,014 |
| Disclosed as:- | | |
| - Current liabilities | 2,590,664 | 1,712,408 |
| - Non-current liabilities | 3,411,424 | 1,800,606 |
| | 6,002,088 | 3,513,014 |

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Term loans are secured against certain plant and machinery (Note 4).

The effective interest rates of loans and borrowings as at 31 December 2010 ranged from 4.73% to 6.79% (2009 : 4.73% to 7.52%) per annum.

The currency profile of loans and borrowings is as follows:-

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Ringgit Malaysia | 5,980,803 | 3,463,134 |
| Thai Baht | 21,285 | 49,880 |
| | 6,002,088 | 3,513,014 |

### Hire Purchase Payables

Hire purchase payables are repayable over 3 to 5 years. The repayment analysis is as follows:-

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Minimum hire purchase payments:- | | |
| - Within 1 year | 2,371,675 | 1,359,297 |
| - Later than 1 year and not later than 2 years | 2,261,671 | 663,935 |
| - Later than 2 years and not later than 5 years | 1,197,668 | 553,831 |
| Total contractual undiscounted cash flows | 5,831,014 | 2,577,063 |
| Future finance charges | (424,926) | (159,249) |
| Present value of hire purchase payables:- | | |
| - Within 1 year | 2,116,433 | 1,264,959 |
| - Later than 1 year and not later than 2 years | 2,133,877 | 613,856 |
| - Later than 2 years and not later than 5 years | 1,155,778 | 538,999 |
| | 5,406,088 | 2,417,814 |

The carrying amounts of hire purchase payables are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

## 11. LOANS AND BORROWINGS - SECURED (CONT'D)

### Term Loans

Term loans are repayable over 5 years. The repayment analysis is as follows:-

| | **2010** **RM** | 2009 RM |
|---|---|---|
| Gross loan instalments:- | | |
| - Within 1 year | **499,200** | 499,200 |
| - Later than 1 year and not later than 2 years | **129,745** | 499,200 |
| - Later than 2 years and not later than 5 years | **0** | 196,916 |
| Total contractual undiscounted cash flows | **628,945** | 1,195,316 |
| Future finance charges | **(32,945)** | (100,116) |
| Present value of term loans:- | | |
| - Within 1 year | **474,231** | 447,449 |
| - Later than 1 year and not later than 2 years | **121,769** | 461,630 |
| - Later than 2 years and not later than 5 years | **0** | 186,121 |
| | **596,000** | 1,095,200 |

The carrying amounts of term loans are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

## 12. DEFERRED TAX LIABILITIES

The Group

| | **2010** **RM** | 2009 RM |
|---|---|---|
| Balance at 1 January | **685,000** | 952,000 |
| Deferred tax (income)/expense relating to origination and reversal of temporary differences | **(551,000)** | 352,000 |
| Deferred tax liabilities under/(over) provided in prior year | **5,000** | (149,000) |
| Disposal of subsidiary | **0** | (470,000) |
| Balance at 31 December | **139,000** | 685,000 |

The deferred tax liabilities are in respect of the taxable temporary differences between the carrying amount and tax base of property, plant and equipment.

As at 31 December 2010, the future availability of unused capital allowances for which no deferred tax assets have been recognised amounted to approximately RM21,000 (2009 : RM21,000).

## 13. SHARE CAPITAL

| | **2010** | 2009 |
|---|---|---|
| | **RM** | RM |
| Authorised :- | | |
| 500,000,000 ordinary shares of RM0.10 each | **50,000,000** | 50,000,000 |
| Issued and fully paid-up :- | | |
| 230,562,907 ordinary shares of RM0.10 each | **23,056,291** | 23,056,291 |

Employee Share Option Scheme

The Employee Share Option Scheme ("ESOS") of the Company was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005 and all relevant authorities.

The principal features of the ESOS are as follows:-

(i) The maximum number of new ordinary shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS.

(ii) The ESOS will be available to directors and eligible employees of the Group and of the Company.

(iii) To be eligible to participate in the ESOS, an employee must be at least 18 years of age, have been employed in the Group for at least 12 months and have been confirmed in service.

(iv) The ESOS shall be in force for a period of 5 years from the date of the confirmation letter submitted to Bursa Malaysia Securities Berhad. However, the Company may, if the Board of Directors deems fit upon recommendation of the ESOS committee, extend the scheme for a further 5 years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS Bye-Laws subject to any amendment and/or change to the relevant statute and/or regulation currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities.

(v) The price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the 5 market days preceding the date of offer or at the par value of the ordinary shares, whichever is the higher.

(vi) The new shares to be issued pursuant to the ESOS shall, upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares in the Company except that they will not be entitled to participate in any dividends, rights, allotments and/or any other distributions which may be declared, made or paid before the allotment of such shares.

The ESOS has expired on 30 June 2010 and the directors did not intend to extend the scheme.

## 14. REVENUE

The Group

Revenue represents income from the sale of goods.

## 15. EMPLOYEE BENEFITS EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Short-term employee benefits | **9,046,449** | 10,923,182 | **252,000** | 252,000 |
| Defined contribution plan | **479,754** | 520,654 | **0** | 0 |
| | **9,526,203** | 11,443,836 | **252,000** | 252,000 |

## 16. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Auditors' remuneration | | | | |
| - current year | **26,088** | 30,129 | **11,000** | 10,800 |
| - prior year | **200** | 0 | **200** | 0 |
| Directors' remuneration | | | | |
| - fees | **252,000** | 364,000 | **252,000** | 252,000 |
| - other emoluments | **1,086,713** | 958,542 | **0** | 0 |
| Fee expense for financial instruments not at fair value through profit or loss | **17,346** | 22,335 | **105** | 115 |
| Interest expense for financial liabilities not at fair value through profit or loss | **270,208** | 218,982 | **0** | 0 |
| Loss on disposal of property, plant and equipment | **91,484** | 0 | **0** | 0 |
| Loss on disposal of subsidiary | **0** | 3,627,051 | **0** | 0 |
| Loss on foreign exchange | | | | |
| - realised | **1,080,825** | 0 | **0** | 0 |
| - unrealised | **350,690** | 168,094 | **0** | 0 |
| Property, plant and equipment written off | **137,126** | 917,315 | **0** | 0 |
| Rental of equipment | **0** | 10,000 | **0** | 0 |
| Rental of premises | **0** | 60,100 | **0** | 0 |
| and crediting:- | | | | |
| Gain on disposal of property, plant and equipment | **0** | 204,290 | **0** | 0 |
| Gain on disposal of subsidiary | **0** | 0 | **0** | 6,010,255 |
| Interest income for financial assets not at fair value through profit or loss | **310,963** | 297,331 | **262,190** | 155,963 |
| Realised gain on foreign exchange | **0** | 455,400 | **0** | 0 |

## 17. TAX (INCOME)/EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Tax based on results for the year:- | | | | |
| Malaysian income tax | **2,000** | 0 | **0** | 0 |
| Deferred tax | **(551,000)** | 352,000 | **0** | 0 |
| | **(549,000)** | 352,000 | **0** | 0 |
| Tax under/(over) provided in prior year:- | | | | |
| Malaysian income tax | **58,854** | 10,655 | **0** | 0 |
| Deferred tax | **5,000** | (149,000) | **0** | 0 |
| | **(485,146)** | 213,655 | **0** | 0 |

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate is as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **%** | % | **%** | % |
| Applicable tax rate | **25.00** | 25.00 | **(25.00)** | 25.00 |
| Non-deductible expenses | **7.65** | 184.65 | **87.23** | 2.66 |
| Non-taxable income | **(3.39)** | (28.45) | **(62.23)** | (27.66) |
| Pioneer income exempted | **(25.59)** | (21.12) | **0.00** | 0.00 |
| Increase in unrecognised deferred tax assets | **0.00** | 0.10 | **0.00** | 0.00 |
| Effect of differential tax rates | **(28.52)** | (82.15) | **0.00** | 0.00 |
| Average effective tax rate | **(24.85)** | 78.03 | **0.00** | 0.00 |

As at 31 December 2010, the Company has tax credits and tax exempt income to frank/distribute approximately RM1,359,000 (2009 : RM1,359,000) of its retained profits if paid out as dividends. Retained profits not covered by the tax credits and tax exempt income amounted to approximately RM3,671,000 (2009 : RM3,776,000). However, the Company may distribute its entire retained profits as at 31 December 2010 as tax exempt dividends under the single tier tax system.

Tax incentives applicable to certain subsidiaries are summarised below:-

**Microlead Precision Technology Sdn. Bhd.**

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

**MPT Solution Co., Ltd.**

The subsidiary has received investment promotion in the manufacture of certain goods according to the Investment Promotion Act of Thailand B.E. 1977. As a result, the subsidiary is entitled to corporate income tax exemption for certain income for a period of 8 years commencing from 30 August 2004, as well as other rights and privileges as prescribed by the Board of Investment. As for income which is derived from Non-Board of Investment operations, it is still liable for corporate income tax at 30% of the net profit.

## 18. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year of RM2,694,547 (2009 : RM237,436) by the weighted average number of ordinary shares in issue during the year of 230,562,907 (2009 : 230,562,907) shares.

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

## 19. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### Disposal of Subsidiary

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Property, plant and equipment | 0 | 4,618,832 |
| Inventories | 0 | 1,321,323 |
| Receivables and prepayments | 0 | 6,752,570 |
| Current tax assets | 0 | 99,951 |
| Cash and cash equivalents | 0 | 3,975,597 |
| Payables | 0 | (2,729,717) |
| Loans and borrowings | 0 | (6,655) |
| Deferred tax liabilities | 0 | (470,000) |
| Net assets disposed of | 0 | 13,561,901 |
| Loss on disposal | 0 | (3,627,051) |
| Net consideration received | 0 | 9,934,850 |
| Cash and cash equivalents disposed of | 0 | (3,975,597) |
| Disposal of subsidiary, net of cash disposed of | 0 | 5,959,253 |

### Purchase of Property, Plant and Equipment

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Cost of property, plant and equipment purchased | 8,492,861 | 6,187,898 |
| Amount financed through hire purchase | (4,929,900) | (1,662,964) |
| Net cash disbursed | 3,562,961 | 4,524,934 |

## 20. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM | 2009<br>RM | 2010<br>RM | 2009<br>RM |
| Key management personnel compensation | | | | |
| - short-term employee benefits | 1,463,833 | 1,510,198 | 252,000 | 252,000 |
| - defined contribution plan | 128,892 | 123,593 | 0 | 0 |
| | 1,592,725 | 1,633,791 | 252,000 | 252,000 |

## 21. SEGMENT REPORTING

The Group

**Operating Segments**

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

**Geographical Information**

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

| | External Revenue | | Non-current Assets | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Malaysia | **2,370,387** | 12,279,235 | **31,569,777** | 27,766,544 |
| Thailand | **37,592,568** | 24,500,311 | **4,411,565** | 3,838,339 |
| Other countries | **2,208,552** | 2,047,336 | **0** | 0 |
| | **42,171,507** | 38,826,882 | **35,981,342** | 31,604,883 |

**Major Customers**

The major customers that contributed 10% or more of the Group's total revenue are as follows:-

| | External Revenue | |
|---|---|---|
| | **2010** | 2009 |
| | **RM** | RM |
| Customer I* | **35,724,605** | 22,795,110 |
| Customer II* | **59,170** | 11,445,774 |

* *The identity of the major customer has not been disclosed as permitted by FRS 8* Operating Segments.

## 22. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| The Group | **2010** | 2009 |
|---|---|---|
| | **RM** | RM |
| Contracted but not provided for | **1,658,000** | 400,000 |

## 23. CONTINGENT LIABILITIES - UNSECURED

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to a subsidiary up to a total limit of approximately RM10,281,000 (2009 : RM7,247,000). The total utilisation of these credit facilities as at 31 December 2010 amounted to approximately RM6,086,000 (2009 : RM3,551,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.9. After considering that the probability of the subsidiary defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

## 24. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

**Credit Risk**

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to a subsidiary. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 23.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

**Liquidity Risk**

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

**Currency Risk**

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM") and Thai Baht ("THB") whereas the major foreign currency transacted is US Dollar ("USD").

## 24. FINANCIAL RISK MANAGEMENT (CONT'D)

### Currency Risk (Cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

(i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.

(ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of the Group's profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | The Group | |
|---|---|---|
| | **Increase/ (Decrease) in Profit 2010 RM** | Increase/ (Decrease) in Profit 2009 RM |
| Appreciation of USD against RM by 10% | **1,142,609** | 1,158,191 |
| Depreciation of USD against RM by 10% | **(1,142,609)** | (1,158,191) |
| Appreciation of RM against THB by 10% | **(178,221)** | (188,500) |
| Depreciation of RM against THB by 10% | **178,221** | 188,500 |

### Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of the Group's profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | The Group | |
|---|---|---|
| | **Increase/ (Decrease) in Profit 2010 RM** | Increase/ (Decrease) in Profit 2009 RM |
| Increase in interest rates by 50 basis points | **(2,980)** | (5,476) |
| Decrease in interest rates by 50 basis points | **2,980** | 5,476 |

## 25. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, redeem debts or sell assets, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity. The Group's strategy is to maintain the ratio at below 50% as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM** | RM | **RM** | RM |
| Total loans and borrowings | **6,002,088** | 3,513,014 | **0** | 0 |
| Total equity | **55,516,297** | 52,823,683 | **36,613,492** | 36,718,831 |
| Total capital | **61,518,385** | 56,336,697 | **36,613,492** | 36,718,831 |
| Debt-to-equity ratio | **11%** | 7% | **0%** | 0% |

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

# SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

| | **The Group 2010 RM** | The Company 2010 RM |
|---|---|---|
| Total retained profits of the Company and its subsidiaries:- | | |
| - Realised | **26,483,744** | 5,030,078 |
| - Unrealised | **(489,690)** | 0 |
| | **25,994,054** | 5,030,078 |
| Consolidation adjustments and eliminations | **(2,281,901)** | 0 |
| Total retained profits as per statement of financial position | **23,712,153** | 5,030,078 |

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad. Comparative figures are not required in the first financial year of complying with the directive.

# LIST OF PROPERTIES
AS AT 31 DECEMBER 2010

| No | Name of Registered Owner / Postal Address / Title Identification | Approximate Age of Building / Tenure / Date of Expiry of Lease | Description / Existing Use | Land area / Built up area (Sq ft) | Date of Acquisition | Audited Net Book Value as at 31.12.2010 |
|---|---|---|---|---|---|---|
| 1 | **MICROLEAD**<br>Plot 86 (B)<br>Lintang Bayan Lepas 9,<br>Bayan Lepas Industrial Park<br>IV, 11900 Penang /<br>H.S.(D) 20655,<br>P.T. 5289,<br>Mukim 12,<br>Daerah Barat Daya,<br>Penang. | 6 years /<br>Leasehold land /<br>11.09.2065 | 1 ½ Storey<br>building /<br>Factory and<br>Office premises | 82,340 / 30,181 | 26.08.2004 | RM6,064,198.30 |
| 2 | **MPTS**<br>75/25 Moo 11, Phaholyothin<br>Rd. T. Klong-nueny,<br>A. Klong-luang,<br>Pathumthani,<br>12120 Thailand /<br>Title Deed<br>No. 1211540,<br>Land No. 92<br>Survey No. 1772,<br>Khlongnung, Pathumthani. | 9 years<br>Freehold land /<br>Nil | Double Storey<br>building /<br>Factory and<br>Office premises | 7,879 / 6,689 | 05.05.2004 | THB12,198,192.01 |

# STATISTICS OF SHAREHOLDINGS

### SHARE CAPITAL AS AT MARCH 25, 2011

| | | |
|---|---|---|
| Authorised | : | RM50,000,000.00 |
| Issued and Fully paid-up | : | RM23,056,290.70 |
| Class of Share | : | Ordinary Shares of RM0.10 each |
| Voting Right | : | One voting right for one ordinary share |

### DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 25, 2011

| Size of Holdings | No. of Holders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 272 | 12.47 | 13,263 | 0.01 |
| 100 - 1,000 | 54 | 2.48 | 28,734 | 0.01 |
| 1,001 - 10,000 | 927 | 42.48 | 5,642,360 | 2.44 |
| 10,001 - 100,000 | 755 | 34.60 | 26,562,301 | 11.52 |
| 100,001 - 11,528,144 | 170 | 7.79 | 81,014,510 | 35.14 |
| 11,528,145 and above | 4 | 0.18 | 117,301,739 | 50.88 |
| **TOTAL** | 2,182 | 100.00 | 230,562,907 | 100.00 |

### THIRTY LARGEST SECURITIES HOLDERS AS AT MARCH 25, 2011

| | Name | Shareholdings | % |
|---|---|---|---|
| 1. | Chatar Singh A/L Santa Singh | 49,775,166 | 21.59 |
| 2. | Tan Cheow Boon | 25,299,333 | 10.97 |
| 3. | Magnecomp Precision Technology Public Company Limited | 24,206,240 | 10.50 |
| 4. | Chin Tee Kheng | 18,021,000 | 7.82 |
| 5. | Lembaga Tabung Haji | 11,170,800 | 4.85 |
| 6. | Chin Tee Kheng | 8,328,333 | 3.61 |
| 7. | Ng Soo Hung | 3,761,366 | 1.63 |
| 8. | Tan Saw Tin | 3,093,266 | 1.34 |
| 9. | Piaro Kaur A/P Santa Singh | 2,126,666 | 0.92 |
| 10. | Lim Kean Hwa | 1,807,000 | 0.78 |
| 11. | HDM Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Phillip Securities Pte Ltd for Tan Shih Leng | 1,778,300 | 0.77 |
| 12. | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for Lim Kean Hwa | 1,621,400 | 0.70 |
| 13. | Lim Leong Seng | 1,124,500 | 0.49 |
| 14. | BHLB Trustee Berhad<br>Qualifier: Exempted - Trust Account for EPF Investment for Member Savings Scheme | 1,100,000 | 0.48 |
| 15. | Elite Ventures Sdn. Bhd. | 1,050,000 | 0.46 |
| 16. | Por Siew Bee | 1,017,000 | 0.44 |
| 17. | Tan Chew Peng | 1,000,066 | 0.43 |
| 18. | Lim Teong Lee | 1,000,000 | 0.43 |
| 19. | Public Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for Cheng Lin Chin (E-BPT) | 950,300 | 0.41 |
| 20. | Tan Cheik Eaik | 915,000 | 0.40 |

### THIRTY LARGEST SECURITIES HOLDERS AS AT MARCH 25, 2011 (CONT'D)

| | Name | Shareholdings | % |
|---|---|---|---|
| 21. | TA Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for Yong Yen Hong | 900,000 | 0.39 |
| 22. | Koay Ting Hoo | 820,700 | 0.36 |
| 23. | Cheng Yu Kiam | 740,000 | 0.32 |
| 24. | Ong Ewe Beng | 728,333 | 0.32 |
| 25. | Bun Sek Yen | 690,000 | 0.30 |
| 26. | Tan Lee Lee | 689,000 | 0.30 |
| 27. | Wong Sing Moy | 668,100 | 0.29 |
| 28. | Tan Cheow Boon | 658,333 | 0.29 |
| 29. | Kok Siew Min | 631,766 | 0.27 |
| 30. | Chow Swee Cheng | 600,000 | 0.26 |
| | **Total** | 166,271,968 | 72.12 |

### SUBSTANTIAL SHAREHOLDERS AS AT MARCH 25, 2011

| | Name | Direct Shareholdings | % | Indirect Shareholdings | % |
|---|---|---|---|---|---|
| 1. | Chatar Singh A/L Santa Singh | 49,775,166 | 21.59 | - | - |
| 2. | Tan Cheow Boon | 25,957,666 | 11.26 | - | - |
| 3. | Magnecomp Precision Technology Public Company Limited | 24,206,240 | 10.50 | - | - |
| 4. | Chin Tee Kheng | 26,349,333 | 11.43 | - | - |

### DIRECTORS' SHAREHOLDINGS AS AT MARCH 25, 2011

| | Name | Direct No. of units held | % | Indirect No. of units held | % |
|---|---|---|---|---|---|
| 1. | Chatar Singh A/L Santa Singh | 49,775,166 | 21.59 | - | - |
| 2. | Tan Cheow Boon | 25,957,666 | 11.26 | - | - |
| 3. | Chin Tee Kheng | 26,349,333 | 11.43 | - | - |
| 4. | Dato' Dr. Chong Eng Keat @ Teoh Eng Keat | 41,666 | 0.02 | - | - |
| 5. | Kok Seng Loong | - | - | - | - |

# SHARE BUY-BACK STATEMENTS

## 1. DISCLAIMER STATEMENT

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") before its issuance, and hence, takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

## 2. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will enable the Company to utilise its financial resources not immediately required for use, to purchase its own Ordinary Shares of RM0.10 each in the Company ("Shares"). The Proposed Share Buy-Back may enhance the Earnings per Share ("EPS") and reduce the liquidity level of the Shares of the Company in Bursa Securities, which generally will have a positive impact on the market price of the Shares of the Company. Other potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

2.1 To allow the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of the Shares and hence, enhance investors' confidence;

2.2 To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity; and

2.3 The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s).

## 3. RETAINED PROFITS

Based on the audited financial statements for the financial year ended 31 December 2010, the retained profits and share premium of the Company stood at RM5,030,078 and RM8,527,123 respectively.

## 4. SOURCE OF FUNDS

The Proposed Share Buy-Back will be financed from both internally generated funds of the Group and/or external borrowings. The portion of which to be utilised will depend on the actual number of Shares to be purchased, the price of Shares and the availability of funds at the time of the purchase(s). If borrowings are used for the Proposed Share Buy-Back, the Group will experience a decline in its net cash flow to the extent of the interest costs associated with such borrowings but the Board does not foresee any difficulty in repayment the borrowings, if any is used for the Proposed Share Buy-Back. Based on the audited consolidated financial statement as at 31 December 2010, the Company has a net cash and cash equivalent balance of approximately RM10,236,352.

## 5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM

The interests of Directors, Substantial Shareholders and Persons Connected to them of the Company as at 25 March 2011 are as follows:-

| | As at 25 March 2011[a] | | | | After the Proposed Share Buy-Back[b] | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| **Directors and Substantial Shareholders** | | | | | | | | |
| Chatar Singh a/l Santa Singh | 49,775,166 | 21.59 | - | - | 49,775,166 | 23.99 | - | - |
| Tan Cheow Boon | 25,957,666 | 11.26 | - | - | 25,957,666 | 12.51 | - | - |
| Chin Tee Kheng | 26,349,333 | 11.43 | - | - | 26,349,333 | 12.70 | - | - |
| **Directors** | | | | | | | | |
| Dato' Dr Chong Eng Keat @ Teoh Eng Keat | 41,666 | 0.02 | - | - | 41,666 | 0.02 | - | - |
| Kok Seng Loong | - | - | - | - | - | - | - | - |

## 5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM (CONT'D)

| | As at 25 March 2011(a) | | | | After the Proposed Share Buy-Back(b) | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| **Substantial Shareholder** | | | | | | | | |
| Magnecomp Precision Technology Public Co. Ltd. | 24,206,240 | 10.50 | - | - | 24,206,240 | 11.67 | | |
| **Persons connected to Directors and Substantial Shareholders** | | | | | | | | |
| Piaro Kaur A/P Santa Singh | 2,126,666 | 0.92 | - | - | 2,126,666 | 1.02 | - | - |
| Kok Siew Min | 631,766 | 0.27 | - | - | 631,766 | 0.30 | - | - |
| Ooi Hooi Ming | 225,000 | 0.10 | - | - | 225,000 | 0.11 | - | - |
| Tan Cheow Kang | 430,666 | 0.19 | - | - | 430,666 | 0.21 | - | - |

Notes:-

*(a) Based on the existing issued and paid-up share capital of 230,562,907 Shares.*

*(b) Based on the issued and paid-up share capital of 207,506,707 Shares assuming that the maximum number of shares authorised under the Proposed Share-Buy-Back are purchased and cancelled.*

*The Directors, Substantial Shareholders and Persons Connected with the Directors and / or Subtantial Shareholders of the Group have no direct or indirect interest in the Proposed Share-Buy-Back or resale of treasury shares, if any.*

## 6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

### 6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of the Statement.

### 6.2 Potential Disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

(a) The Proposed Share Buy-Back will reduce the financial resources of the Group and may result in the Group forgoing interest income and/or better investment opportunities that may emerge in the future; and

(b) As the Proposed Share Buy-Back can only be made out of retained profits and share premium accounts of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

The Proposed Share Buy-Back, if implemented, will reduce the financial resources of the Group, but since the amount is not substantial, the Board is of the view that the Proposed Share Buy-Back will not affect the furtherance of the Group's business or payment of dividends by the Company. Nevertheless, the Board will be mindful of the interest of the Company and its shareholders in undertaking the Proposed Share Buy-Back.

## 7. MATERIAL FINANCIAL EFFECT OF THE PROPOSED SHARE BUY-BACK

The material financial effects of the Proposed Share Buy-Back on the Company and the Group are set out below:-

### 7.1 Share Capital

The effect of the Proposed Share Buy-Back on the issued and paid-up share capital of the Company are set out below:-

| | **No. of Shares** |
|---|---|
| Issued and paid-up share capital as at 25 March 2011 | 230,562,907 |
| Maximum number of MQ Shares that may be purchased pursuant to the Proposed Share Buy-Back | 23,056,200 |
| **Issued and paid-up share capital after the Proposed Share Buy-Back and assuming the cancellation of the Purchased Shares** | **207,506,707** |

If the Purchased Shares will be retained as treasury shares, the Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company. However, the rights attached to them in relation to voting, dividends and participation in any other distributions or otherwise will be suspended and the treasury shares shall not be taken into account in calculating the number or percentage of Shares or of a class of shares for any purposes including without limiting the generality of Section 67A of the Companies Act, 1965 ("Act") the provisions of any law or requirements of the Articles of Association of the Company ("the Articles") or the Bursa Securities ACE Market Listing Requirements ("ACE LR") on major shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for meetings and the result of vote on a resolution at a meeting.

### 7.2 Earnings

The effect of the Proposed Share Buy-Back on the earnings and EPS of the Group will depend on, inter alia, the purchase prices of the Shares, the number of Shares purchased, the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group and the proposed treatment of the Purchased Shares.

If the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Share Buy-Back will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.

### 7.3 Net Assets, Working Capital and Gearing

The effect of the Proposed Share Buy-Back on the net assets and net assets per Share of the Group will depend on the purchase prices of the Shares, the number of Shares purchased and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group.

The Proposed Share Buy-Back will reduce the net assets per Share of the Group if the purchase price exceeds the net assets per Share at the time of the purchase, and vice versa.

In the event the treasury shares are resold on Bursa Securities, the net assets per Share will increase if the Company realises a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the net assets per Share will decrease by the cost of the treasury shares.

The Proposed Share Buy-Back will reduce the working capital and cash flow of the Group, the quantum of which will depend on the purchase prices of the Shares and the number of Shares purchased.

For the Purchased Shares which are kept as treasury shares, upon their resale, the working capital and cash flow of the Group will increase upon the receipt of the proceeds of the resale. The quantum of such increase will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

The effect of the Proposed Share Buy-Back on the gearing of the MQ Group will depend on the proportion of borrowings utilised to fund any purchase of Shares. The utilisation of any borrowings to fund the purchase of any Shares will serve to increase the gearing of the MQ Group.

## 7. MATERIAL FINANCIAL EFFECT OF THE PROPOSED SHARE BUY-BACK (CONT'D)

### 7.4 Dividends

The Proposed Share Buy-Back is not expected to have any material effect on the dividends to be declared by the Company, if any, for the financial year ending 31 December 2011. The level of dividends to be declared in the future would be determined by the Board after taking into consideration the performance of the Group and the prevailing economic conditions.

## 8. IMPLICATION OF THE PROPOSED SHARE BUY-BACK RELATING TO THE TAKE-OVERS AND MERGERS CODE ("THE CODE")

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder and/or persons acting in concert with him/her holding more than 33% of the voting shares of the Company, pursuant to the Code, the affected Substantial Shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining Shares not held by him/her.

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder and/or persons acting in concert with him/her who already holds more than 33% of the voting shares of the Company increasing by more than 2% in any six (6) months period, pursuant to the Code, the affected Substantial Shareholder and/or persons acting in concert with him/her will be obligated to make a mandatory offer for the remaining Shares not held by him/her.

However, the affected Substantial Shareholder and/or persons acting in concert with him/her may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Practice Note 2.9.10 of the Code.

## 9. PURCHASES MADE IN LAST FINANCIAL YEAR

The Company has not purchased any of its own Shares, retained its Shares as treasury shares nor resale its treasury shares nor cancelled its Shares during the financial year ended 31 December 2010. This information is set out on page 18 of this Annual Report.

## 10. PUBLIC SHAREHOLDING SPREAD

As at 25 March 2011, the Record of Depositors of the Company showed that 99,678,738 Shares representing approximately 43.23% of the issued and paid-up share capital were held by public shareholders. The Board undertakes that the Proposed Share Buy-Back will be conducted in accordance with the laws and regulations prevailing at the time of the purchase including compliance with the public shareholding spread requirements as stipulated in Rule 8.02 (1) and Rule 12.14 of the ACE LR.

| | As at 25 March 2011 | After the Proposed Share Buy-Back |
|---|---|---|
| Public shareholding spread | 43.23% | 36.93%* |

*Note:-*

* *Based on the assumptions that:-*
(i) *the Proposed Share Buy-Back involves the aggregate purchase of 23,056,200 Shares (being approximately ten percent (10%) of the issued and paid-up share capital of the Company as at 25 March 2011; and*
(ii) *the number of Shares held by the Directors of the Group, the substantial shareholders of the Company and persons connected with them remain unchanged.*

## 11. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and its shareholders.

Accordingly, the Board recommends that you vote in favor of the resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming Annual General Meeting.

## 12. OTHER INFORMATION

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of MQ Technology Berhad will be held at MQ's Conference Room, Plot 86-B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, 11900 Bayan Lepas, Penang on Wednesday, 25 May 2011 at 10.00 a.m. for the following purposes:-

**AGENDA**

1. To receive the Audited Financial Statements for the year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. (Please refer to Note A)

2. To approve the payment of Directors' Fees of amount up to RM277,200 for the financial year ending 31 December 2011 and payment of such fees to Directors of the Company. (Resolution 1)

3. To re-elect the following Directors who are retiring in accordance with Article 85 of the Company's Articles of Association and being eligible, offered themselves for re-election:-
   a) Chin Tee Kheng; and (Resolution 2)
   b) Kok Seng Loong. (Resolution 3)

4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. (Resolution 4)

**AS SPECIAL BUSINESS:**

5. To consider and, if thought fit, to pass with or without modifications, the following resolutions:-

**Ordinary Resolutions**

5.1 *Authority to Issue and Allot Shares*

"That pursuant to Section 132D of the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorized to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the ACE Market of Bursa Securities." (Resolution 5)

5.2 *Renewal of Authority to Purchase its own Shares*

"That subject to the Companies Act, 1965 ("the Act"), provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorized to purchase its own shares through Bursa Securities, subject to the following:- (Resolution 6)

a) The maximum aggregate number of shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time and compliance with the public shareholding spread requirements as stipulated in Rule 8.02 (1) and Rule 12.14 of the Listing Requirements of Bursa Securities for the ACE Market ("ACE LR");

b) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits and share premium account of the Company. As at the latest financial year ended 31 December 2010, the audited retained profits and share premium account of the Company stood at RM5,030,078 and RM8,527,123 respectively;

c) The authority conferred by this resolution will be effective immediately upon the passing of this resolution; and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it will lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;

5.2 d) Upon completion of the purchase(s) of the shares by the Company, the Directors of the Company be and are hereby authorised to retain the shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or resale on Bursa Securities in accordance with the relevant rules of Bursa Securities, or to retain part of the shares so purchased as treasury shares and cancel the remainder in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the ACE LR and any other relevant authorities for the time being in force.

The Directors of the Company be and are hereby authorized to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act, 1965, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

**ANGELINA CHEAH GAIK SUAN (MAICSA 7035272)**
**CHAN WAI FEN (MAICSA 7028962)**
Secretaries

Penang
Date : 29 April 2011

**NOTES:**

*A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

*Proxy:*

*A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

*A member shall be entitled to appoint two (2) or more proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

*The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.*

*The instrument appointing a proxy shall be deposited at the Registered Office: Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight hours before the time for holding the meeting and any adjournments thereof.*

**EXPLANATORY NOTE ON SPECIAL BUSINESS:**

**1. Resolution pursuant to the Authority to Issue Shares**

The proposed Resolution No. 5 (Item 5.1), if passed, will grant a renewed general mandate ("Renewed Mandate") and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 10% (ten per centum) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This Renewed Mandate unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Seventh Annual General Meeting held on 22 June 2010 which will lapse at the conclusion of the Eighth Annual General Meeting.

**2. Resolution pursuant to the Authority to Purchase its own Shares**

The proposed Resolution No. 6 (Item 5.2), if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the proposed Resolution is set out in the Share Buy-Back Statement in pages 64 to 67 of this Annual Report.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

**DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS (EXCLUDING DIRECTORS STANDING FOR A RE-ELECTION)**

Pursuant to Rule 8.29(2) of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, no individual is seeking election as a Director at the Eighth Annual General Meeting of the Company.

# PROXY FORM

**MQ TECHNOLOGY**

**MQ TECHNOLOGY BERHAD**
*(635804-H)*
*(Incorporated in Malaysia)*

| No of ordinary shares held |
|---|
| |

I/We ______________________________________________

(*NRIC No./Company No ____________________) of ______________________

______________________ being a *Member/Members of MQ TECHNOLOGY BERHAD hereby appoint

______________________ (*NRIC No./Company No. ____________________) of

______________________________________________

or failing him ______________________________________________

(*NRIC No./Company No. ____________________) of ______________________

______________________ as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held at MQ's Conference Room, Plot 86-B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park 4, 11900 Bayan Lepas, Penang on Wednesday, 25 May 2011 at 10.00 a.m. and at every adjournment thereof to vote as indicated below:-

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| 1. To approve the payment of Directors' Fees of amount up to RM277,200 for the financial year ending 31 December 2011 and payment of such fees to Directors of the Company. | | |
| To re-elect the following Directors who are retiring in accordance with Article 85 of the Company's Articles of Association and being eligible, offered themselves for re-election:- | | |
| 2. Chin Tee Kheng | | |
| 3. Kok Seng Loong | | |
| 4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. | | |
| To pass the following resolutions as Special Business :- **Ordinary Resolutions** | | |
| 5. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 6. To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares. | | |

*** Strike out whichever is not desired.**

The Proportions of *my/our holdings to be represented by *my/our proxy/proxies *is/are as follows:-

First Proxy : ____________%

Second Proxy : ____________%

____________%

Signature of Shareholder(s) ______________________

Signed this ______ day of ______________ , 2011.

**Notes:**

*A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

*A member shall be entitled to appoint two (2) or more proxies to attend and vote at the same meeting. Where a member appoints two(2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

*The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.*

*The instrument appointing a proxy shall be deposited at the Registered Office: Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight hours before the time for holding the meeting and any adjournments thereof.*

*Please fold across the line and close*

stamp

The Company Secretaries

**MQ TECHNOLOGY BERHAD**

Suite S-21-H, 21st Floor,

Menara Northam,

55, Jalan Sultan Ahmad Shah,

10050 Penang.

*Please fold across the line and close*

**MQ TECHNOLOGY BERHAD**
(635804-H)

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