

4.0 INFORMATION ON IQGHB GROUP**4.1 History and Principal Activities**

IQGHB was incorporated in Malaysia under the Companies Act, 1965 on 13 December 2003 as a private limited company. The Company was subsequently converted to a public limited company on 20 August 2004 and it assumed its present name on the same date. The principal activity of IQGHB is an investment holding and provision of management services to its subsidiary companies.

The principal activities of the subsidiary companies of IQGHB are as follows:-

Name of Company	Principal Place of Business	Effective Equity Interest %	Principal Activities
IQM	Malaysia	100.00	Design and manufacture of PIR sensor lighting, motion sensors, wireless video and RF products
IQC	China	100.00	Manufacture of PIR sensor lighting and motion sensors
IQE	UK	100.00	Sales, marketing and distribution of PIR sensor lighting and motion sensors
IQJ	Japan	100.00	Sales, marketing and distribution of PIR sensor lighting and motion sensors
IQGL	Taiwan	100.00	Distribution of PIR sensor lighting and motion sensors

The Group has a representative office in Taiwan which is primarily involved in sourcing and procurement of raw materials and undertaking R&D activities.

As at the Latest Practicable Date, IQGHB does not have any associated company.

4.2 Share Capital

The current authorised share capital of IQGHB is RM150,000,000 comprising 150,000,000 Shares, of which 71,994,000 Shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital of IQGHB since its incorporation are as follows:-

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration	Issued and Paid-up Share Capital RM
13.12.2003	2	1.00	Subscribers' shares	2
04.04.2005	71,993,998	1.00	Issued pursuant to the acquisition of 100% equity interest in IQM at an issue price of RM1.00 per share	71,994,000

4.0 INFORMATION ON IQGHB GROUP (cont'd)**4.3 Restructuring and Listing Scheme**

In conjunction with and as an integral part of the listing exercise of IQGHB on the Main Board of Bursa Securities, the Company undertook the following exercises which were approved by the MITI on 30 November 2004 and the SC on 27 January 2005:-

(a) IQM Acquisition

IQGHB had on 4 April 2005 acquired the entire issued and paid-up share capital of IQM of RM25,500,000 comprising 25,500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM71,993,998 satisfied by the issuance of 71,993,998 new Shares in IQGHB at the issue price of RM1.00 per Share. The purchase consideration of RM71,993,998 was arrived at based on the audited consolidated net assets value of IQM as at 31 March 2004 of RM71,993,803. The consolidated net assets value of IQM as at 31 March 2005 based on the audited financial statements of IQM for the financial year ended 31 March 2005 stood at RM76.63 million (excluding the proposed tax-exempt dividend of RM7,650,000 which was approved by the SC on 6 June 2005 and subsequently fully paid to the former shareholders of IQM on 23 June 2005, 24 June 2005, 17 August 2005 and 18 August 2005). The new IQGHB Shares issued pursuant to the IQM Acquisition rank *pari passu* in all respects with the existing IQGHB Shares.

The 71,993,998 new shares of RM1.00 each in IQGHB were issued to the vendors of IQM as follows:-

Vendors of IQM	<-No. of IQM Shares Held->		No. of New IQGHB <- Shares Issued ->	
	No. of Ordinary Shares of RM1.00 each	%	No. of Ordinary Shares of RM1.00 each	%
Kenneth Ian MacKay	735,000	2.88	2,075,121	2.88
Chang, Su-Chu	735,000	2.88	2,075,121	2.88
Sensorlite (M) Sdn Bhd	510,000	2.00	1,439,880	2.00
Graham Arthur Clancy	3,150,000	12.36	8,893,376	12.36
Sensorlite Limited	13,612,500	53.38	38,432,090	53.38
Framework Associates Limited	1,657,500	6.50	4,679,610	6.50
Yayasan Islam Terengganu	5,100,000	20.00	14,398,800	20.00
	<u>25,500,000</u>	<u>100.00</u>	<u>71,993,998</u>	<u>100.00</u>

Subsequent to the IQM Acquisition which was based on the consolidated net assets of IQM Group as at 31 March 2004, IQGHB had acquired 100% equity interests in IQC, IQE, IQJ and IQGL from IQM based on the nominal cash consideration as follows:-

- (i) the entire capital of IQC amounting to RMB11,909,601 from IQM for a nominal cash consideration of RM1.00. The acquisition was completed on 7 July 2005;
- (ii) the entire issued and fully paid-up share capital of IQE comprising 150,000 ordinary shares of £1.00 each from IQM for a nominal cash consideration of RM1.00. The acquisition was completed on 21 April 2005;
- (iii) the entire issued and fully paid-up share capital of IQJ comprising 600 ordinary shares of ¥50,000 each from IQM for a nominal cash consideration of RM1.00. The acquisition was completed on 5 April 2005; and
- (iv) the entire issued and fully paid-up share capital of IQGL comprising 1,000 ordinary shares of USD1.00 each from IQM for a nominal cash consideration of RM1.00. The acquisition was completed on 5 April 2005.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

The nominal consideration of RM1.00 for each of the aforesaid acquisition has been arrived at on the basis that the net assets value of the four (4) companies have been taken into consideration in arriving at the purchase consideration of IQM payable by IQGHB pursuant to the IQM Acquisition.

(b) Public Issue and Offer for Sale

In conjunction with its listing on the Main Board of Bursa Securities, IQGHB will undertake the Public Issue and the Offerors will concurrently undertake the Offer for Sale in the following manner:-

- (i) 5,106,000 Public Issue Shares to be made available for application by the Malaysian citizens, companies, co-operatives, societies and institutions, and to the extent possible, 30% of the Public Issue Shares to be allocated for Bumiputera individuals, companies, societies and institutions;
- (ii) 7,900,000 Public Issue Shares to be reserved for eligible Directors, employees and persons who have contributed to the success of the IQGHB Group; and
- (iii) 11,101,200 Offer Shares to be reserved for Bumiputera investors approved by MITI.

Upon completion of the IPO, the existing issued and paid-up share capital of IQGHB will be increased from RM71,994,000 comprising 71,994,000 Shares to RM85,000,000 comprising 85,000,000 Shares. The aggregate of 13,006,000 Public Issue Shares and 11,101,200 Offer Shares represent approximately 15.30% and 13.06% of the said enlarged issued and paid-up share capital after the IPO of RM85,000,000 comprising 85,000,000 Shares, respectively.

(c) ESOS

In conjunction with the IPO, the Company had on 9 September 2005 established the ESOS which entails the offering of ESOS Options involving up to 15% of the enlarged issued and paid-up share capital of IQGHB for a duration of five (5) years for the benefit of the eligible Directors and employees of IQGHB and its subsidiary companies (provided that the subsidiary companies are not dormant).

The principal features of the ESOS are as follows:-

- (i) the number of ESOS Shares shall be subject to a maximum of 15% of the issued and paid-up share capital of IQGHB at any time during the existence of the ESOS;
- (ii) Directors and eligible employees employed full time by IQGHB or any of its subsidiary companies (provided that the subsidiary companies are not dormant) shall be eligible to participate in the ESOS;
- (iii) the ESOS shall be in force for a period of five (5) years from its commencement on 9 September 2005;
- (iv)
 - (a) where the ESOS Options are offered and granted before the Company is listed on Bursa Securities, the exercise price of the ESOS Options shall not be less than the IPO Price of RM1.80 per Share.
 - (b) where the ESOS Options are offered and granted on or after the Company is listed on Bursa Securities, the exercise price shall be determined at the discretion of the option committee appointed by the Directors of IQGHB based on the following:-
 - (aa) the weighted average market price of the Shares for the five (5) market days immediately preceding the date of offer with an allowance for a discount at the option committee's discretion, of not more than 10% therefrom or such higher limit as may be permitted from time to time by Bursa Securities and any other relevant authorities; or

4.0 INFORMATION ON IQGHB GROUP (cont'd)

- (bb) such price as may be permitted from time to time by Bursa Securities and any other relevant authorities as amended from time to time. The exercise price of the Options shall in no event be less than the par value of the Shares.
- (v) (a) not more than 50% (or such percentage as allowable by the relevant authorities) of the ESOS Shares should be allocated, in aggregate, to directors and senior management of the IQGHB Group; and
- (b) not more than 10% (or such percentage as allowable by the relevant authorities) of the Shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through persons connected with the director or employee (as defined in the Listing Requirements), hold 20% or more in the issued and paid-up share capital of the Company.

Concurrent with the Public Issue and Offer for Sale, the Directors of the Company, via the option committee, propose to offer and grant up to 1,058,000 Options to the eligible Directors and employees of the Group ("Initial Offer"). In addition to the Initial Offer, the Company may, within the duration of the ESOS, make further offers to grant Options to the eligible Directors and employees of the Group in accordance with the By-Laws constituting the ESOS, as set out in Section 14.0 of this Prospectus, subject to Section 4.3(c)(i) above.

The Directors of IQGHB intend to utilise the proceeds to be received by the Company from the exercise of the ESOS Options for working capital purposes.

The new ESOS Shares shall upon allotment, rank *pari passu* in all respects with the existing issued and paid-up shares of the Company except that the new Shares so allotted shall not be entitled to any dividend, rights, allotment or other distribution unless the Shares so allotted have been credited into the relevant securities accounts maintained by the Depository before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission or otherwise of the Shares of the Company.

Details of the By-Laws constituting the ESOS are set out in Section 14.0 of this Prospectus.

(d) Listing and Quotation on Bursa Securities

Approval in-principle from Bursa Securities was obtained on 25 May 2005 for admission to the Official List of the Main Board of Bursa Securities and for permission to deal in and for the listing of and quotation for the entire issued and paid-up shares of IQGHB of RM85,000,000 comprising 85,000,000 Shares. The IQGHB Shares shall be admitted to the Official List of the Main Board of Bursa Securities and official quotation will commence after receipt of confirmation from the Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotments have been despatched to all successful applicants.

4.4 Business Overview**4.4.1 Background**

IQGHB is principally an investment holding company and provides management services to its subsidiary companies. Please refer to Section 1.1 and 4.1 of this Prospectus for the principal activities of its subsidiary companies.

Chen, Wen-Chin also known as Kent Chen is the founder of the IQGHB Group. He brings with him approximately twenty-five (25) years of experience in the sensor lighting industry.

The history of IQGHB Group can be traced back to the incorporation of IQM, previously known as Interquartz (M) Sdn Bhd in 1989, the first manufacturing facility based in Penang focusing on design and manufacture of PIR sensor lighting and motion sensors. The company commenced operations in the same year. The company later changed its name to IQ Group Sdn Bhd on 16 March 1999.

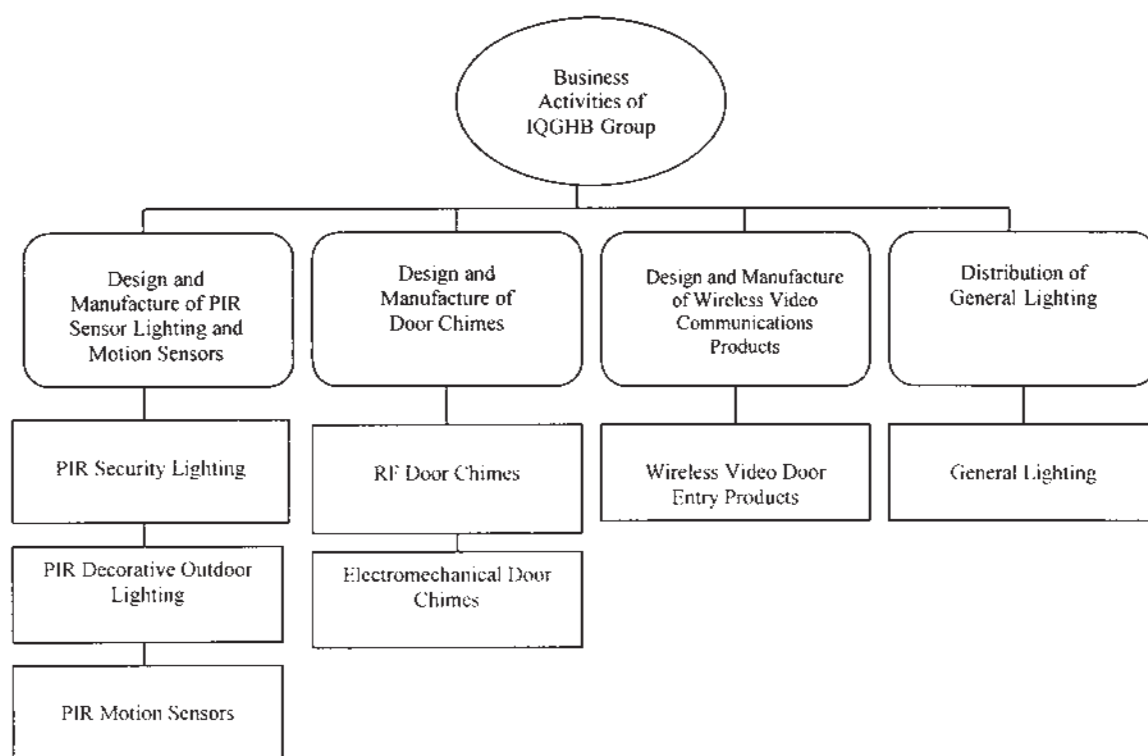
4.0 INFORMATION ON IQGHB GROUP (cont'd)

As part of IQM's expansion plans to extend its distribution network to the European markets, IQE, based in UK was incorporated in 1993. IQE was established to focus on sales, marketing and distribution activities. The company commenced operations in September 1993. Using similar strategy, IQJ was established in 1998 to capitalise on opportunities in Japan and South East Asia.

In 1998, IQM extended its presence to Taiwan, where the Group maintains a representative office. The Taiwanese representative office carries out some sourcing of components in Taiwan and undertakes R&D activities.

In June 2000, IQM established IQC, its second manufacturing facility based in Dong Guan in China focusing on the manufacturing of PIR sensor lighting and motion sensors. In March 2000, IQGL was established to distribute products manufactured by IQC.

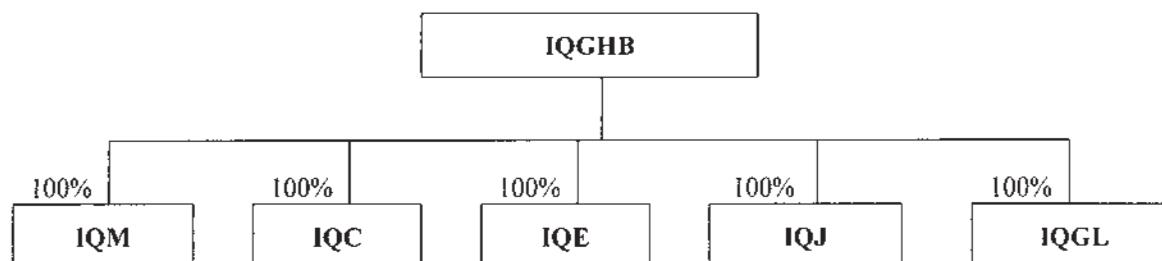
The present business activities of IQGHB Group are summarised as follow:-



4.4.2 IQGHB's Group Structure

The group structure and principal activities of the IQGHB Group are summarised in Section 1.1 of this Prospectus.

The Group's existing proposed corporate structure is as follows:-



4.0 INFORMATION ON IQGHB GROUP (cont'd)**4.4.3 Principal Products**

The IQGHB Group's product range includes the following:-

- (i) Sensor lighting and motion sensors
 - PIR security lighting;
 - PIR decorative outdoor lighting; and
 - PIR motion sensors.
- (ii) Door chimes
 - RF door chimes; and
 - Electromechanical door chimes.
- (iii) Wireless Video Communication Products
 - Wireless video door entry products
- (iv) Others
 - General lighting;
 - Floodlights; and
 - Lighting fixtures.

4.4.4 Patents, Licences, Brand Names and Copyright Protection**(i) Patents**

	Patent No.	Authority	Company	Type of Technology	Expiry Date
1.	US 6,653,635	United States Patent and Trademark Office	IQM	Detector with wide detecting range & method of extending the detecting range	24.04.2021
2.	US6,844,555	United States Patent and Trademark Office	IQM	A covering and mounting structure for motion detector having LEDs and electronic adjustment controls (telescopic)	10.06.2022
3.	150096	Ministry of Economic Affairs, Bureau of Intellectual Property, Republic of China	IQM	Detector with wide detecting range and method of extending the detecting range	23.11.2020
4.	01115634.1	National Intellectual Property Right Bureau, China	IQM	Detector with wide detecting range	27.04.2021
5.	02253625.4	European Patent Office	IQM	A covering and mounting means for motion detector, LEDs and electronic adjustment controls (telescopic)	*
6.	04250060.3	European Patent Office	IQM	Method of recording and playing CD quality sound signals for a doorbell system, and a receiver embodying such method (CD Quality Sound).	*
7.	93101348	Ministry of Economic Affairs, Bureau of Intellectual Property, Republic of China	IQM	Method of recording and playing CD quality sound signals for a doorbell system, and a receiver embodying such method (CD Quality Sound).	*

4.0 INFORMATION ON IQGHB GROUP (cont'd)

	Patent No.	Authority	Company	Type of Technology	Expiry Date
8.	10/745,971	United States Patent and Trademark Office	IQM	Method of recording and playing CD quality sound signals for a doorbell system, and a receiver embodying such method (CD Quality Sound).	*
9.	20041008117.0	National Intellectual Property Right Bureau, China	IQM	Method of recording and playing CD quality sound signals for a doorbell system, and a receiver embodying such method (CD Quality Sound).	*
10.	10/769,029	United States Patent and Trademark Office	IQM	An alerting system using a communication protocol (Encoder/Decoder)	*
11.	04250568.5	European Patent Office	IQM	An alerting system using a communication protocol (Encoder/Decoder)	*
12.	01112597.8	European Patent Office	IQM	Detector with wide detecting range	*
13.	2001-154884	Japan Patent Office	IQM	Detector with wide detecting range	*
14.	10/623,820	United States Patent and Trademark Office	IQM	Remote doorbell chime extender	*
15.	60/503,626	United States Patent and Trademark Office	IQM	Point of sale display for doorbell – provisional	*
16.	10/798,836	United States Patent and Trademark Office	IQM	Point of sale display for doorbell – utility	*
17.	10/664,424	United States Patent and Trademark Office	IQM	Remote doorbell push button transmitter	*
18.	29/190,563	United States Patent and Trademark Office	IQM	Lamp housing	*
19.	03394092.5	European Patent Office	IQM	Remote doorbell chime extender	*
20.	04394003.0	European Patent Office	IQM	Remote doorbell push button transmitter	*
21.	04394050.1	European Patent Office	IQM	Point of sale display for doorbell	*
22.	P20050660	Patent Registration Office, Malaysia	IQM	A motion detector device with rotatable focusing views and a method of selecting a specific focusing view	*
23.	P20050665	Patent Registration Office, Malaysia	IQM	An integral detector-lighting apparatus with multiple mounting orientations.	*

Note:-

* Awaiting approvals from the relevant authorities.

4.0 INFORMATION ON IQGHB GROUP (cont'd)**(ii) Manufacturing Licence**

Authority/ Licence No./ Serial No./ Effective Date	Type of Licence	Equity Conditions/ Other Material Conditions Imposed	Status of Compliance
<u>IQM</u> MITI A 005617/ A019194/ 25.10.2000	Manufacturing licence for the manufacturing of passive infrared detectors, motion sensor light controllers, infrasonic sensors, microwave detectors, RF transmitters/ receivers, line carrier wireless systems for home automation, home security systems, photo electric smoke detectors.	Any sale of IQM shares is required to be notified to the MITI.	Met. The IQM Acquisition was approved by the MITI on 30.11.2004.
<u>IQM</u> MITI/ A 005617/ A020477/ 30.04.2002	Manufacturing licence for the manufacturing of PCB assemblies.	Any sale of IQM shares is required to be notified to the MITI.	Met. The IQM Acquisition was approved by the MITI on 30.11.2004.
<u>IQC</u> Industrial and Commercial Administrative Management Bureau of Dong Guan City/ 005906/ 0367049/ 23.06.2000	Manufacturing and sales of electronic products (includes wireless security alarm system, passive infrared sensor, passive infrared lighting, lighting controller), plastic products, hardware, rubber products.	Not applicable.	Not applicable.

(iii) Brand Name

Approximately 50% of IQGHB Group's products, based on revenue, are manufactured under its own "IQ-group" brand name.

(iv) Copyrights

The IQGHB Group has also taken the necessary measures to protect their copyrights in relation to a series of sound files in wave format developed by the Group which are used in the Group's products such as Hi-Fi door chimes and video door entry products.

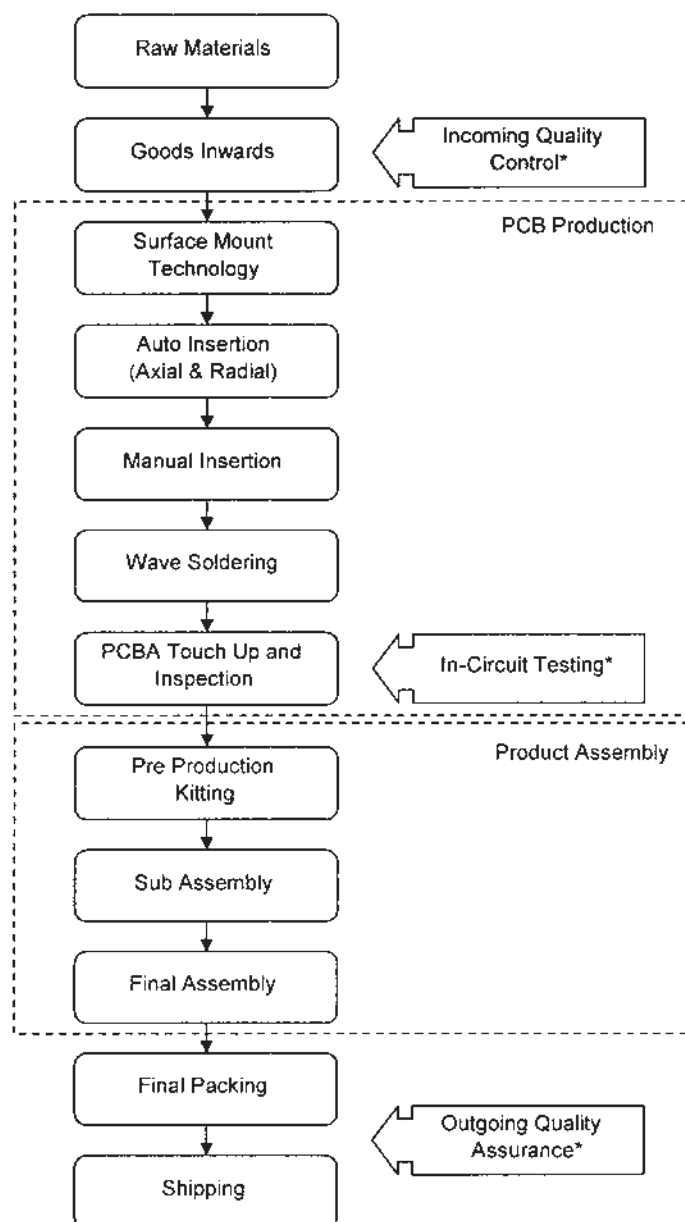
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4.0 INFORMATION ON IQGHB GROUP (cont'd)

4.4.5 Process Flow

The process flow for the manufacturing operations for RF products, PIR motion sensors and plastic moulding are as follows:-

- (i) The generic process flow of the IQGHB Group's manufacturing operations is depicted below:-



Note:-

* QC procedure.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

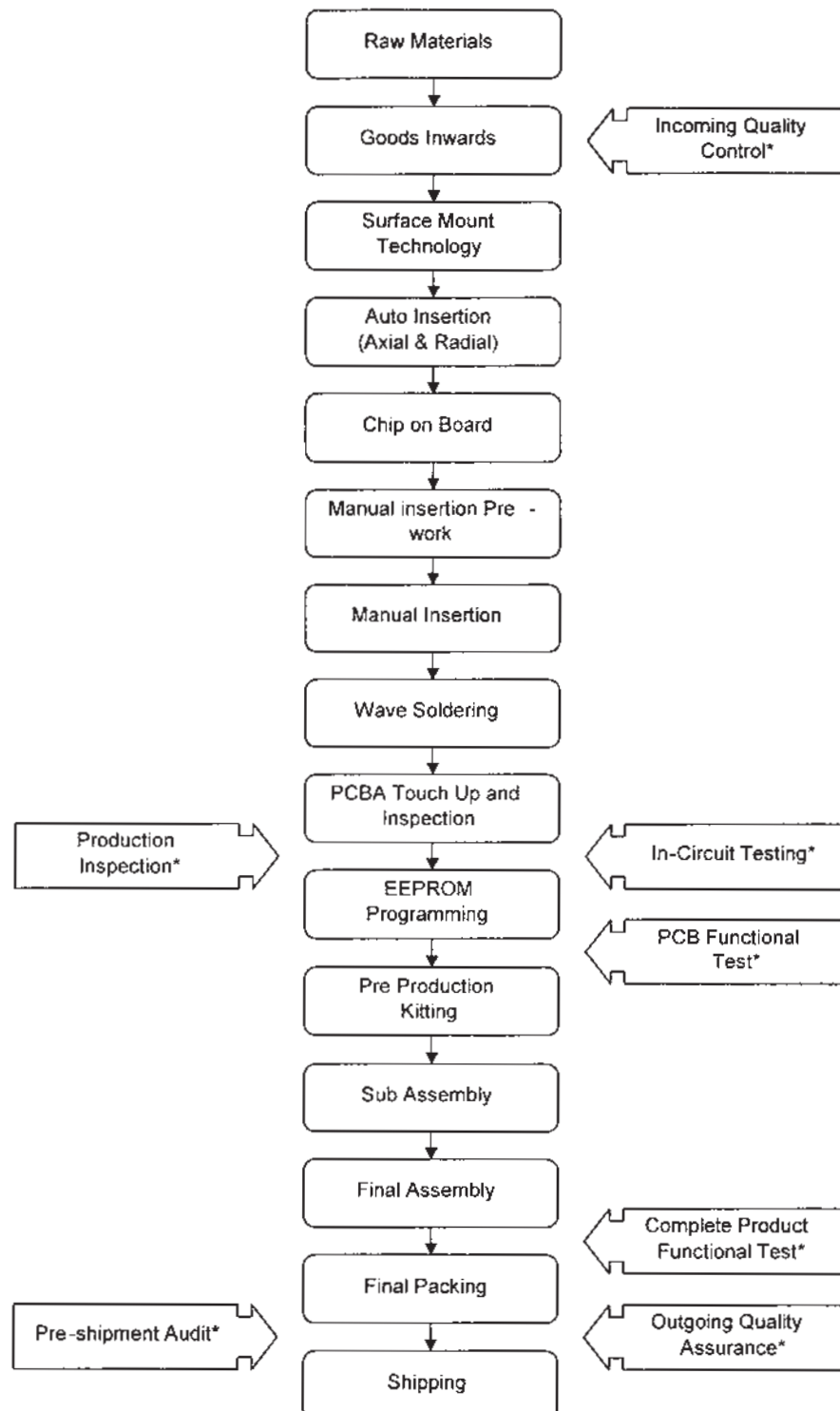
Set out below is the brief explanation in relation to the above process flow chart:-

- Raw materials are purchased from various suppliers. Wherever possible, key components are dual sourced. For long lead time or customised components, approximately three (3) months buffer stock is maintained.
- Raw materials, components and sub assemblies are inspected upon delivery to the Group's manufacturing plants. Incoming QC takes various forms including random, pre-determined sampling and 100% inspection.
- The Group purchases, pre-kits and supplies surface mount devices. The surface mount components are then bonded and re-flow soldered to the PCBs at various sub contractors.
- Axial and radial components are automatically inserted into the PCBs. Wherever possible, this process is carried out at the Group's manufacturing plant in Penang, Malaysia.
- Components which cannot be loaded onto the PCBs automatically, for example wires, large relays, pyro sensors etc are then inserted manually.
- The full printed board assembly is then wave soldered.
- After wave soldering, a certain amount of touch up is often required for example, to remove solder shorts, re-align components that are mounted too high and re-solder dry joints. The PCB assemblies are visually inspected and undergo ICT.
- The PCB assemblies along with various plastic parts, additional components, labels, instruction manuals and packaging are pre-kitted on an order by order basis prior to final product assembly.
- Sub assembly is carried out as and when necessary prior to final product assembly.
- The relevant parts are then fully assembled to make the final products.
- Completed products undergo various tests and a final inspection prior to packing and shipping.

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4.0 INFORMATION ON IQGHB GROUP (cont'd)**(ii) Assembly Process Flow for RF Products**

The assembly process flow for RF products undertaken by IQM is depicted below:-



Note:-

* QC procedure.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

Set out below is the brief explanation in relation to the above assembly process flow for RF products:-

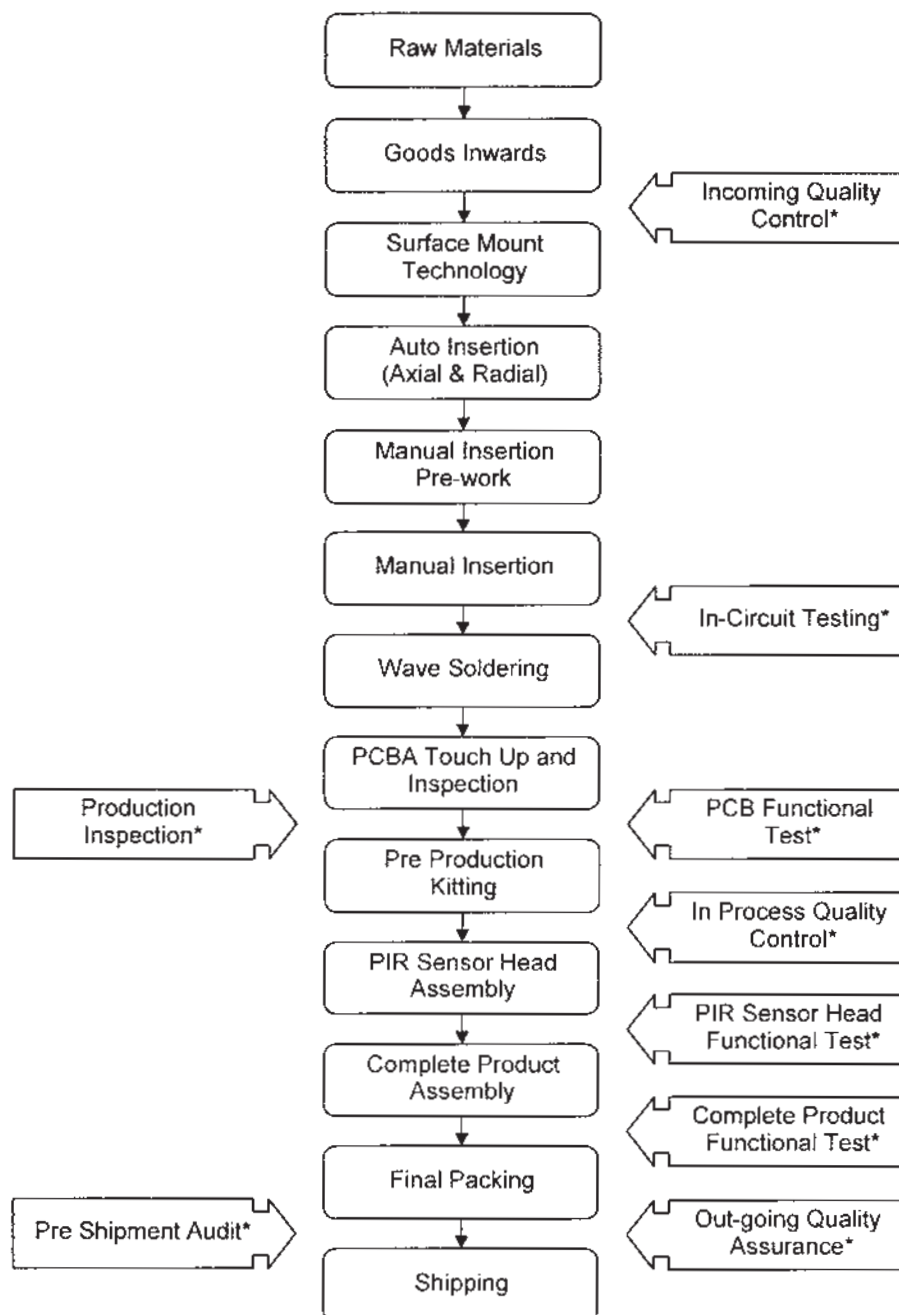
- Raw materials are purchased from various suppliers. Wherever possible, key components are dual sourced. For long lead time or customised components, approximately 3 months buffer stock is maintained.
- Raw materials, components and sub assemblies are inspected upon delivery to the Group's manufacturing plants. Incoming QC takes various forms including random, pre-determined sampling and 100% inspection.
- The Group purchases, pre-kits and supplies surface mount devices. The surface mount components are then bonded and re-flow soldered to the PCBs at various sub contractors.
- Axial and radial components are automatically inserted into the PCBs. Wherever possible, this process is carried out at the Group's manufacturing plant in Penang, Malaysia.
- Semiconductor chips are then mounted onto the PCBs (the COB Process). The Group generally sub contract the COB work.
- A certain amount of prework is often required prior to the manual insertion of components. Typical manual insertion prework may include component lead trimming, lead bending and polyvinyl chloride ("PVC") insulator cutting.
- Components which cannot be loaded onto the PCBs automatically, for example wires, large relays, pyro sensors etc are then inserted manually.
- The full printed board assembly is then wave soldered.
- After wave soldering, a certain amount of touch up is often required for example, to remove solder shorts, re-align components that are mounted too high and re-solder dry joints. The PCB assemblies are visually inspected and undergo ICT.
- EEPROM programming is carried out as and when required.
- The PCB assemblies along with various plastic parts, additional components, labels, instruction manuals and packaging are pre-kitted on an order by order basis prior to final product assembly.
- Sub assembly is carried out as and when necessary prior to final product assembly.
- The relevant parts are then fully assembled to make the final products.
- Completed products undergo various tests and a final inspection prior to packing and shipping.

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4.0 INFORMATION ON IQGHB GROUP (cont'd)

(iii) Assembly Process Flow for PIR Motion Sensors

The assembly process flow for PIR motion sensors undertaken by IQM and IQC is depicted below:-



Note:-

* QC procedure.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

Set out below is the brief explanation in relation to the above assembly process flow for PIR motion sensor products:-

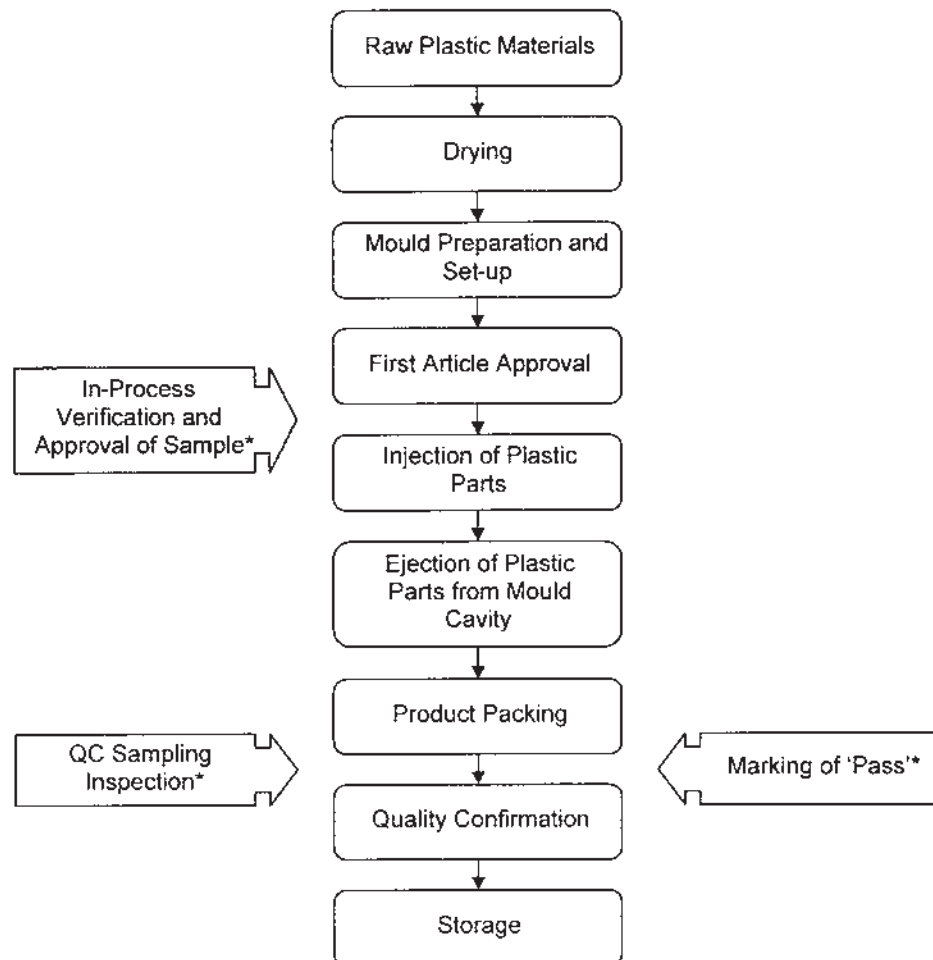
- Raw materials are purchased from various suppliers. Wherever possible, key components are dual sourced. For long lead time or customised components, approximately 3 months buffer stock is maintained.
- Raw materials, components and sub assemblies are inspected upon delivery to the Group's manufacturing plants. Incoming QC takes various forms including random, pre-determined sampling and 100% inspection.
- The Group purchases, pre-kits and supplies surface mount devices. The surface mount components are then bonded and re-flow soldered to the PCBs at various sub contractors.
- Axial and radial components are automatically inserted into the PCBs. Wherever possible, this process is carried out at the Group's manufacturing plant in Penang, Malaysia.
- A certain amount of prework is often required prior to the manual insertion of components. Typical manual insertion prework may include component lead trimming, lead bending and PVC insulator cutting.
- Components which cannot be loaded onto the PCBs automatically, for example wires, large relays, pyro sensors etc are then inserted manually.
- The full printed board assembly is then wave soldered.
- After wave soldering, a certain amount of touch up is often required for example, to remove solder shorts, re-align components that are mounted too high and re-solder dry joints. The PCB assemblies are visually inspected and undergo ICT.
- The PCB assemblies along with various plastic parts, additional components, labels, instruction manuals and packaging are pre-kitted on an order by order basis prior to PIR sensor head and complete product assembly.
- When the PIR sensor head has been loaded with the sensor PCB(s), various connectors, switches, controls and ceiling gaskets, a full functional test is carried out.
- The PIR sensor head and other relevant parts are then fully assembled to make the final product. Completed products may include standalone, wall, eave and ceiling mounted motion sensors, PIR controlled decorative, security and garden lighting.
- Completed products undergo various tests and a final inspection prior to packing and shipping.

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4.0 INFORMATION ON IQGHB GROUP (cont'd)

(iv) The Plastic Moulding Process Flow

The plastic moulding process flow for PIR motion sensors undertaken by IQC is depicted below:-



Note:-

* QC procedure.

Set out below is the brief explanation in relation to the above plastic moulding process flow for PIR motion sensor products:-

- Raw plastic materials are purchased, compounded where necessary and checked for colour and batch matching.
- Various plastic materials in the form of pallets or granules are hygroscopic in nature and therefore need drying before injection.
- Jigs, fixtures, packing materials (cartons, polyethylene bags and nesting), operating instructions and reference samples are kitted prior to the moulding machine parameters being set e.g. tool temperature, injection pressure, setting time etc.
- Prior to mass production, a short run of plastic parts are injected and "First Article" approval is obtained from QA. QA personnel verify the quality of the first unit/article moulded. The plastic parts are typically inspected for dimensional accuracy, stability, tolerance, signs of stress cracking and visual defects etc.
- Following approval of the first article, ongoing mass production of plastic parts is commenced.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

- Plastic parts are ejected automatically and removed from the mould cavity. They are then inspected for various defects such as colour variation, surface blemishes i.e. moisture marks etc prior to the gating being removed along with any burrs or flash.
- A visual inspection of the plastic parts is then undertaken prior to packing.
- A sample of the parts is taken for reference and final QA before storage.

4.4.6 Principal Markets and Market Share

The principal markets for the IQGHB Group's products are mainly from overseas and approximately 0.2% of the total sales of the Group for the financial year ended 31 March 2005 are sold locally.

As at 31 March 2005, the IQGHB Group's export market covered approximately fifty-one (51) overseas customers around fifteen (15) countries in three (3) regions. An analysis of the number of customers in the regions to which the Group exports based on the total sales of the Group for the financial year ended 31 March 2005 is as follows:-

Continents	Number of Customers	% of Total Sales
Europe	40	79.23
Asia Pacific	9	14.87
US	2	5.70
Total	51	99.80

The fifty-one (51) overseas customers consist of manufacturers, importers, distributors, wholesalers and retailers.

In 2004, the estimated output value for the Manufacture of Sensor Lighting in Malaysia, based on production output is approximately RM95 million. In 2004, the market share of IQGHB Group for the Manufacture of Sensor Lighting in Malaysia based on output value is estimated at 76%.

Based on the Group's estimated output share of 76% for the Manufacture of Sensor Lighting in Malaysia in 2004, IQGHB Group is ranked first among manufacturers of Sensor Lighting operating in Malaysia.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

4.4.7 Sources and Availability of Raw Materials**(i) Principal Raw Materials**

The principal raw materials used in the manufacturing of PIR sensor lighting and motion sensors include amongst others, electronic components, hardware, plastic parts, packaging and lighting fixtures.

(ii) Availability of Raw Materials

The principal raw materials are sourced mostly from overseas suppliers (from China, Hong Kong, Japan, Taiwan, US and Singapore). As at the date of this Prospectus, the Group has not experienced any difficulties in sourcing for these raw materials as these principal raw materials are readily available in the market. However, raw material prices do fluctuate from time to time due to foreign exchange rate.

Further details on the major suppliers of raw materials for the IQGHB Group are set out in Section 4.8 of this Prospectus.

4.0 INFORMATION ON IQGHB GROUP *(cont'd)*

4.4.8 QC

IQGHB Group places significant emphasis on quality. Stringent QCs are implemented in each aspect of its operations and the Group adopts the following procedures to ensure that quality standards are maintained:-

- In-coming raw materials and components are inspected to ensure conformity with technical specifications.
- Extensive product testing is undertaken to confirm that the products manufactured by the Group conform to external quality, safety standards and other requirements.
- Quality checks are undertaken at each stage of the production process.
- A final quality check consisting of complete product sampling inspection ensures that finished goods shipped to clients do not contain defects and conform to individual customer specifications.

As part of the Group's emphasis on quality, IQGHB Group's products comply with the following quality and safety standards:-

- European Norm ("EN") Low Voltage Directive standards – Europe;
- EN Electromagnetic Compatibility standards – Europe;
- Underwriters Laboratories ("UL") safety standards – US
- United States Federal Communication Council ("FCC") standards;
- Japanese Standards ("JS") – Japan.

IQM, a subsidiary of IQGHB, obtained ISO 9002 accreditation in 1998 and was upgraded to ISO 9001 in 2001. IQC, also a subsidiary of IQGHB, obtained ISO 9001 accreditation in 2002.

The IQGHB Group has an experienced QC and assurance team that ensures product quality conforms to client needs and specifications, as well as external quality and safety standards and requirements.

4.4.9 R&D

4.4.9.1 Policies of R&D

The IQGHB Group is committed to carrying out R&D in order to create and sustain competitive advantages through the following:-

- continuously developing new technologies that can be applied to new and existing products;
- continuously developing new products to create areas of new growth and opportunity;
- continuously driving product quality improvements to ensure customer satisfaction; and
- enhancing production effectiveness, efficiency and productivity to optimise production costs.

IQGHB Group's R&D activities are closely linked to its marketing efforts. The Group's R&D projects are carried out to fulfil the market opportunities identified by the Group's marketing personnel, thereby reducing the uncertainty associated with the applicability of R&D.

4.4.9.2 R&D Facilities and Personnel Involved

IQGHB Group has in-house R&D facilities located in Penang, Malaysia, Dong Guan, China and Taipei, Taiwan. In-house product testing facilities are also located in the Group's two (2) manufacturing facilities in Penang, Malaysia and Dong Guan, China.

The Group carries out product testing activities as part of its manufacturing processes, as well as for post-production QA purposes.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

IQGHB Group's major manufacturing process testing activities include:-

- COB testing, utilising a COB test jig to test for the following:-
 - (i) Die functionality; and
 - (ii) Wire bonding.
- ICT, utilising an ICT jig to confirm the following:-
 - (i) Component polarity;
 - (ii) Component value and tolerance;
 - (iii) Whether or not the component is present or absent; and
 - (iv) Whether or not the correct component is in place.
- PCB functional testing, utilising a PCB functional test jig to test for the following:-
 - (i) Centre frequency;
 - (ii) Electrical power strength; and
 - (iii) Low battery energy level.
- Final testing, utilising a final test jig to test for the following:-
 - (i) Power strength;
 - (ii) Centre frequency;
 - (iii) Standby current; and
 - (iv) Operating current.

IQGHB Group also carries out full QA testing on a pre-determined number of randomly selected packed finished goods. Major QA testing procedures include:-

- Final testing, utilising a final test jig to test for the following:-
 - (i) Power strength;
 - (ii) Centre frequency;
 - (iii) Standby current; and
 - (iv) Operating current.
- IP testing, utilising an IP test jig to test for the unit's water protection for outdoor use.
- Outdoor range testing, utilising a range test set-up to test for RF receiver range.
- Sound output level testing, utilising a sound level test set-up to test for output sound level.
- Ultraviolet ("UV") testing, utilising a relative magnetic bearing ("QUV") accelerated weathering tester to test for the level of UV protection of plastic parts.
- Operating temperature test, utilising a temperature and humidity chamber to test for the unit's functionality within a specified operating temperature range.
- Packaging drop testing, utilising a drop tester, to test for the degree of packaging protection.

As at the Latest Practicable Date, IQGHB Group has thirty-four (34) R&D engineers and technicians, seven (7) QA engineers and technicians, and twenty-nine (29) QA/QC inspectors.

The types of testing equipment in use in IQC's in-house R&D department are:-

Type of Testing Equipment	Quantity
Constant Temperature & Humidity Machine	1
IP X 4 Rain Tester	2
IP X 5 Rain Tester	2
UL Rain Tester	1
High Potential Test Machine	3
Earth Resistance	1

4.0 INFORMATION ON IQGHB GROUP (cont'd)

The following R&D and testing equipment in use by IQM's in-house R&D department in Penang and Taiwan are:-

R&D and Test Equipment	Quantity
Computer Aided Design Workstations - Pro/ENGINEER Software	8 seats
Universal Programmer	2
Mix Signal/Standard Oscilloscope	14
Digital Sweep Function Generator	1
Noise Figure Analyser	1
Network Analyser	2
Power Amplifier	1
Data Acquisition/Switch Units/Data Logger	3
Electromagnetic Compatibility Tester	1
ICT	4
Radio Communication Service Monitor	9
Spectrum Analyser	21
Signal Generator	7
Fluke Multimeter	19
RF Shield Room	2
Thermal Chamber	4
UL 1598 Rain Tester	1
IP X3/4 Rain Tester	1
IP X5 Rain Tester	1
UV Weathering Tester	1
UL 1598 Impact Tester	1
EN 60669 Impact Test Fixture	1
UL 1598 Ceiling Mount Thermal Fixture	1
UL 1598 Wall Mount Thermal Fixture	1
Drop Tester	1
Programmable AC Power Analyser	2
E-field Meter	2
Antenna	3
Fast Transient Noise Simulator	1
Hi-Pot and Insulation Tester	2

4.0 INFORMATION ON IQGHB GROUP (cont'd)

4.4.9.3 Present Status of R&D

Relevant Technologies

PIR motion sensor technology and other technologies related to sensor lighting are currently the key technologies utilised by the IQGHB Group.

The Group is also currently developing and deploying RF controllers and Hi-Fi door chimes, two (2) new technologies that will be among the key drivers of the Group's growth in the future.

Technologies relevant to the IQGHB Group include the following:-

- (a) PIR motion sensors;
- (b) ASIC;
- (c) Advanced optical devices;
- (d) Light sensitive controllers;
- (e) Dusk timers;
- (f) RF controllers; and
- (g) Hi-Fi sound generation.

(a) *PIR Motion Sensors*

A PIR motion sensor is a passive sensor that has the ability to detect the presence of an object emitting infrared radiation. Objects that generate heat, including animals and humans, also generate infrared radiation. Although infrared radiation is invisible to the human eye, it can be detected.

The IQGHB Group manufactures PIR motion sensors for integration with lighting products manufactured by the Group. IQGHB Group also manufactures stand-alone PIR motion sensors that can be integrated with other lighting fixtures or electrical appliances. The Group also customises the design of PIR motion sensors to meet individual customer specifications.

The PIR motion sensors manufactured by IQGHB Group incorporate a number of refinements that make the Group's products more capable than a basic PIR motion sensor. These refinements include:-

- sophisticated signal processing capabilities;
- advanced optical devices including filters and Fresnel lenses to increase the detection field, range and angle;
- ability to integrate two or more motion sensors in a single unit to provide a wider detection angle and to eliminate "creep zones" below the detector unit;
- RF modules;
- light sensitive controllers; and
- a dusk timer.

(b) *ASIC*

Sophisticated signal processing is enabled by the use of an ASIC. ASICs are customised to perform a particular function. As such, an ASIC's performance is generally superior when compared to that of a general integrated circuit.

Sophisticated signal processing reduces the rate of nuisance and false alarms, this in turn increases user convenience and confidence in the reliability of the PIR motion sensors.

Sophisticated signal processing may also be utilised to ignore signals that do not fit the typical infrared radiation emission profile of a human being. For example, PIR sensors are designed to ignore changes in the background infrared content due to the gradual heating and cooling of the atmosphere caused by the passage of the sun.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

(c) Advanced Optical Devices

Advanced optical devices including the use of filter lenses. Filter lenses allow the passage of infrared radiation of wavelength close to that radiated by the human body, and absorb infrared radiation of other wavelengths. The use of filter lenses can reduce the rate of false triggering which can be a nuisance to users.

A filter window may be fitted in front of the silicon photodiode so as to limit incoming infrared radiation to a frequency close to that of human body infrared radiation, which is strongest at 9.4µm. Filter windows allowing transmission of infrared radiation in the 5.5µm to 14µm range are generally used.

A Fresnel lens is used to concentrate light onto a focal point, much like a magnifying glass. However, a Fresnel lens is designed in such a way that it retains the optical characteristics of the plano convex lens but this is achieved with reduced weight and volume of material used.

As the lens is flat, energy losses are also much lower when compared to those of a plano convex lens of similar optical performance.

(d) Light Sensitive Controllers

The IQGHB Group's PIR motion sensors are equipped with a light sensitive controller that controls the period of operation of the PIR motion sensors based on the intensity of ambient light.

This is achieved with the use of a photocell which absorbs the light hitting its surface and measures its intensity.

The light sensitive controller is particularly useful in countries with distinct seasons, where the number of daylight hours varies depending on the seasons. In such circumstances, using only a timer to regulate operation would be sub-optimal as dusk arrives much earlier in the winter months than it does in summer.

(e) Dusk Timers

PIR motion sensors may also include a user selectable one (1) to twenty-four (24) hours 'dusk timer' to provide additional control. This enables the PIR motion sensors to begin detection later than the time determined by the amount of ambient light. For example, if it gets dark at 6.00 p.m., the dusk timer can be set to add another three (3) hours, thus delaying the operation of the PIR motion sensors until 9.00 p.m.

(f) RF Controllers

A RF controller set comprises an RF transmitter and receiver. An RF controller is designed to replace physical wiring (e.g. insulated copper wires, fibre-optic cables) and as such, the transmission of signals between the two (2) components is commonly referred to as "wireless".

The use of radio frequencies for data transmission is well established and widespread.

In general, an RF transmitter consists of the following components:-

- an RF transmitting device, incorporating an antenna;
- electronic components to control the RF transmission in terms of signal generation, data rate, signal strength, frequency and other characteristics; and
- a power source.

In general, an RF receiver consists of the following components:-

- an RF receiving device, incorporating an antenna;
- electronic components to receive and interpret the signal;
- a filtering mechanism to distinguish between legitimate and other radio signals; and
- a power source.

4.0 INFORMATION ON IQGHB GROUP (cont'd)**(g) Hi-Fi Sound Generation**

A Hi-Fi door chime is a compact, economical digital device that has the ability to reproduce high fidelity, CD quality sound.

The Hi-Fi door chime unit uses a solid-state digital data storage device, a microprocessor, an amplifier and a speaker to create a compact and low power consuming product.

The sound that is to be played back is stored in a digital format on a solid-state digital data storage device. The size and number of sound files that can be stored depends on the memory size of the data storage device. Sound quality is generally directly related to the amount of data used to encode sound of a given duration.

The microprocessor decodes the digital sound data and converts it into an audio format, which is replayed upon receipt of a pre-determined signal.

An amplifier amplifies the signal from the microprocessor and transmits it to the speakers which convert the electrical signals into audio/sound.

4.4.9.4 R&D Strategy

The ultimate aim of IQGHB Group's R&D strategy is to drive future business growth by creating a wide range of consumer products that appeal to a broad spectrum of consumers.

To implement this strategy, the Group plans to develop a number of enabling technologies that can then be used to create new product opportunities and enhance its existing products.

Enabling technology that the Group plans to develop and/or apply includes:-

- Miniature sensors;
- RF links;
- CMOS imaging;
- Video technology; and
- Presence detection.

The application of these technologies will enable the Group to develop new products, including:-

- Wireless video door phones;
- Intelligent home security systems;
- Intelligent home controls;
- Internet-based security systems; and
- Innovative decorative and garden lighting.

The application of these technologies will enable the Group to enhance its existing products, including:-

- Hi-Fi door chimes;
- Solar powered LED security lighting;
- RF controlled security lighting;
- Security lighting with video combination;
- PIR and image capture sensor combination; and
- Wireless video door entry products.

The IQGHB Group plans to invest in the development and application of enabling technology in parallel with its existing new product development and product enhancement plan.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

4.4.9.5 On-going R&D**(a) Development of Enabling Technology****(aa) *Miniature PIR Motion Sensors***

The IQGHB Group is currently developing a range of miniature PIR motion sensors. The miniature PIR motion sensors are also planned to be modular in construction.

A miniature PIR motion sensor is a smaller, more compact version of the PIR motion sensors currently in use.

The modular sensor will contain a fully capable PIR motion sensor device and associated electronic components. The modular sensor will interface with a base unit. Communication between the two (2) components will be achieved using a contact-less method.

(bb) *Alternative RF Links*

The IQGHB Group is currently continuing the development of its RF technology to create alternative RF links.

The RF devices in development use the following frequencies:-

- 433.92 megaHertz; and
- 2.4 - 2.5 gigaHertz.

The higher data transfer rates achievable with the use of the 2.4 gigaHertz band will make it possible to transmit still or moving video images from a video capture device to a video display device without the cost or effort of laying down a wire.

RF technology, as a means of enabling high-volume wireless data transfer, has a wide range of potential applications.

RF Transceivers

The IQGHB Group intends to undertake the development of RF transceivers.

A transceiver is a device that is able to both transmit and receive radio signals. The use of transceivers makes possible bi-directional transfer of data, enabling such applications as telephony and the remote control of electronic devices.

(cc) *CMOS Imaging*

The IQGHB Group plans to develop video capture devices utilising CMOS imaging technology. A CMOS video capture device utilises a CMOS camera as the image capture/sensor.

It is also possible to utilise CMOS image capture devices in applications that require high-definition image capture, for example in image recognition.

(dd) *Video Technology*

The IQGHB Group plans to develop digital video technology that is suitable for use in the Group's planned future products.

Video technology comprises three elements namely:-

- Image capture technology;
- Image display technology; and
- Digital signal processing.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

(ee) ***Presence Detection***

IQGHB Group plans to develop presence detection technology. PIR motion sensors fail to trigger in the absence of movement within the detection field, for example if a person within the detection field remains completely still.

A presence detector is able to detect the presence of a person within its detection field even when there is no apparent movement. Potential presence detection technologies which may be utilised by the Group include RFID, CMOS camera sensors and biometrics.

(b) **New Product Development**

IQGHB Group proposes to extend its current product portfolio by developing the following new products:-

- (aa) Wireless video door phones;
- (bb) Intelligent home security systems;
- (cc) Intelligent home controls;
- (dd) Internet-based security systems; and
- (ee) Innovative decorative and garden lighting.

(aa) ***Wireless Video Door Phones***

IQGHB Group is developing a range of video door phone products. These video door phones are an extension of the video door entry system and will include the capability of half or full duplex speech.

The video door phone may also incorporate devices that enable a consumer to control door entry/access.

(bb) ***Intelligent Home Security Systems***

Intelligent home security systems will incorporate sensors and other devices that are able to detect the presence of people and are sufficiently 'intelligent' to enable the device to automatically take a number of actions based on signals received from the sensors.

Presence detection devices may include or utilise the following technologies:-

- PIR motion sensors;
- Video image recognition;
- CMOS imaging;
- CMOS camera sensors; and
- Biometric identification.

The intelligent home security systems may also incorporate control devices to enable an intelligent home security product to communicate with/control other devices remotely for example lighting fixtures, door chimes, image capture devices and security alarms.

(cc) ***Intelligent Home Controls***

The IQGHB Group plans to develop intelligent home control devices. Intelligent home control devices are designed to increase user convenience by enabling certain household appliances to be automatically controlled.

Intelligent home control devices may utilise a sensor device that is able to both detect and identify individual users. This device will then be linked to one or more other devices that it is able to control.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

Sensor devices that may be used include:-

- RFID devices;
- Video imaging technology coupled with biometric identification; and
- CMOS imaging technology coupled with biometric identification.

RF technology is the most beneficial method of linking intelligent home control devices, as it eliminates the cost and inconvenience associated with laying wires. The use of RF transceivers will allow the bi-directional transfer of data and other signals.

(dd) ***Internet-based Security Systems***

IQGHB Group plans to develop the software and related hardware to produce various internet-based security system products. Internet-based security systems utilise the internet as a means of linking devices that may be in different or remote locations.

The use of an internet-based security system may have a wide range of benefits, including:-

- allowing residential property owners to monitor their homes from remote locations;
- allowing commercial security providers to monitor locations from a centralised remote control centre; and
- enhancing the function of intelligent home security and intelligent home control products.

(ee) ***Innovative Decorative and Garden Lighting***

IQGHB Group plans to develop a range of innovative decorative and garden lighting utilising miniature PIR motion sensors.

Decorative and garden lighting utilising miniature PIR motion sensor modules will provide security and convenience lighting in and around the house and garden.

By utilising miniature PIR motion sensor modules, IQGHB Group will have more design freedom and will be able to select from a wider range of materials thereby increasing the aesthetic appeal of the products.

(c) **Enhancing Existing Products**

(aa) ***Hi-Fi Door Chimes***

The IQGHB Group plans to further enhance the door chimes that are currently marketed by the Group for example, by including polyphonic sound reproduction and using alternative decorative materials.

(bb) ***Solar-powered LED Security Lighting***

The IQGHB Group is developing solar-powered LED security lighting products particularly to meet demand from the Japanese market.

Solar-powered LED security lights are similar to the existing security lighting products, except for two main differences:-

- electrical power is generated by a solar cell panel and stored in a rechargeable battery; and
- the lighting fixture will use a number of LED illumination devices, rather than incandescent, halogen or compact fluorescent lamps.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

Current LED technology is limited to the production of relatively small, low power consumption and low output lighting devices. The development of more efficient and higher power LEDs is ongoing.

(cc) ***RF Controlled Security Lighting***

The IQGHB Group is developing security lighting devices that incorporate a RF communication link.

The radio link can be used to connect the PIR motion sensors with the illumination device. This means of wireless communication will enable the user to discretely position the PIR motion sensors independently of the lighting fixture, increasing the flexibility of the product.

The wireless nature of the communication system will also potentially enable a single PIR motion sensor to control the function of one or more devices. For example, a radio link security lighting device might incorporate a door chime unit.

(dd) ***Security Lighting with Video Combination***

The IQGHB Group plans to develop security lighting devices that incorporate video technology, including CMOS imaging (security lighting and video combination).

RF link technology will be used to facilitate communication between remotely placed sensor elements, image capture devices and image display devices.

The incorporation of video technology, including CMOS imaging will enhance the capabilities of the Group's security lighting products. This device will allow consumers to view an image capture by the image capture device, in addition to providing illumination when the sensor is activated.

(ee) ***PIR and Image Capture Sensor Combination***

The IQGHB Group plans to develop PIR and image capture sensor combination devices.

The IQGHB Group plans to commence development of PIR and image capture sensor combination products in the financial year ending 31 March 2007, and expects PIR and image capture sensor combination products to generate revenue in the financial year ending 31 March 2008.

(ff) ***Wireless Video Door Entry***

The IQGHB Group has developed a range of wireless video door entry products. Wireless video door entry products utilise both image capture technology and RF links.

Video door entry products will be designed to meet the needs of residential property owners. As such, they will be easy to install, affordable and offer a high degree of security and reliability.

Video images captured by the image capture device will be transmitted without wire to the image display device, eliminating the cost and inconvenience involved in connecting the devices with wires.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

The video door entry products may also incorporate PIR motion sensors or presence detectors which will automatically capture and transmit images when a person enters into the product's field of detection. In addition, the video door entry products may also incorporate devices that enable a consumer to control door entry/access.

The following table indicates the proposed timing for the commencement of the future R&D activities of the Group:-

Business Activities	Commencing in the Financial Year Ended/Ending 31 March			
	During or Prior to 2005	From 2006	From 2007	From 2008
Development of Enabling Technology				
- CMOS imaging	✓			
- RF link	✓			
- RF link transceivers		✓		
- Video technology				
- TFT-LCD image display	✓			
- Digital signal processing		✓		
- Miniature PIR motion sensor		✓		
- Presence detection				✓
New Product Development				
- Wireless video door phones			✓	
- Decorative and garden lighting utilising Miniature PIR motion sensor modules			✓	
- Intelligent home security systems			✓	
- Intelligent home controls				✓
- Internet-based security systems				✓
Enhancing Existing Products				
- Hi-Fi door chimes	✓			
- Solar-powered LED security lighting		✓		
- RF controlled security lighting	✓			
- Security lighting with video combination			✓	
- PIR and image capture sensor combination			✓	
- Wireless video door entry	✓			

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4.0 INFORMATION ON IQGHB GROUP (cont'd)

4.4.9.6 Achievements in R&D

The IQGHB Group's R&D activities have resulted in the creation of a number of important innovations, particularly in the use of PIR motion sensors and lighting apparatus. Please refer to Section 4.4.4(a) for the list of patents held by the Group. As at the Latest Practicable Date, the Group owns four (4) patents, covering two (2) technologies, granted by three (3) issuing authorities. To-date, the Group has also submitted an additional nineteen (19) patent applications covering ten (10) technologies and is awaiting approvals from the relevant issuing authorities.

4.4.9.7 Application of R&D

Most of the technologies and innovation described in the patents above are in use by IQGHB Group for the manufacture of its products, including:-

- PIR motion sensors;
- RF controllers; and
- Hi-Fi door chimes.

PIR Motion Sensors

The IQGHB Group has conducted extensive R&D and succeeded in improving the performance of its motion sensors. Specific improvements include:-

- increased detection field;
- reduction in the occurrence of false alarms through the use of various filters lenses and an ASIC processor; and
- Elimination of "creep-zone" blind spots through the use of paired or multiple PIR motion sensors.

The Group has succeeded in increasing the detection angle (field of view) of its PIR motion sensors through the use of mirrors, which effectively widen the angle of detection without materially reducing the detection range.

The Group has succeeded in utilising various filters to reduce the occurrence of false triggers. Filters selectively allow electromagnetic radiation that is close to that of human body infrared radiation to pass through, while absorbing electromagnetic radiation of other frequencies.

The IQGHB Group has utilised ASICs to improve the signal processing capability of its PIR motion sensors. Specific benefits of advanced signal processing include:-

- the ability to ignore changes in the background infrared content due to the gradual heating and cooling of the atmosphere caused by the passage of the sun; and
- the ability to distinguish between infrared radiation originating from humans and radiation originating from other sources, for example household pets and other animals.

The Group has also developed a range of PIR motion sensors that utilise paired or multiple PIR sensors which eliminate the "creep zone" that may exist directly below a conventional PIR motion sensor.

RF Controllers

An RF controller is an electronic device which has the capability to send and/or receive data/signals without the use of wire.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

The IQGHB Group has successfully developed or is in the process of developing three types of RF link as follows:-

- 433.92 megaHertz (ISM-Band): suitable for transmission of audio and other data signals;
- 2.4 – 2.5 gigaHertz: suitable for transmission of both static images and moving video signals; and
- Transceiver Sets: a transceiver is a device that is able to both transmit and receive RF signals. The use of transceivers makes possible the bi-directional transfer of information enabling applications such as telephony and the remote control of electronic devices.

The IQGHB Group's wireless products include a number of unique and patented features including:-

- the use of SMD technology and double sided plated through hole (PTH) PCBs to reduce the size of the RF modules, enabling greater application flexibility and improving radio performance by reducing the impact of electromagnetic interference from external sources; and
- the replacement of the conventional DIP switch house code settings with an ASIC burn-in running code (encoder) on the transmitters and a micro controller to decode at the receiver.

The IQGHB Group's radio links are used in a number of its products to create a range of reliable and easy to install security and home control products. Many of the Group's outdoor PIR motion sensor products are available with a wireless RF link enabling for example the automatic switching on and off of interior lights to warn off unwanted guests, activation of one or more outdoor lights when intruders enter specific zones of detection around the property and audible and visual indication of movements in places that are out of view.

The IQGHB Group's wireless devices can be customised to meet specific customer requirements and have a transmission range of between fifty (50) and three hundred (300) metres depending on their specification and operating environment.

Hi-Fi Door Chimes

The IQGHB Group has overcome a number of existing technical challenges and developed the technology to enable the manufacture of Hi-Fi door chimes.

The IQGHB Group R&D efforts have resulted in the design of the microprocessor unit and the development of the software currently utilised by the Hi-Fi door chimes manufactured by the Group.

The Group believes it is a pioneer in developing Hi-Fi door chimes technology, and is in the process of submitting patent applications in the US, Europe, Taiwan and China for this technology.

Wireless Video Door Entry

The IQGHB Group has developed a range of wireless video door entry products. Wireless video door entry products utilise both image capture technology and RF links. The initial market launch of the wireless video door entry products was completed in May 2005 and the Board of IQGHB expects the response to be encouraging.

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4.0 INFORMATION ON IQGHB GROUP (cont'd)**4.4.9.8 R&D Expenses**

For the past three (3) financial years ended 31 March 2005, the Group has incurred the following R&D expenditure:-

	Financial Year Ended		
	31.03.2003 RM'000	31.03.2004 RM'000	31.03.2005 RM'000
R&D capital expenses	196	126	86
R&D operating expenses	5,229	6,056	6,744
Total R&D expenses	5,425	6,182	6,830
Total R&D expenses as a proportion of the IQGHB Group's total revenue (%)	4.80	5.60	4.90

4.4.10 Interruptions to Operations

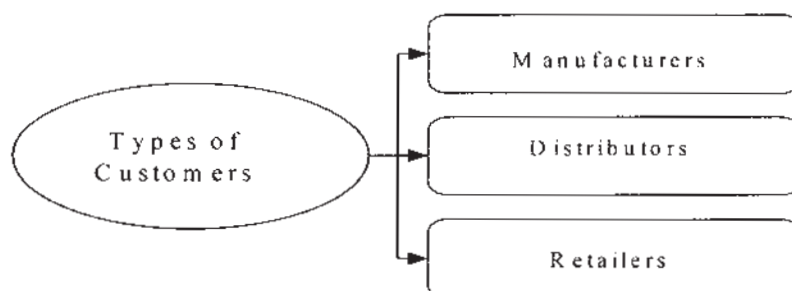
The Group has not experienced any major disruption in its business, which had significant effects on its operations for the past twelve (12) months prior to the date of this Prospectus.

4.4.11 Modes of Marketing/ Distribution

The IQGHB Group services the following types of customers:-

- original brand owners comprising manufacturers, distributors and retailers; and
- retailers and distributors of the "IQ-group" brand.

Approximately 70% of the IQGHB Group's products, based on revenue, are manufactured under the brand name of original brand owners whilst the remainder are under its own "IQ-group" brand name.



Therefore, the Group utilises the indirect distribution strategy for the following reasons:-

- the IQGHB Group's core competencies are in R&D, design and manufacturing, and thus it does not have the network to distribute its products directly to end-users; and
- the IQGHB Group's products are primarily focused on consumer households. As such, the extensive spread of consumers across the globe would make it impractical for IQGHB Group to adopt direct distribution to end-users.

As at Latest Practicable Date, the IQGHB Group had eleven (11) sales and marketing personnel. IQE and IQJ maintain sales offices in the UK and Japan respectively. The Group's physical presence in these key markets and regions enables the IQGHB Group to work closely with its customers to conduct product development and marketing activities.

The Group's physical presence in those key markets and regions also enables the Group to quickly and effectively gauge consumer end-users demand and to tailor its R&D and product offerings accordingly.

4.0 INFORMATION ON IQGHB GROUP (cont'd)**4.4.12 Production, Facilities, Capacity and Utilisation**

IQGHB Group's production facilities by type of products manufactured are based in the following locations:-

Subsidiaries	Products Manufactured	Approximate Built-up Area (square feet)	Location of Production Facility
IQM	PIR security lighting, PIR motion sensors, wireless video and RF products	97,852	Plot 149 & Plot 151 Jalan Sultan Azlan Shah Taman Perindustrian Bayan Lepas Fasa 1, 11900 Bayan Lepas Penang, Malaysia
IQC	PIR security lighting, PIR decorative outdoor lighting, PIR motion sensors	94,748	Huang Tang Village, Xin Si District Heng Li Town, Dong Guan City Guang Dong Province China

The Group carries out R&D, production and product testing activities at the two (2) manufacturing plants in Penang, Malaysia and Dong Guan, China. R&D activities are also undertaken at IQM's representative office in Taiwan.

The production capacity and utilisation rate of the IQGHB Group's manufacturing facilities are as follows:-

Production Facility	Production Capacity (Average Pieces per month) ^(a)	Current Production Output (Average Pieces per month) ^(b)	Utilisation (%)
IQM	220,000	132,000	60
IQC	400,000	245,000 ^(c)	50 ^(d)

Notes:-

- (a) Based on three 8-hour shifts running seven (7) days a week.
- (b) Both IQM and IQC normally run on a single (8.5 hour) shift basis, with additional overtime. The current production output (average pieces per month) calculation is derived from the actual output for the financial year ending 31 March 2005 and includes full overtime utilisation.
- (c) The actual production output of IQC of 245,000 pieces per month involves certain production processes which were outsourced to maximise utilisation of resources.
- (d) Adjusted to exclude approximately 20% of IQC's production processes which were outsourced during the financial year ended 31 March 2005.

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4.0 INFORMATION ON IQGHB GROUP (cont'd)**4.4.13 Location of Principal Place of Business and Production Facilities**

The locations of the principal place of business and production facilities of the IQGHB Group are as follows:-

Location	Description of Usage by IQGHB Group
Plot 149 & Plot 151 Jalan Sultan Azlan Shah Taman Perindustrian Bayan Lepas Fasa I (FTZ) 11900 Penang Malaysia	(i) Head office of the IQGHB Group for group general management and administration, business planning and co-ordination and corporate financial advisory services; (ii) Factory cum office building of IQM; and (iii) R&D centre of IQM
Sandbeck Land, Wetherby West Yorkshire LS22 7TW UK	Marketing and distribution office of IQE.
Espo Ritto, 2-19 1-Chome, Ryosenji Ritto City, Shiga Pref. 520-3035 Japan	Marketing and distribution office of IQJ.
Huang Tang Village Xin Si District, Heng Li Town, Dong Guan City Guang Dong Province China	(i) Factory cum office building of IQC; and (ii) R&D centre of IQC.
5 th Floor, No 16, Lane 130 Ming Chun Road, Hsin Tien, Taipei Hsien Taiwan, Republic of China	(i) Representative office of IQM for the sourcing and procurement of raw materials and undertaking R&D activities; and (ii) Distribution office of IQGL.

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4.0 INFORMATION ON IQGHB GROUP (cont'd)**4.5 Subsidiary Companies**

Details of the subsidiary companies of IQGHB are set out below:-

Name of Company	Date/Place of Incorporation	Authorised Share Capital	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
IQM	12.01.1989/ Malaysia	RM50,000,000	RM25,500,000.00	100%	Design and manufacture of PIR sensor lighting, motion sensors, wireless video and RF products
IQC	23.06.2000/ China	USD2,000,000	*USD1,474,033.88	100%	Manufacture of PIR sensor lighting and motion sensors
IQE	28.09.1993/ UK	£250,000	£150,000.00	100%	Sales, marketing and distribution of PIR sensor lighting and motion sensors
IQJ	15.05.1998/ Japan	¥120,000,000	¥30,000,000.00	100%	Sales, marketing and distribution of PIR sensor lighting and motion sensors
IQGL	23.03.2000/ British Virgin Islands	USD50,000	USD1,000.00	100%	Distribution of PIR sensor lighting and motion sensors

Note:-

* This represents the capital contributed in IQC.

As at the date of this Prospectus, the IQGHB Group does not have any associate company.

4.5.1 IQM**(i) History and Business**

IQM was incorporated in Malaysia on 12 January 1989 under the Companies Act, 1965 as a private limited company under the name of Interquartz (M) Sdn Bhd. On 15 June 1994, the company was converted into a public company and adopted the name of Interquartz (M) Berhad. Thereafter, on 7 October 1998, the company changed its name to Interquartz (Malaysia) Berhad. On 12 February 1999, the company converted back to a private limited company and changed its name to Interquartz (Malaysia) Sdn Bhd. Subsequently, on 16 March 1999, the company changed its name and since then assumed its present name. IQM is principally involved in design and manufacture of PIR sensor lighting and motion sensors. IQM commenced operations in September 1989.

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4.0 INFORMATION ON IQGHB GROUP (cont'd)**(ii) Share Capital**

The present authorised share capital of IQM is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each of which 25,500,000 ordinary shares of RM1.00 each have been issued and fully paid-up. The changes in the issued and paid-up share capital of IQM since its incorporation are as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Issued and Paid-up Share Capital RM
12.01.1989	4	1.00	Subscribers' shares	4
15.12.1989	2,999,996	1.00	Cash	3,000,000
02.08.1999	18,000,000	1.00	Bonus issue on the basis of six new shares for every one (1) existing share held	21,000,000
10.11.2000	4,500,000	1.00	Right issue on the basis of 10,715 new shares for every 50,000 existing shares held	25,500,000

(iii) Subsidiary and Associate Company

As at the date of this Prospectus, IQM does not have any subsidiary or associate company.

(iv) Substantial Shareholder

IQM is a wholly-owned subsidiary company of IQGHB.

4.5.2 IQC**(i) History and Business**

IQC was incorporated in China on 23 June 2000 as a private limited company. The principal activity of IQC is the manufacture of PIR sensor lighting and motion sensors. IQC commenced its operations in September 2000.

(ii) Share Capital

The present authorised capital of IQC is USD2,000,000 of which the capital contributed is approximately USD1,470,000. The changes of the capital contributed in IQC since its incorporation are as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value USD	Consideration	Contributed Capital USD
06.09.2000	N/A	N/A	Capital	668,718.15
16.12.2001	N/A	N/A	Capital	1,474,033.88

Note:-

N/A Not applicable as there is no specific number of shares being issued.

4.0 INFORMATION ON IQGHB GROUP (cont'd)**(iii) Subsidiary and Associate Company**

As at the date of this Prospectus, IQC does not have any subsidiary or associate company.

(iv) Substantial Shareholder

IQC is a wholly-owned subsidiary company of IQGHB.

4.5.3 IQE**(i) History and Business**

IQE was incorporated in UK on 28 September 1993 as a private limited company. The principal activities of IQE are sales, marketing and distribution of PIR sensor lighting and motion sensors. IQE commenced business in September 1993.

(ii) Share Capital

The present authorised share capital of IQE is £250,000 comprising 250,000 ordinary shares of £1.00 each of which 150,000 ordinary shares of £1.00 each have been issued and fully paid-up. The changes in the issued and paid-up share capital of IQE since its incorporation are as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value £	Consideration	Resultant Issued and Paid-up Share Capital £
28.09.1993	2	1.00	Subscribers' shares	2
17.06.1994	7,498	1.00	Cash	7,500
31.12.1998	100,000	1.00	Cash	107,500
26.02.1999	42,500	1.00	Cash	150,000

(iii) Subsidiary and Associate Company

As at the date of this Prospectus, IQE does not have any subsidiary or associate company.

(iv) Substantial Shareholder

IQE is a wholly-owned subsidiary company of IQGHB.

4.5.4 IQJ**(i) History and Business**

IQJ was incorporated in Japan on 15 May 1998 as a private limited company. The principal activities of IQJ are the sales, marketing and distribution of PIR sensor lighting and motion sensors. IQJ commenced business in May 1998.

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4.0 INFORMATION ON IQGHB GROUP (cont'd)**(ii) Share Capital**

The present authorised share capital of IQJ is ¥120,000,000 comprising 2,400 ordinary shares of ¥50,000 each, of which 600 ordinary shares of ¥50,000 each have been issued and fully paid-up. The changes in the issued and paid-up share capital of IQJ since its incorporation are as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value ¥	Consideration	Resultant Issued and Paid-up Share Capital ¥
15.05.1998	600	50,000	Cash	30,000,000

(iii) Subsidiary and Associate Company

As at the date of this Prospectus, IQJ does not have any subsidiary or associate company.

(iv) Substantial Shareholder

IQJ is a wholly-owned subsidiary company of IQGHB.

4.5.5 IQGL**(i) History and Business**

IQGL was incorporated in British Virgin Islands on 23 March 2000 as an international business company. The principal activity of IQGL is distribution of PIR sensor lighting and motion sensors. IQGL commenced business in September 2000.

(ii) Share Capital

The present authorised share capital of IQGL is USD50,000 comprising 50,000 ordinary shares of USD1.00 each, of which 1,000 ordinary shares of USD1.00 each have been issued and fully paid-up. The changes in the issued and paid-up share capital of IQGL since its incorporation are as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value USD	Consideration	Resultant Issued and Paid-up Share Capital USD
23.03.2000	1,000	1.00	Cash	1,000

(iii) Subsidiary and Associate Company

As at the date of this Prospectus, IQGL does not have any subsidiary or associate company.

(iv) Substantial Shareholder

IQGL is a wholly-owned subsidiary company of IQGHB.

4.0 INFORMATION ON IQGHB GROUP *(cont'd)*

4.6 Industry Overview

4.6.1 Global Economic Outlook

The outlook for 2005 remains favourable. World output and world trade are projected to expand at a steady pace of 4% and 5.8% respectively in 2005. The pace of slowdown in the US and China is expected to be modest, on the basis that adjustments of the imbalances in these economies would be gradual. The scenario assumes that the USD weakness would be orderly and that the US fiscal deficit narrows, albeit moderately. In addition, as oil prices recede from its peak in October 2004, inflationary pressures are expected to remain manageable, providing flexibility for gradual increases in interest rates in the US to a neutral level. Monetary conditions are, therefore, expected to remain supportive of growth. Meanwhile, China is expected to manage some softening of the economy.

While global growth could be sustained at a steady pace in 2005, several risks could adversely affect the outlook. Inflation could rise more than expected, resulting in higher interest rates globally. In the financial markets, a disorderly realignment of the major currencies could dampen trade and investments. As a supportive engine of global growth, a significantly slower growth in China would lower growth prospects in the rest of Asia.

The monetary policy stance in 2005 will continue to take into consideration both global and domestic developments. On the external front, sustained global growth will ensure that the external sector continues to contribute positively to domestic growth. While the pace of global growth is expected to moderate, it will, nonetheless, remain strong. Indicators of economic activity in the major and regional economies continue to remain positive and point towards further expansion in global economic activity. Of importance, the adverse effects from the high crude oil prices on both global growth and inflation have been modest and have not threatened the prospect for continued global growth. While several major and regional countries have pre-emptively tightened their monetary policies, the pace of tightening has been gradual and overall monetary conditions continue to support growth. The inflation outlook in most of these countries has stabilised and any further monetary tightening is likely to be gradual and modest.

(Source: Bank Negara Malaysia Annual Report 2004)

4.6.2 Malaysian Economic Outlook

With the more robust growth in global trade and domestic demand, the momentum of economic growth in Malaysia, which began in the second half of 2003, gathered pace in 2004. Real gross domestic product ("GDP") increased by 7.1% in 2004 (2003: 5.3%), the fastest growth since 2000. The economy benefited from the rapid growth of global trade in manufactures and higher prices for primary commodities. Although global growth moderated somewhat in the second half of the year, the Malaysian economy remained resilient with stronger domestic demand providing the impetus for sustained expansion. The private sector was the main force of economic expansion, while the Government continued with fiscal consolidation.

The improvement in the economy was reflected by positive growth across all sectors except construction. The main drivers of growth were the manufacturing, services and primary commodities sectors. Value added in the manufacturing sector expanded strongly by 9.8%, as output growth in both export- and domestic-oriented industries reflected stronger external and domestic demand for manufactured goods. The favourable performance of the manufacturing sector was also reflected in the stronger expansion in manufactured exports (19.7%) and sustained high capacity utilisation level (79%), in spite of investments in new capacity during the year.

The prospects for the Malaysian economy in 2005 remain sound. Real GDP is expected to expand by 5 – 6%. The sustained global growth, the modest downturn in the global semiconductor industry as well as relatively favourable prices for primary commodities are expected to provide support to export growth. While the global electronics industry is consolidating after reaching a peak in mid-2004, the cyclical downturn is forecast to be modest in view of the strong Asian demand, the rapid inventory adjustments and relatively low inventory levels. Current indications point to an expected upturn in the global electronics cycle in the second half-year. In the domestic economy, the private sector would remain as the main driver of growth, as the Government remains committed to optimising expenditure in order to strengthen the fiscal position. With the core inflation projected to remain low in 2005 (1.8%), monetary policy is able to remain supportive of the further expansion in private sector activities.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

The manufacturing sector, which accounts for about a third of total private sector investment, is projected to record a strong positive growth for the third consecutive year. Capital expenditure for projects already committed to would extend into 2005. In periods of favourable business operating conditions, manufacturers are expected to continue to replace their old or obsolete machinery and equipment to improve their efficiency and enhance flexibility to meet changing demand.

(Source: Bank Negara Malaysia Annual Report 2004)

The Malaysian economy remained resilient despite a moderation in global economic activity amidst high oil prices and the continued downcycle of the global semiconductor industry. Real GDP growth of the Malaysian economy remained favourable and was within expectations, expanding by 5.7% in the first quarter of 2005. During the period under review, Malaysia continued to be one of the strong economic performers in the region.

Going forward, the near-term outlook for Malaysia remains favourable despite some signs of moderating growth in the global economy and rising prices. Global growth is nevertheless still expected to be strong, supported by continued growth in consumer and investment demand.

(Source: Bank Negara Malaysia First Quarter Report 2005)

4.6.3 The Malaysian Lighting Industry

The lighting industry is a sub-sector of the consumer electrical products industry, and is under the total umbrella of the electrical industry. The lighting industry can be segmented into general lighting, sensor lighting and other lighting.

The past performance of the lighting industry in Malaysia is as follows:-

- In 2004, exports of consumer electrical products (a sub-sector of the electrical industry, which includes the lighting industry) amounted to RM5.2 billion.
- Export value of electrical sound or visual signalling apparatus, other visual signalling apparatus (which included security lighting/sensor lighting, standalone PIR motion sensors, and PIR controlled decorative outdoor lighting) increased at an average annual rate of 28.5% between 2000 and 2004. Export value for this category was RM168.2 million in 2004.
- The export value of other electric lamps and lighting fittings declined at an average annual rate of 30.9% between 2000 and 2004. Export value for this category reached RM8.9 million in 2004.

In addition to its contribution to the nation's foreign exchange earnings, the consumer electrical products industry also contributes towards employment generation, value-added creation and income generation.

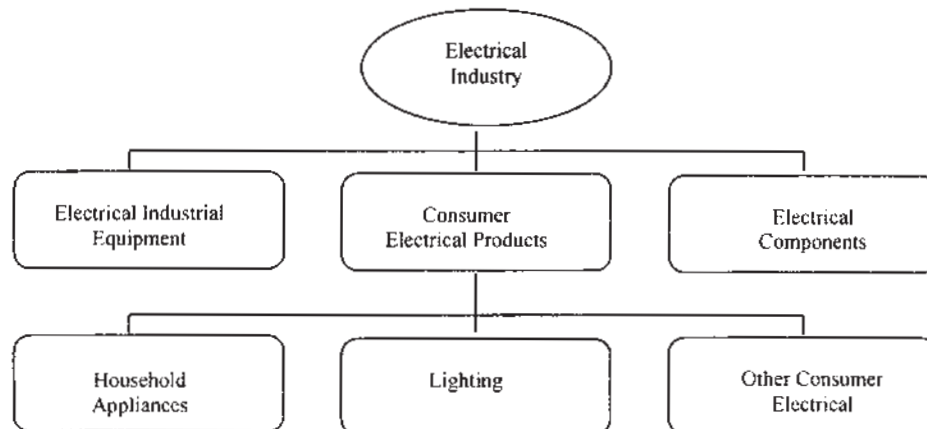
(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

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4.0 INFORMATION ON IQGHB GROUP (cont'd)

Electrical Industry

The structure of the electrical industry is as follows:-



Electrical industry is segmented into the following:-

- Electrical industrial equipment;
- Electrical components; and
- Consumer electrical products.

Electrical industrial equipment comprises the manufacturing of electric motors, generators, electricity transmission or distribution equipment, switchgear, transformer or other electrical machinery and equipment.

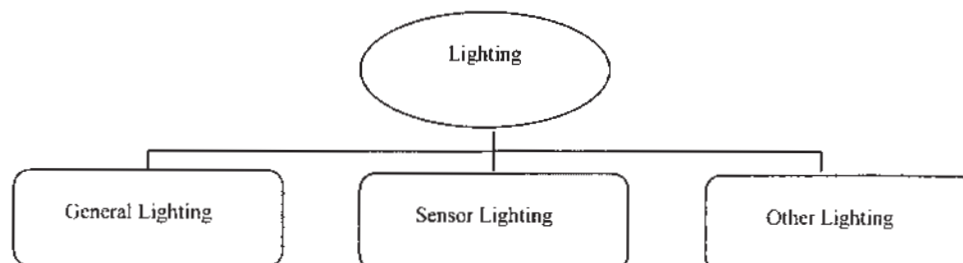
Electrical components refer to components such as resistors, inductors, conductors and capacitors, cables and wires, batteries and insulators, which do not require power to operate.

Consumer electrical products refer to household appliances, lighting and other consumer electrical products.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

Lighting Industry

The lighting industry is further segmented as follows:-



General lighting refers to electrically powered lighting devices that require some form of direct human action to function, for example, the working of a switch or the setting of a timer.

Sensor lighting refers to electrically powered lighting devices whose function is automatically determined by the detection of external signals, for example, presence of infrared radiation or sound.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

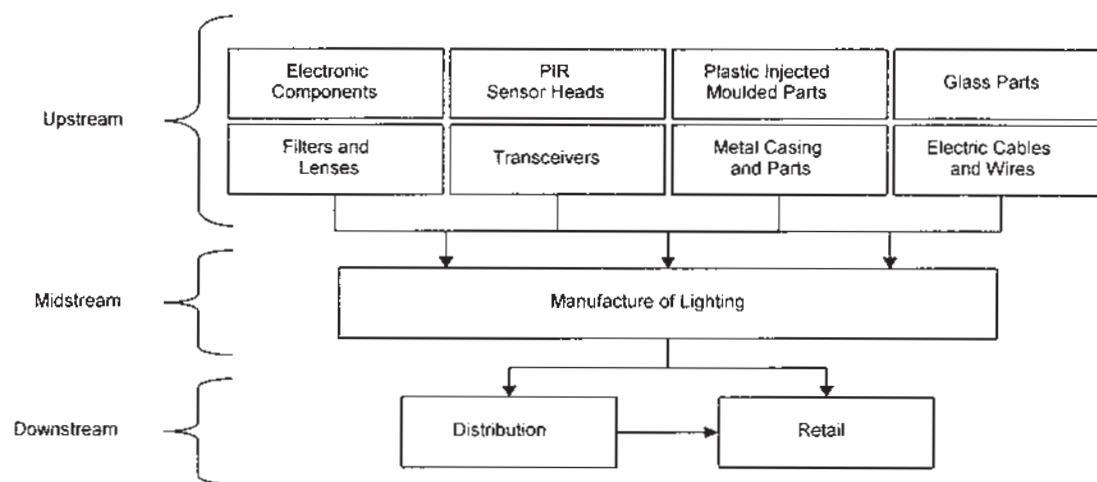
Other lighting refers to electrically powered lighting devices whose function is determined by instructions received from remote means, for example through instructions received via the internet or through wireless communications as found in some "smart" home applications.

IQGHB Group is primarily involved in the manufacture of sensor lighting using PIR.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

Vertical Structure of the Lighting Industry

The vertical structure of the lighting industry is as follows:-



The activities within the lighting industry incorporating sensor lightings can be segmented into the following categories:-

- (i) Upstream;
- (ii) Midstream; and
- (iii) Downstream.

(i) Upstream

Upstream activities primarily involve the supply of key components that are commonly made by third parties. These could include highly technical components like electronic components, PIR sensor heads, radio wave transceivers, filters, and lenses, and parts like plastic injected moulded parts, metal casing and parts and glass parts.

In 2004, the ex-factory value for the manufacture of semiconductors and other electronic components and communication equipment and apparatus amounted to RM110.0 billion.

(ii) Midstream

Midstream activities include the manufacturing of general lighting, PIR sensor lighting and PIR motion sensors. In 2004, there were approximately seventy-seven (77) manufacturers in the consumer electrical products industry in Malaysia.

There are currently two (2) companies engaged in the manufacture of sensor lighting and motion sensors currently operating in Malaysia.

IQGHB Group is actively involved in the midstream activities of design and manufacturing of PIR sensor lightings and PIR motion sensors.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

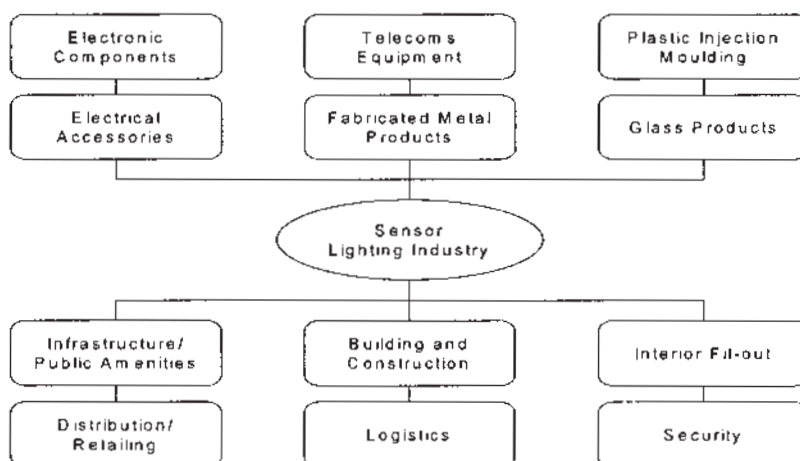
(iii) Downstream

Downstream activities involve distribution and retailing. The downstream activities of consumer-based lighting involve distribution and retailing, while downstream activity for industrial and commercial lightings involve only distribution. IQGHB Group sells its products to both distributors as well as directly to retailers.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

Industry Linkages

The lighting industry has extensive linkages to many industries, as depicted in the diagram below:-



The wide linkages of the lighting industry illustrate its contributory role to many other dependent industries. As such, the significant role of the lighting industry will act as a catalyst for economic activities, employment and creation of wealth for the nation.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

Industry Life Cycle

The overall lighting industry in general and the sensor lighting sector in particular in Malaysia is in its growth phase. This is mainly substantiated through the following:-

Local Production

- Between 2000 and 2004, the electrical products production index declined at an average annual rate of 6.1%. In 2004, the production index of electrical products decreased by 9.4% to 133.3.

Exports

- Between 2000 and 2004, the export value of "electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other than those of heading No. 85.12 or 85.30. Other apparatus: visual signalling" increased at an average annual rate of 28.5%.
- In 2004, exports of electrical products (including consumer electrical products) continue to be a major export earner, increasing at an annual rate of 28.4% to RM17.2 billion.
- In 2004, the export value of the electric consumer products industry increased at an annual rate of 52.9% to RM5.2 billion. Exports of the electrical consumer products industry accounted for 30.2% of the total electrical products industry's exports for that year.

4.0 INFORMATION ON IQGHB GROUP (cont'd)

Imports

- Between 2000 and 2004, the import value of “electrical sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other than those of heading No. 85.12 or 85.30. Other apparatus: visual signalling” declined at an average annual rate of 17.7%. In 2004, the import value of electrical visual signalling apparatus declined by 82.9% to reach RM21.1 million.
- In 2004, imports of electrical products (including consumer electrical products) amounted to RM15.2 billion.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

4.6.4 Industry Players

Manufacturers of sensor lighting and motion sensors face normal competitive conditions. As with most free enterprise environments, competition is based on a number of factors, including the quality of product and service, cost competitiveness, prompt delivery schedules and overall manufacturing capabilities.

The IQGHB Group is one (1) of two (2) companies engaged in the manufacture of sensor lighting and motion sensors currently operating in Malaysia. As IQGHB Group is primarily export-oriented, local competitive conditions do not have a major impact on its business.

A large proportion of manufacturers of PIR products are based in Taiwan and China. China's lower cost of production could create price pressure for PIR product manufacturers. However, PIR products are becoming increasingly more technologically sophisticated.

There are some significant areas of product differentiation as follows:-

- Functionality (for example, the additional dusk-dawn timer);
- Innovations (for example, positioning the PIR sensor in a remote location and using RF to achieve wirefree signal transmission to the appliance); and
- Quality (for example, filtering to handle various nuisance factors such as false triggering).

Some of the manufacturers of sensor lighting and motion sensors include:-

- Cooper Industries, Inc./Regent Lighting (US)
- Desa International Inc./Heath Zenith (US)
- Protection Technologies Inc. (US)
- Matsushita Electric Works (Japan)
- Clipsal Integrated Systems Pty Ltd (Australia)
- Steinel Vertriebs GmbH & Co. (Germany)
- Ansen Electronics Company (Hong Kong)
- Everspring Industry Co. Ltd (Taiwan)
- Aurum Electronics Corporation (Taiwan)
- Aurex Industries Inc. (Taiwan)
- Nuzon Technology Inc. (Taiwan)
- Wellmike Enterprise (Taiwan)
- Class Technology Co. Ltd (Taiwan)
- Huaning International Technical and Trading Corporation (China)
- Colite Enterprise Co. Ltd (China)
- Cixi Maste Electronic Technology Co. Ltd (China)
- CSI Lighting Company (China)
- Aucan Industrial Development Corporation (China)

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

4.0 INFORMATION ON IQGHB GROUP (cont'd)

4.6.5 Government Legislation, Policies and Incentives

(a) Government Regulations

The Industrial Coordination Act, 1975 mandates all manufacturing companies with shareholders' funds of RM2.5 million or above, or engaging seventy-five (75) or more full-time employees to obtain a manufacturing licence. Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede the performance and growth of operators within a free enterprise environment.

(b) Government Incentives

The major incentives for companies investing in the manufacturing sector are as follows:-

- (i) Pioneer Status and Investment Tax Allowance;
- (ii) Reinvestment allowances;
- (iii) Import duty exemption;
- (iv) Double tax deduction; and
- (v) Operational headquarters status ("OHQ") and tax exemption.

(i) Pioneer Status and Investment Tax Allowance

Eligibility for incentives under Pioneer Status and Investment Tax Allowance will be determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.

IQM was granted full Pioneer Status by the Malaysian Industrial Development Authority for the manufacture of "Passive Infrared Detectors & Motion Sensor Light Controllers" on 1 September 1989. The incentive expired on 31 August 1994. No extension related to the manufacture of Passive Infrared Detectors & Motion Sensor Light Controllers has been sought, as IQM no longer qualifies for the Pioneer Status and Investment Tax Allowance incentive.

On 11 April 2005, IQM filed an application for Pioneer Status for the manufacture of wireless (RF) video communication, wireless (RF) video communication with close circuit TV (CCTV) monitoring capability and video doorphone and 'Audio Only' two-way doorphone. To date, the application is pending a decision from the MIDA.

(ii) Reinvestment Allowance

All manufacturing companies that have been in operation for at least twelve (12) months and incur qualifying capital expenditure to expand production capacity, modernise and upgrade production facilities, diversify into related products, and automate its production facilities can claim Reinvestment Allowance. Eligible manufacturers for Reinvestment Allowance are entitled to the following:-

- the Reinvestment Allowance is 60% of qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.
- the Reinvestment Allowance will be given for a period of fifteen (15) consecutive years beginning from the year the first reinvestment is made. Companies can only claim upon completion of the qualifying project, for example after the building is completed or when the plant/machinery is put to operational use. Assets acquired for the reinvestment cannot be disposed during two years from the time of reinvestment.

IQM is currently enjoying the Reinvestment Allowance incentive. This incentive will expire on 31 March 2012.

4.0 INFORMATION ON IQGHB GROUP (cont'd)**(iii) Import Duty Exemption**

As an export-oriented manufacturer operating in a Free Trade Zone, IQM is exempted from paying import duties on components and raw materials that are used in the manufacture of goods that are ultimately exported.

(iv) Double Tax Deduction

IQGHB Group was allowed to claim double tax deduction for R&D expenses incurred on certain projects during the financial year ended 31 March 2003 under Section 34A, Income Tax Act 1967 from the Inland Revenue Board Malaysia. The sum allowed was RM636,865.

As at 1 September 2005, the Group has submitted an application to the Inland Revenue Board Malaysia with respect to a double tax deduction claim under Section 34A, Income Tax Act 1967 with respect to eligible R&D expenses incurred during the financial year ended 31 March 2005. To date, the application is still pending approval from the Inland Revenue Board Malaysia.

(v) Operational Headquarters Status and Tax Exemption

On 29 August 2005, the Malaysian Industrial Development Authority approved IQGHB Group's application for Operational Headquarters (OHQ) status and OHQ tax exemption under Section 127, Income Tax Act 1967 for a period of 10 years, from the year of assessment 2005 to the year of assessment 2014, for undertaking OHQ activities in Malaysia, which involve the provision of qualifying services to related companies outside Malaysia. The MIDA granted IQGH Group approval for income tax exemption, not exceeding 20% of the total income of the OHQ operations in relation to qualifying service provided to related companies in Malaysia.

(c) Environmental Regulations

Solder dross, which is generated during the course of the IQM's normal manufacturing activities is classified as a Scheduled Waste classified as "N202, Dross from soldering process" under the Environmental Quality (Scheduled Wastes) Regulations 1989.

IQM has appointed Excelbond Metal Recycling Industries Sdn Bhd ("Excelbond") to transport and recycle solder dross. Excelbond is located in Pasir Gudang, Johor and is licensed by the Department of Environment to carry out the following activities under Section 11 of the Environment Quality Act, 1974:-

- offsite storage: collection and transport of scheduled waste; and
- offsite recycling facility for scheduled waste.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

4.6.6 Demand of Products

The demand for PIR Sensor Lighting and Motion Sensors is primarily dependent on the following sectors:-

- Industrial;
- Commercial, comprising commercial complexes and purpose-build offices; and
- Residential.

In addition, demand also comes from both local and overseas markets.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

4.0 INFORMATION ON IQGHB GROUP (cont'd)

4.6.7 Substitute Products

The threat of substitutes to PIR security lighting and PIR decorative outdoor lighting include the following:-

- (i) General lighting;
- (ii) Timer controlled lighting; and
- (iii) Lighting utilising alternative detection technology.

(i) General Lighting

General lighting refers to light fixtures that are manually operated through on/off switches. Currently the bulk of lighting for commercial and industrial applications, public amenities and households are general lighting. These are popular because they are cost-effective, easy to install, widely available and require relatively low maintenance. General lighting is not a direct substitute for sensor lighting per se, but rather the default lighting for the majority of lighting applications.

However, the advantages of PIR sensor lighting over general lighting include:-

- convenience;
- security; and
- offers operating cost-savings where illumination is provided only when it is required.

(ii) Timer Controlled Lighting

Timer controlled lighting refers to light fixtures which rely on the action of a timing device to control the fixture's illumination function. Timer controlled lighting can be set so as to provide illumination at pre-determined periods, for example during the hours of darkness. Although, timer controlled lighting may be considered as a substitute to PIR sensor lighting, it loses out significantly in terms of functionality.

(iii) Alternative Detection Technologies

Motion sensors may employ a number of alternative detection technologies, such as audio detection, microwave detectors and infrared cameras.

Audio detectors rely on the detection of sound to control lighting fixture function. Audio detectors are generally non-discriminatory, as a relatively loud noise originating from a relatively long distance away from the detector may also trigger lighting fixture illumination.

Microwave detectors are active detectors, in that they rely on the reflection of signals generated by the detector for presence detection. Microwave detectors are generally more expensive than PIR motion sensors of the same capability, and as such are not as suited for wide use targeted at consumer users.

Infrared camera detectors rely on recognition of infrared images captured by an infrared camera for their function. While these systems are effective, they are currently expensive and as such are not as suited for wide use targeted at consumer users.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

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4.0 INFORMATION ON IQGHB GROUP (cont'd)**4.6.8 Industry Outlook**

The outlook of the consumer electrical products industry is favourable. The consumer electrical products industry is forecasted to grow by approximately 5% per annum for the next five (5) years.

The following factors and observations in local production, imports and export performances provide support for the growth forecast:-

- Between 2000 and 2004, the electrical products production index declined at an average annual rate of 6.1%. In 2004, the production index in electrical products decreased by 9.4% to 133.3.
- Between 2000 and 2004, the export value of "electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other than those of heading No. 85.12 or 85.30. Other apparatus: visual signalling" increased at an average annual rate of 28.5%.
- In 2004, the export value of the electric consumer products industry increased at an annual rate of 52.9% to RM5.2 billion. Exports of the electrical consumer products industry accounted for 30.2% of the total electrical products industry's exports for that year.
- In 2004, exports of electrical products (including consumer electrical products) continue to be a major export earner, increasing at an annual rate of 28.4% to RM17.2 billion.
- Between 2000 and 2004, the import value of "electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other than those of heading No. 85.12 or 85.30. Other apparatus: visual signalling" declined at an average annual rate of 17.7%. In 2004, the import value of electrical visual signalling Apparatus declined by 82.9% to reach RM21.1 million.

(Source: Summary Independent Business and Market Research Consultants' Report updated 9 September 2005 prepared by Vital Factor Consulting Sdn Bhd for the inclusion in this Prospectus)

4.7 Major Customers

The Group has a wide customer base, comprising a total of approximately 58 customers for the financial year ended 31 March 2005 and is not dependent on any one customer.

The Group's top ten (10) customers for the financial year ended 31 March 2005 are as follows:-

Name of Customers	Length of Relationship (No. of Years)	% of Revenue for the Financial Year Ended 31.03.2005
B&Q plc. UK	8	21.31
Novar ED & S. UK	13	16.34
Wickes Building Suppliers Ltd., UK	4	8.25
Massive Lighting Products NV, Europe	15	6.94
Homebase Ltd., UK	4	6.64
Hager Electro S.A., France	6	6.17
Optex Co., Ltd., Japan	11	6.10
RAB Electric Manufacturing Inc., US	15	5.59
Musashi Co., Ltd., Japan	4	3.63
Timeguard Ltd., UK	4	2.67

Please refer to Section 3.5 for the potential risk of dependence of the IQGHB Group on its major customers and the mitigating factors relating thereto.

4.0 INFORMATION ON IQGHB GROUP (cont'd)**4.8 Major Suppliers**

The Group has approximately 313 suppliers and is not dependent on any one (1) supplier. The Group's top ten (10) suppliers for the financial year ended 31 March 2005 are as follows:-

Name of Suppliers	Length of Relationship (No. of Years)	% of Group Purchases for the Financial Year Ended 31.03.2005
Interquartz Taiwan, Taiwan*	16	11.14
Pak Cheung Enterprises Ltd, China	5	9.27
Cong Hua Hua En Plastic Factory, China	5	4.98
Nicera Hong Kong Ltd, China	5	4.55
Achieve Technology Limited, Hong Kong	5	4.25
HK Wealth Company, China	5	4.06
Luen Cheong Hong Plastic Material Ltd., Hong Kong	5	2.15
Firmar Plastic Industries Sdn Bhd, Malaysia	9	1.87
Heng Pu Electrical Appliance Co. Ltd., China	5	1.86
Qi Da Lighting Sourcing Co. Ltd., China	4	1.77

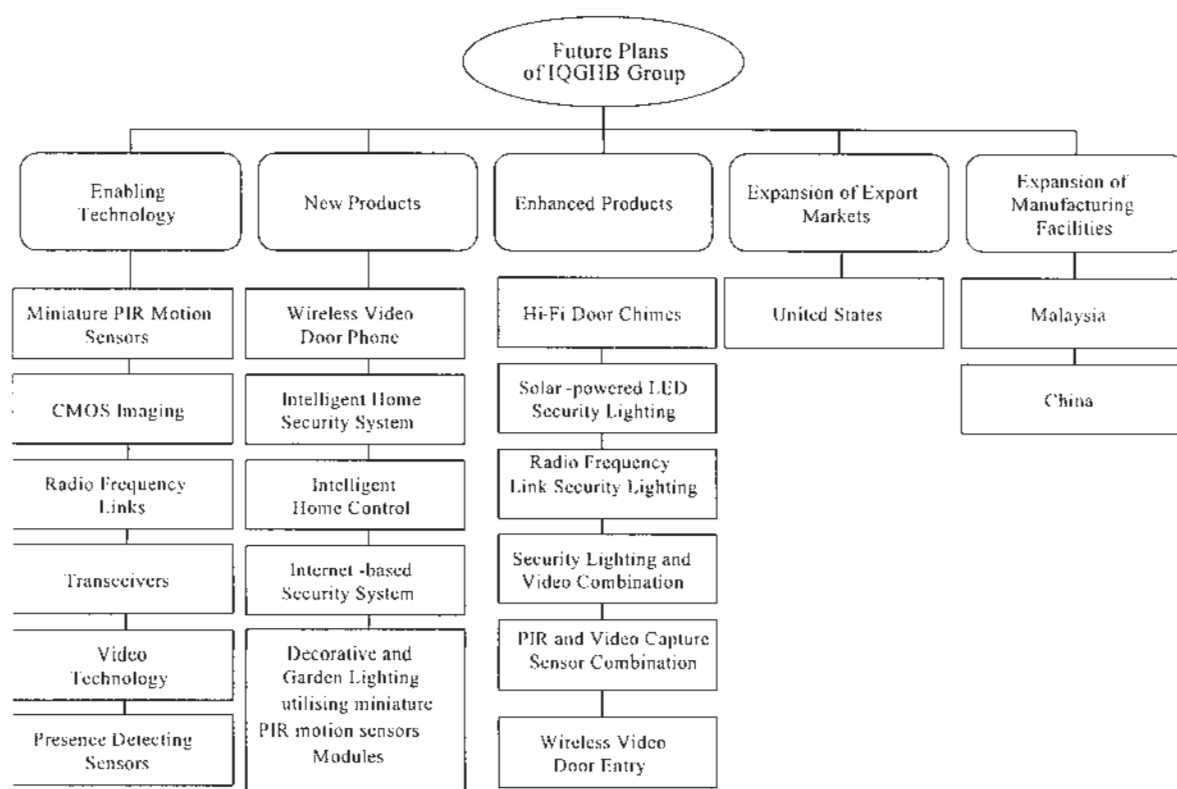
Note:-

* Interquartz Taiwan is a company in which Chen, Wen-Chin also known as Kent Chen is a director and a substantial shareholder.

Please refer to Section 3.6 for the potential risk of dependence on the major suppliers of the IQGHB Group and the mitigation factors relating thereto.

4.9 Future Plans and Prospects**4.9.1 Overview of Future Plans**

The future plans of IQGHB Group are focused in five (5) key areas as depicted in the diagram below:-



4.0 INFORMATION ON IQGHB GROUP (cont'd)

The IQGHB Group plans to drive future business growth by creating a portfolio of consumer products that have a wide range of applications and appeal to a broad spectrum of consumers.

In order to implement this strategy, the Group plans to develop enabling technologies that can be used to enhance its existing products and develop new products.

- the enabling technologies that the Group plans to develop includes:-
 - Miniature PIR motion sensors;
 - CMOS imaging;
 - RF links;
 - Video technology; and
 - Presence detecting sensors.
- the enabling technologies will allow the Group to develop new products such as:-
 - Wireless video door entry;
 - Wireless video door phones;
 - Intelligent home security products;
 - Intelligent home controls;
 - Internet-based security systems; and
 - Decorative and garden lighting utilising miniature PIR motion sensor modules.
- the enabling technologies will also allow the Group to enhance existing products, including:-
 - Hi-Fi door chimes;
 - Solar-powered LED security lighting;
 - RF controlled security lighting;
 - Security lighting and video combination; and
 - PIR and video capture sensor combination.
- In tandem with its technology and product expansion plans, the IQGHB Group also plans to expand its production facilities in Malaysia and China through internal generated funds.
- In addition to its existing export markets, IQGHB Group plans to expand its presence in the US market.

4.9.2 Prospects

The Directors of IQGHB hold a positive view on the future prospects for the Group. In addition to the favourable consumer electrical products industry prospects outlined in Section 4.6.8 of this Prospectus, the Directors of the Company hold the opinion that the Group enjoys the following competitive advantages:-

(i) Patents and Technological Innovation

The Group's ability to generate technological innovation is evidenced by the number of patents for technology related to PIR motion sensors held by the Group. As at the Latest Practicable Date, the Group owns four (4) patents covering two (2) technologies. The Group is currently awaiting approval for another nineteen (19) patent applications covering ten (10) technologies.

The ability to generate technological innovation is a key competitive advantage which enables the Group to develop and introduce new products and continually improve its existing products.

(ii) Product Development

The Group has recently diversified into manufacturing of sophisticated door chimes. This new product range has also been integrated with security lighting to create innovative hybrids. The ongoing application of RF technology into products will help to expand and refresh the Group's product portfolio.

The Group's emphasis on R&D has enabled it to create and sustain its competitive advantages.

4.0 INFORMATION ON IQGHB GROUP (cont'd)**(iii) Presence in Key Export Markets**

IQE, which is primarily involved in marketing and distribution, covers the European market whilst IQJ covers the Japanese and other Asian markets.

Its physical presence in key export markets enables the Group to undertake extensive marketing thus creating ongoing demand for its products. Physical presence in two (2) of its largest markets gives IQGHB Group a significant competitive advantage that is not commonly or easily duplicated by competitors.

(iv) Extensive Distribution Network

The Group's products are extensively distributed in the UK and Japan. The Group's products can be found in one of the UK's largest DIY retail chains – B&Q plc, a subsidiary of Kingfisher plc. B&Q plc has over 300 stores spread throughout the UK. In addition, the Group's products are also marketed using customers' own brands. In most cases, the brands are considered to be leaders in their respective markets such as "Friedland" and "Massive".

(v) Market Reputation and Established Track Record

The Group has successfully established a reputable track record in product innovation, quality, reliability and service excellence.

The Group is also an established supplier to a number of leading retail distributors, such as B&Q plc in the UK and Massive Lighting Products NV in Western Europe. The Company has also achieved "Category Supplier" status in some major retail outlets. As the "Category Supplier", the IQGHB Group is responsible for supplying the full range of products for the designated product category.

As such, the Group can leverage on its track record as a reference point to win new customers.

(vi) Established Customer Base

The Group enjoys long-term business relationships with its customers. The average length of relationship between the Group and its top twenty (20) customers is eight (8) years, with 99.60% of these customers dealing with the Group for three (3) years or more. The two (2) longest-standing customers have been dealing with the Group for fifteen (15) years.

The established customer base has been providing IQGHB Group with a steady demand for its new products.

(vii) Strong Export Market Performance

The Group generated 99.80% of its revenue from export markets during the financial year ended 31 March 2005. The majority of its export customers are located in developed markets with an affluent population.

The Group's main customers are located in the UK, Japan, US, Belgium, Germany, Switzerland, Hungary, New Zealand, Mexico, France, Singapore, Eire, China and the Netherlands.

The Group's ability to access overseas markets provides a platform for future business growth and expansion.

The Directors of IQGHB are also of the view that the prospects of the Group would be even better if the Group were to further expand its sales into the large US market, a market which it has not been actively pursuing.

As at 31 March 2005, approximately 94.1% of its total sales are to Europe and Asia Pacific region whilst exports to the US only accounts for 5.7% of total sales. IQGHB intends to increase its export to the large US home improvement market by conducting store tests with the large US DIY distributors such as Home Depot, a world renown home improvement retailer.