

IQ GROUP HOLDINGS BERHAD
(Company No. 636944-U)
(Incorporated in Malaysia under the Companies Act, 1965)

FOURTH QUARTER REPORT ENDED 31 MARCH 2007

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2007**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 12 months ended	Preceding year corresponding period of 12 months ended
	31 March 2007 RM'000	31 March 2006 RM'000 (restated)	31 March 2007 RM'000	31 March 2006 RM'000 (restated)
Revenue	44,114	39,429	153,844	134,581
Profit from operations	3,136	4,792	14,344	16,176
Income from other investments	368	271	1,132	499
Finance cost	4	-	-	(4)
Profit before tax	3,508	5,063	15,476	16,671
Income tax expense	(1,312)	(155)	(2,927)	(2,235)
Net profit after tax for the period	2,196	4,908	12,549	14,436
Basic earnings per ordinary share (sen)	2.58	5.77	14.76	18.61
Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As at end of current quarter 31 March 2007	Audited as at preceding financial year ended 31 March 2006 (restated)
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	24,214	24,890
Development costs *	7,322	6,022
Deferred tax assets	146	178
CURRENT ASSETS		
Inventories	38,226	28,432
Trade receivables	34,320	29,528
Other receivables and prepaid expenses	2,193	2,230
Short-term deposits with licensed banks	26,875	33,800
Cash and bank balances	9,763	15,437
Tax recoverable	2,394	2,833
Total Current Assets	<u>113,771</u>	<u>112,260</u>
CURRENT LIABILITIES		
Trade payables	21,129	17,275
Other payables and accrued expenses	10,978	11,356
Hire-purchase payables	-	3
Tax liabilities	989	1,048
Dividend payable	-	4,250
Total Current Liabilities	<u>33,096</u>	<u>33,932</u>
NET CURRENT ASSETS	80,675	78,328
	<u>112,357</u>	<u>109,418</u>
SHARE CAPITAL	85,000	85,000
RESERVES	25,229	22,294
SHAREHOLDERS' EQUITY	110,229	107,294
LONG-TERM AND DEFERRED LIABILITIES		
Deferred tax liabilities	2,128	2,084
Provision for retirement benefits	-	40
Total Long-Term and Deferred Liabilities	<u>2,128</u>	<u>2,124</u>
	<u>112,357</u>	<u>109,418</u>
Net assets per share (RM)	1.30	1.26

Note:

* This refers to product development cost.

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 2007**

	Non-Distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Equity Compensation Reserve RM'000	Retained Profit/(loss) RM'000	
Balance as of 1 April 2006 (Audited)	85,000	7,504	(90)		10,246	102,660
Prior year adjustments - effects of adopting:						
FRS 2				66	(66)	-
FRS 3					4,634	4,634
Balance as of 1 April 2006 (restated)	85,000	7,504	(90)	66	14,814	107,294
Net profit after tax for the period	-	-		-	12,549	12,549
Share-based payment under ESOS				83		83
Dividends					(7,650)	(7,650)
Currency translation differences	-	-	(2,047)		-	(2,047)
Balance as of 31 March 2007	85,000	7,504	(2,137)	149	19,713	110,229

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2007**

	Individual Quarter	
	Current year quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	15,476	16,671
Adjustments for :		
Depreciation of property, plant and equipment	5,048	5,394
Amortisation of development cost	1,846	1,348
Inventories written off	237	172
Allowance for doubtful debts	-	34
Bad debts written off	-	22
Unrealised loss/(gain) on foreign exchange	36	767
Property, plant and equipment written off	21	4
Interest expenses	-	4
Interest income	(1,132)	(499)
Provision for retirement benefit no longer required	-	(336)
(Gain)/Loss on disposal of property, plant and equipment	(45)	9
Equity-settled share-based payment	83	66
Other non-cash items	332	
Operating profit before working capital changes	<u>21,902</u>	<u>23,656</u>
(Increase) / Decrease in:		
Inventories	(10,032)	(2,746)
Trade receivables	(4,841)	(871)
Other receivables and prepaid expenses	36	363
Increase / (Decrease) in:		
Trade payables	3,975	6,511
Other payables and accrued expenses	(362)	3,320
Amount owing to directors		(96)
Cash generated from operations	<u>10,678</u>	<u>30,137</u>
Tax paid	(2,734)	(2,528)
Retirement benefits paid	(40)	(435)
Net cash generated from operating activities	<u>7,904</u>	<u>27,174</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash acquired for acquisition of subsidiary		16,793
Proceeds from disposal of property, plant and equipment	150	150
Interest received	1,132	499
Purchase of property, plant and equipment	(4,682)	(4,180)
Payment of capitalised development costs	(3,150)	(3,146)
Net cash generated from investing activities	<u>(6,550)</u>	<u>10,116</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		23,411
Dividend paid	(11,900)	(7,650)
Payment of Listing expenses		(2,901)
Repayment of hire-purchase payables	(4)	(133)
Interest paid		(4)
Net cash generated from financing activities	<u>(11,904)</u>	<u>12,723</u>
Exchange difference on translation of net assets of foreign subsidiary companies	<u>(1,563)</u>	<u>(776)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(12,113)</u>	<u>49,237</u>

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2007**

	Individual Quarter	
	Current year quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	49,237	49,237 *
Effect of foreign exchange movements on foreign currency bank balances	(486)	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	36,638	49,237

* RM2

Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:

Short term deposits with licensed banks	26,875	33,800
Cash and bank balances	9,763	15,437
	36,638	49,237

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to this interim financial report.

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FOURTH QUARTER REPORT ENDED 31 MARCH 2007

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2007

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134 - INTERIM FINANCIAL REPORTING

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting (formerly known as MASB 26), Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities).

The accounting policies and methods of computation adopted by the Group for the interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 March 2006 except for the adoption of the new and revised Financial Reporting Standards (FRS) effective for financial period beginning 1 January 2006.

2. CHANGES IN ACCOUNTING POLICIES

The MASB has issued a number of new and revised Financial Reporting Standards (FRS) that are effective for financial period beginning on or after 1 January 2006.

The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are as follows.

a. FRS 2 : Share-based Payment

Employee Share Option Scheme

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan for the employees of the Group. Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 31 March 2006 are restated and the opening balance of retained earnings as at 1 April 2006 has been adjusted. The financial impact to the Group arising from this change in accounting policy is as follows:

	As at
	31 Mar 2006
	RM'000
Decrease in retained earnings	(66)
Increase in equity compensation reserve	66
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	3 months ended		12 months ended	
	31 Mar 2007	31 Mar 2006	31 Mar 2007	31 Mar 2006
	RM'000	RM'000	RM'000	RM'000
Decrease in profit for the period	<u>77</u>	<u>31</u>	<u>83</u>	<u>66</u>

b. FRS 3 : Business Combination

Negative goodwill

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit and loss. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 31 March 2006 of RM4.634 million was derecognised with a corresponding increase in retained earnings.

c. FRS 101 : Presentation of Financial statements

The adoption of the revised FRS 101 has affected the presentation of the statement of changes in equity.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

3. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements was not subject to any qualification.

4. SEASONAL OR CYCLICAL FACTORS

The Group serves a wide customer base in Europe, Japan and USA. As such, the demand for the Group's products in the normal course of event is seasonal with demand peaking during the third and fourth quarter of the financial year.

5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There was no unusual material event during the reporting quarter.

6. MATERIAL CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter and financial year-to-date results.

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7. CHANGES IN DEBT AND EQUITY SECURITIES

Proposed Authority for the Company to purchase its own shares ("Proposed Share Buy-Back")

At the Extraordinary General Meeting of the Company held on 15 September 2006, the shareholders of the Company had granted a mandate for the Company to purchase its own ordinary shares of RM1.00 each as may be determined by the Directors of the Company up to maximum of 10% of the issued and paid-up capital of the Company. The mandate expired upon the conclusion of the next Annual General Meeting of the Company.

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities, share buy-back or shares held as treasury shares during the quarter ended 31 March 2007.

8. DIVIDENDS PAID

An interim dividend of RM0.05 per share, exempt from income tax in respect of the financial year ending 31 March 2007 has been paid on 22 January 2007 to shareholders registered in the Record of Depositors at the close of business on 29 December 2006.

9. SEGMENT REPORTING

**Cumulative quarter
ended 31 March 2007**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Revenue					
External sales	-	86,547	67,297		153,844
Inter-segment sales	13,941	67,194	72,721	(153,856)	-
Total revenue	<u>13,941</u>	<u>153,741</u>	<u>140,018</u>	<u>(153,856)</u>	<u>153,844</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Total RM'000
Results				
Profit from operations	297	4,458	9,589	14,344
Income from other investments				1,132
Finance cost				<u>-</u>
Profit/(loss) before tax				15,476
Income tax expense				<u>(2,927)</u>
Profit/(loss) after tax				<u>12,549</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. There was no revaluation of property, plant and equipment for the current quarter.

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11. MATERIAL SUBSEQUENT EVENT

There were no material events subsequent to the end of the current quarter.

12. CHANGES IN THE COMPOSITION OF THE GROUP

On 28 July 2006, the Company has incorporated a wholly owned subsidiary in British Virgin Islands, IQ Industries Limited (IQI). IQI has an authorised capital of USD50,000 divided into 50,000 ordinary shares of USD1.00 each. The paid-up capital of IQI is USD1,000, comprising 1,000 ordinary shares of USD1.00 each. IQI has commenced its operation in Jan 2007.

On 20 December 2006, IQ Industries Limited has set up a representative office, IQ Industries Limited (Representative Office) in Shenzhen, China .

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets as at date of issue of this interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2007

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. PERFORMANCE REVIEW

For the current quarter under review, the Group revenue increased by RM4.68 million or 11.9% as compared to the fourth quarter ended 31 March 2006, mainly contributed by the launching of new range of products to the existing customers.

Despite increase in sales, the Group profit before taxation for the current quarter under review decrease by RM1.59 million or 31.1% as compared to the fourth quarter ended 31 March 2006, mainly due to the decrease in gross margin. This decrease in gross margin was partly due to the strengthening of Ringgit Malaysia and China Renminbi against US Dollar and some stock written off due to obsolescence.

2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group revenue for the current quarter was RM44.11 million, representing an increase of RM2.40 million or 5.8% as compared to that of the immediate preceding quarter ended 31 December 2006.

The Group recorded a profit before taxation of RM3.51 million for the quarter under review. This represents a decrease of RM1.60 million or 31.4% as compared to that of the immediate preceding quarter. This decrease in profit was mainly due to decrease in gross margin.

3. COMMENTARY ON PROSPECTS

Barring any unforeseen circumstances, the Directors expect continued strong demand for the Group's products and expect revenue to grow in the next financial year. The Directors remain positive about the future prospects of the Group.

4. VARIANCE OF ACTUAL AND FORECASTED PROFIT AND SHORTFALL IN PROFIT GUARANTEE

The disclosure requirements for explanatory notes for the variance of actual profit after tax and forecast profit after tax are not applicable.

The Group did not announce any profit guarantee.

5. INCOME TAX EXPENSE

	Quarter ended 31 Mar 2007 RM'000	Current year- to-date ended 31 Mar 2007 RM'000
Estimated income tax expense:		
Current tax expense	594	2,726
Under-provision in prior year	435	442
Deferred tax	283	(241)
	<u>1,312</u>	<u>2,927</u>

The Group's income tax for the current year reflects an effective tax rate which is lower than the statutory income tax rate mainly due to tax savings from reinvestment allowances.

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On 29 August 2005, the Malaysian Industrial Development Authority approved the 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 Malaysian Industrial Development Authority granted the 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.

6. PROFITS ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investment and/or properties during the current quarter.

7. QUOTED INVESTMENTS

There were no dealings in quoted securities for the current quarter.

8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT YET TO BE COMPLETED

a. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of issue of this interim financial report.

b. Status of Utilisation of Proceeds

The Initial Public Offering "IPO" proceeds were received on 11 October 2005.
As at the date of this report, the utilisation of the IPO proceeds of RM23,410,800 are as follows.

Purpose	Proposed utilisation	Actual utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
	RM'000	RM'000		RM'000	%	
i. Investment in the application of new technology/developing new products and enhancing existing products:-						
(a) Purchase of plant and equipment	11,405	415	by Sep 2008	10,990	96.4	R&D projects
(b) R& D expenditure	3,595	1,221	by Sep 2008	2,374	66.0	in-progress
ii. Working capital	5,711	5,711		-		
iii. Estimated Listing expenses	2,700	2,901		(201)		
Total	<u>23,411</u>	<u>10,248</u>		<u>13,163</u>		

9. GROUP BORROWINGS AND DEBT SECURITIES

There were no group borrowings and debt securities as at the end of the reporting quarter.

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10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at date of issue of this interim financial report, the Group does not have any off balance sheet financial instruments.

11. MATERIAL LITIGATION

There was no material litigation pending as at date of issue of this interim financial report.

12. DIVIDENDS DECLARED OR PAYABLE

As of the date of this announcement, the Board of Directors proposed a final dividend of RM0.04 per share, exempt from income tax in respect of the financial year ended 31 March 2007. This final dividend shall be tabled in the forthcoming Annual General Meeting for shareholders' approval. The date of entitlement and payment of the aforesaid dividends shall be determined by the Board of Directors at a later date.

13. EARNINGS PER SHARE

a. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	Current Quarter ended 31 Mar 2007	Current year- to-date ended 31 Mar 2007
Net profit for the period (RM'000)	<u>2,196</u>	<u>12,549</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings per share (sen)	<u>2.58</u>	<u>14.76</u>

b. Diluted earnings per share

The average fair value of the shares of the Company is lower than the average exercise price of the share options granted to employees. The effect of this would be anti-dilutive to the earnings per ordinary share.

29 May 2007