

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

FIRST QUARTER REPORT ENDED 30 JUNE 2007

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2007**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 3 months ended	Preceding year corresponding period of 3 months ended
	30 June 2007 RM'000	30 June 2006 RM'000	30 June 2007 RM'000	30 June 2006 RM'000
Revenue	33,095	32,586	33,095	32,586
Profit from operations	573	1,763	573	1,763
Income from other investments	180	174	180	174
Finance cost		(4)		(4)
Profit before tax	753	1,933	753	1,933
Income tax expense	(389)	(290)	(389)	(290)
Net profit after tax for the period	364	1,643	364	1,643
Basic earnings per ordinary share (sen)	0.43	1.93	0.43	1.93
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 2007 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 30 June 2007	Audited as at preceding financial year ended 31 March 2007
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	22,074	24,214
Prepaid lease payment on leasehold land	2,033	
Product development costs	7,798	7,323
Deferred tax assets	149	145
Total non-current assets	<u>32,054</u>	<u>31,682</u>
Current assets		
Inventories	42,287	38,186
Trade and other receivables	27,738	35,796
Other assets	1,391	1,526
Current tax assets	1,680	2,394
Short-term deposits with licensed banks	23,210	26,875
Cash and bank balances	14,462	9,756
Total current assets	<u>110,768</u>	<u>114,533</u>
Total assets	<u>142,822</u>	<u>146,215</u>
EQUITY AND LIABILITIES		
Share capital	85,000	85,000
Reserves	6,124	5,512
Retained earnings	20,126	19,762
Total equity	<u>111,250</u>	<u>110,274</u>
Non-current liabilities		
Deferred tax liabilities	1,803	1,843
Total non-current liabilities	<u>1,803</u>	<u>1,843</u>
Current liabilities		
Trade and other payables	28,575	33,119
Current tax liabilities	1,194	979
Dividend payable	-	-
Total current liabilities	<u>29,769</u>	<u>34,098</u>
Total liabilities	<u>31,572</u>	<u>35,941</u>
Total equity and liabilities	<u>142,822</u>	<u>146,215</u>
Net assets per share (RM)	1.31	1.30

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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 30 JUNE 2007**

	Non-Distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	
Balance as of 1 April 2007	85,000	7,504	(2,141)	149	19,762	110,274
Net profit/(loss) after tax for the period					364	364
Recognition of share-based payment				2		2
Dividends						-
Currency translation differences			610			610
Balance as of 30 June 2007	85,000	7,504	(1,531)	151	20,126	111,250

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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 30 JUNE 2007**

	Individual Quarter	
	Current year quarter ended 30 June 2007 RM'000	Preceding year corresponding quarter ended 30 June 2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	753	1,933
Adjustments for :		
Depreciation of property, plant and equipment	1,224	1,375
Amortisation of development cost	530	398
Inventories written off	921	122
Unrealised loss/(gain) on foreign exchange	216	(335)
Interest income	(180)	(174)
Lease rental	12	-
(Gain)/Loss on disposal of property, plant and equipment	-	(17)
Equity-settled share-based payment	2	1
Other non-cash items	262	57
Operating profit before working capital changes	3,740	3,360
(Increase) / Decrease in:		
Inventories	(5,022)	(1,208)
Trade and other receivables	8,379	5,268
Other assets	135	
Increase / (Decrease) in:		
Trade and other payables	(4,601)	(2,693)
Cash generated from operations	2,631	4,727
Tax paid	(794)	(429)
Tax refund received	1,281	
Retirement benefits paid	-	(41)
Net cash generated from operating activities	3,118	4,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1	57
Interest received	180	174
Purchase of property, plant and equipment	(1,046)	(563)
Payment of capitalised development costs	(996)	(744)
Net cash generated from investing activities	(1,861)	(1,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(4,250)
Repayment of hire-purchase payables	-	(4)
Net cash generated from financing activities	-	(4,254)
Effect of foreign exchange rate changes	(216)	133
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,041	(940)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,631	49,237
CASH AND CASH EQUIVALENTS AT END OF PERIOD	37,672	48,297
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	23,210	35,600
Cash and bank balances	14,462	12,697
	37,672	48,297

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and the accompanying explanatory notes attached to this interim financial report.

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FIRST QUARTER REPORT ENDED 30 JUNE 2007

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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 2007 except for the accounting policy changes that are expected to be reflected in financial statement for the year ending 31 March 2008. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134²⁰⁰⁴, Interim Financial Reporting requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2007.

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 following sets out further information on the changes in accounting policies for the financial statement beginning from 1 April 2007 which have been reflected in this interim financial report.

a. FRS 117 : Leases (Effective for annual periods beginning on or after 1 October 2006)

This standard requires the classification of leasehold land as prepaid lease payments. The Group will apply this standard from financial period beginning on 1 April 2007.

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.

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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.

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 30 June 2007.

8. DIVIDENDS PAID

No interim dividend was paid by the Company for the quarter ended 30 June 2007.

9. SEGMENT REPORTING

Cumulative quarter ended 30 June 2007

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Revenue					
External sales	-	17,236	15,859		33,095
Inter-segment sales	1,659	15,800	17,759	(35,218)	-
Total revenue	<u>1,659</u>	<u>33,036</u>	<u>33,618</u>	<u>(35,218)</u>	<u>33,095</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Results					
Profit from operations	289	(2,054)	1,948	390	573
Investment revenue	72	87	21		180
Finance cost					-
Profit/(loss) before tax					753
Income tax expense					(389)
Profit/(loss) after tax					<u>364</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

There were no changes in the composition of the Group during the current quarter.

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 30 JUNE 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 RM0.51 million or 1.6% as compared to the first quarter ended 30 June 2006. Despite increase in sales, the Group profit before taxation for the current quarter under review decrease by RM1.18 million or 61.1% as compared to the first quarter ended 30 June 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, increase in raw material cost and some provision for stock obsolescence.

2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group revenue for the current quarter was RM33.1 million, representing a decrease of RM10.94 million or 24.8% as compared to that of the immediate preceding quarter ended 31 March 2007.

The Group recorded a profit before taxation of RM0.75 million for the quarter under review. This represents a decrease of RM2.8 million or 78.8% as compared to that of the immediate preceding quarter. This decrease in profit was mainly due to lower sales in current quarter. The demand for the Group's products is seasonal, peaking during the third and fourth quarter of the financial year.

3. COMMENTARY ON PROSPECTS

Barring any unforeseen circumstances, the Directors expect continued strong demand for the Group's products.

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 30 June 2007 RM'000	Current year- to-date ended 30 June 2007 RM'000
Estimated income tax expense:		
Current tax expense	429	429
Under-provision in prior year		
Deferred tax	(40)	(40)
	<u>389</u>	<u>389</u>

The Group's income tax for the current year reflects an effective tax rate which is higher than the statutory income tax rate mainly due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

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

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

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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	422	by Sep 2008	10,983	96.3	R&D projects
(b) R& D expenditure	3,595	1,732	by Sep 2008	1,863	51.8	in-progress
ii. Working capital	5,711	5,711		-		
iii. Estimated Listing expenses	2,700	2,901		(201)		
Total	<u>23,411</u>	<u>10,766</u>		<u>12,645</u>		

9. GROUP BORROWINGS AND DEBT SECURITIES

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

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.

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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 30 June 2007	Current year- to-date ended 30 June 2007
Net profit for the period (RM'000)	<u>364</u>	<u>364</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings per share (sen)	<u>0.43</u>	<u>0.43</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.

15 August 2007