

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

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2007

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

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 6 months ended	Preceding year corresponding period of 6 months ended
	30 September 2007	30 September 2006	30 September 2007	30 September 2006
	RM'000	RM'000	RM'000	RM'000
Revenue	30,567	35,429	63,662	68,015
Profit from operations	(317)	4,632	256	6,395
Income from other investments	332	290	512	464
Finance cost				(4)
Profit before tax	15	4,922	768	6,855
Income tax expense	176	(781)	(213)	(1,071)
Net profit after tax for the period	191	4,141	555	5,784
Basic earnings per ordinary share (sen)	0.22	4.87	0.65	6.80
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 September 2007	Audited as at preceding financial year ended 31 March 2007
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	25,140	24,214
Prepaid lease payment on leasehold land	2,021	
Product development costs	8,160	7,323
Deferred tax assets	149	145
Total non-current assets	<u>35,470</u>	<u>31,682</u>
Current assets		
Inventories	42,656	38,186
Trade and other receivables	28,247	35,796
Other assets	1,173	1,526
Current tax assets	2,086	2,394
Short-term deposits with licensed banks	22,444	26,875
Cash and bank balances	4,681	9,756
Total current assets	<u>101,287</u>	<u>114,533</u>
Total assets	<u>136,757</u>	<u>146,215</u>
EQUITY AND LIABILITIES		
Share capital	85,000	85,000
Reserves	3,680	5,512
Retained earnings	16,917	19,762
Total equity	<u>105,597</u>	<u>110,274</u>
Non-current liabilities		
Deferred tax liabilities	1,564	1,843
Total non-current liabilities	<u>1,564</u>	<u>1,843</u>
Current liabilities		
Trade and other payables	25,133	33,119
Current tax liabilities	1,063	979
Dividend payable	3,400	-
Total current liabilities	<u>29,596</u>	<u>34,098</u>
Total liabilities	<u>31,160</u>	<u>35,941</u>
Total equity and liabilities	<u>136,757</u>	<u>146,215</u>
Net assets per share (RM)	1.24	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 SEPTEMBER 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					555	555
Recognition of share-based payment				23		23
Dividends					(3,400)	(3,400)
Currency translation differences			(1,855)			(1,855)
Balance as of 30 September 2007	85,000	7,504	(3,996)	172	16,917	105,597

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 SEPTEMBER 2007**

	Individual Quarter	
	Current year quarter ended 30 September 2007 RM'000	Preceding year corresponding quarter ended 30 September 2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	767	6,855
Adjustments for :		
Depreciation of property, plant and equipment	2,432	2,624
Amortisation of development cost	1,132	863
Inventories written off	964	132
Unrealised loss/(gain) on foreign exchange	12	(625)
Property, plant and equipment written off		(5)
Interest income	(512)	(464)
Lease rental on leasehold land	24	-
(Gain)/Loss on disposal of property, plant and equipment	21	(2)
Equity-settled share-based payment	23	4
Other non-cash items	(570)	14
Operating profit before working capital changes	4,293	9,396
(Increase) / Decrease in:		
Inventories	(5,435)	(4,526)
Trade and other receivables	7,624	(58)
Other assets	354	
Increase / (Decrease) in:		
Trade and other payables	(8,175)	(574)
Cash generated from operations	(1,339)	4,238
Tax paid	(1,398)	(915)
Retirement benefits paid	-	(41)
Net cash generated from operating activities	(2,737)	3,282
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	125	58
Interest received	512	464
Purchase of property, plant and equipment	(5,419)	(1,276)
Payment of capitalised development costs	(1,960)	(1,556)
Net cash generated from investing activities	(6,742)	(2,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(4,250)
Repayment of hire-purchase payables	-	(3)
Net cash generated from financing activities	-	(4,253)
Effect of foreign exchange rate changes	(27)	187
NET INCREASE IN CASH AND CASH EQUIVALENTS	(9,506)	(3,094)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,631	49,237
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,125	46,143
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	22,444	35,500
Cash and bank balances	4,681	10,643
	27,125	46,143

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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SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2007

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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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SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2007

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 Annual General Meeting of the Company held on 17 September 2007, 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 September 2007.

8. DIVIDENDS PAID

A final dividend of RM0.04 per share, exempt from income tax in respect of the financial year ended 31 March 2007 has been paid on 30 October 2007 to shareholders registered in the Record of Depositors at the close of business on 8 October 2007.

9. SEGMENT REPORTING

Cumulative quarter ended 30 Sep 2007

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Revenue</u>					
External sales	-	31,649	32,013		63,662
Inter-segment sales	3,197	35,815	39,228	(78,240)	-
Total revenue	<u>3,197</u>	<u>67,464</u>	<u>71,241</u>	<u>(78,240)</u>	<u>63,662</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Results</u>					
Profit from operations	207	(2,618)	4,690	(2,023)	256
Investment revenue	205	243	64		512
Finance cost					-
Profit/(loss) before tax					768
Income tax expense					(213)
Profit/(loss) after tax					<u>555</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 7 August 2007, the Company has incorporated a wholly owned subsidiary in China, IQ Group (Dongguan) Ltd. (IQD) with a registered capital of USD1,000,000. IQD will be principally involved in manufacturing and sales of sensor lighting, door bells, home security system, lighting fixtures and plastic products.

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 SEPTEMBER 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 decreased by RM4.86 million or 13.7% as compared to the second quarter ended 30 September 2006. The Group profit before taxation for the current quarter under review decreased by RM4.91 million or 99.7% as compared to the second quarter ended 30 September 2006, mainly due to the decrease in sales, start-up costs for new operation in China and foreign exchange impact due to the strengthening of Ringgit Malaysia and China Renminbi against US Dollar.

2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group revenue for the current quarter was RM30.6 million, representing a decrease of RM2.53 million or 7.6% as compared to that of the immediate preceding quarter ended 30 June 2007.

The Group recorded a profit before taxation of RM0.015 million for the quarter under review. This represents a decrease of RM0.74 million or 98.0% 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 demand for the Group's products in the third and fourth quarter of the financial year.

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 Sep 2007 RM'000	Current year- to-date ended 30 Sep 2007 RM'000
Estimated income tax expense:		
Current tax expense	64	493
Under-provision in prior year		
Deferred tax	<u>(240)</u>	<u>(280)</u>
	<u>(176)</u>	<u>213</u>

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	3,553	by Sep 2008	7,852	68.8	R&D projects in-progress
(b) R& D expenditure	3,595	3,670	by Sep 2008	(75)		
ii. Working capital	5,711	5,711		-		
iii. Estimated Listing expenses	2,700	2,901		(201)		
Total	<u>23,411</u>	<u>15,835</u>		<u>7,576</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

No interim dividend has been declared by the Company for the quarter ended 30 September 2007.

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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 Sep 2007	Current year- to-date ended 30 Sep 2007
Net profit for the period (RM'000)	<u>191</u>	<u>555</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings per share (sen)	<u>0.22</u>	<u>0.65</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.

23 November 2007