

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current year quarter ended</b>	<b>Preceding year corresponding quarter ended</b>	<b>Current year to-date for 9 months ended</b>	<b>Preceding year corresponding period of 9 months ended</b>
	<b>31 December 2007</b>	<b>31 December 2006</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	<b>39,272</b>	41,715	<b>102,934</b>	109,730
<b>Profit from operations</b>	<b>2,727</b>	4,813	<b>2,983</b>	11,208
<b>Income from other investments</b>	<b>104</b>	300	<b>616</b>	764
<b>Finance cost</b>	<b>(28)</b>	-	<b>(28)</b>	(4)
<b>Profit before tax</b>	<b>2,803</b>	5,113	<b>3,571</b>	11,968
<b>Income tax expense</b>	<b>(135)</b>	(544)	<b>(348)</b>	(1,615)
<b>Net profit after tax for the period</b>	<b>2,668</b>	4,569	<b>3,223</b>	10,353
Basic earnings per ordinary share (sen)	3.14	5.38	3.79	12.18
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.*

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

	As at end of current quarter 31 December 2007	Audited as at preceding financial year ended 31 March 2007
	RM'000	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	25,418	22,169
Prepaid lease payment on leasehold land	2,009	2,045
Product development costs	8,654	7,323
Deferred tax assets	142	145
<b>Total non-current assets</b>	<u>36,223</u>	<u>31,682</u>
<b>Current assets</b>		
Inventories	38,960	38,186
Trade and other receivables	39,014	35,796
Other assets	1,446	1,526
Current tax assets	2,868	2,394
Short-term deposits with licensed banks	12,372	26,875
Cash and bank balances	14,389	9,756
<b>Total current assets</b>	<u>109,049</u>	<u>114,533</u>
<b>Total assets</b>	<u>145,272</u>	<u>146,215</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	85,000	85,000
Reserves	5,066	5,512
Retained earnings	19,585	19,762
<b>Total equity</b>	<u>109,651</u>	<u>110,274</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,838	1,843
Bank borrowings	1,859	-
<b>Total non-current liabilities</b>	<u>3,697</u>	<u>1,843</u>
<b>Current liabilities</b>		
Trade and other payables	30,516	33,119
Bank borrowings	496	-
Current tax liabilities	912	979
Dividend payable	-	-
<b>Total current liabilities</b>	<u>31,924</u>	<u>34,098</u>
<b>Total liabilities</b>	<u>35,621</u>	<u>35,941</u>
<b>Total equity and liabilities</b>	<u>145,272</u>	<u>146,215</u>
Net assets per share (RM)	1.29	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.*

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 DECEMBER 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					3,223	3,223
Recognition of share-based payment				35		35
Dividends					(3,400)	(3,400)
Currency translation differences			(481)			(481)
Balance as of 31 December 2007	85,000	7,504	(2,622)	184	19,585	109,651

*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.*

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

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

	Individual Quarter	
	Current year quarter ended 31 December 2007 RM'000	Preceding year corresponding quarter ended 31 December 2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,571	11,968
Adjustments for :		
Depreciation of property, plant and equipment	3,432	3,875
Amortisation of development cost	1,689	1,339
Inventories written off	966	183
Unrealised loss/(gain) on foreign exchange	341	(144)
Interest expenses	28	-
Property, plant and equipment written off	206	(19)
Interest income	(616)	(764)
Lease rental on leasehold land	36	-
(Gain)/Loss on disposal of property, plant and equipment	(18)	5
Equity-settled share-based payment	35	5
Other non-cash items	(308)	306
Operating profit before working capital changes	9,362	16,754
(Increase) / Decrease in:		
Inventories	(1,741)	(8,112)
Trade and other receivables	(3,218)	(6,589)
Other assets	80	
Increase / (Decrease) in:		
Trade and other payables	(2,603)	3,426
Cash generated from operations	1,880	5,479
Tax paid	(2,166)	(1,462)
Tax refund	1,281	
Retirement benefits paid		(40)
<b>Net cash generated from operating activities</b>	995	3,977
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	182	64
Interest received	616	764
Purchase of property, plant and equipment	(6,983)	(2,618)
Payment of capitalised development costs	(3,011)	(2,624)
<b>Net cash generated from investing activities</b>	(9,196)	(4,414)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(3,400)	(7,650)
Proceeds from long-term loan	2,479	
Repayment of bank borrowings	(124)	
Repayment of hire-purchase payables		(4)
Interest paid	(28)	
<b>Net cash generated from financing activities</b>	(1,073)	(7,654)
Effect of foreign exchange rate changes	(596)	(1,359)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(9,870)	(9,450)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	36,631	49,237
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	26,761	39,787
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	12,372	33,317
Cash and bank balances	14,389	6,470
	26,761	39,787

*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.*

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 134<sup>2004</sup>, 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.

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 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**

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 will expire 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 December 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 31 Dec 2007**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b><u>Revenue</u></b>					
External sales	-	49,222	53,711		102,933
Inter-segment sales	4,832	53,043	55,893	(113,768)	-
Total revenue	<u>4,832</u>	<u>102,265</u>	<u>109,604</u>	<u>(113,768)</u>	<u>102,933</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b><u>Results</u></b>					
Profit from operations	170	(5,466)	8,035	244	2,983
Investment revenue	305	221	90		616
Finance cost					<u>(28)</u>
Profit/(loss) before tax					3,571
Income tax expense					<u>(348)</u>
Profit/(loss) after tax					<u><u>3,223</u></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.

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

**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. On 22 February 2008, the Company has increased its registered capital from USD 1,000,000 to USD 1,750,000. As at to-date, a total amount of USD 870,000 has been remitted to IQD as paid-up capital. IQD is principally involved in manufacturing and sales of sensor lighting, door bells, home security system, lighting fixtures and plastic products. IQD has commenced its operation in November 2007.

**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.

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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's revenue decreased by RM2.44 million or 5.9% as compared to the third quarter ended 31 December 2006. The Group profit before taxation for the current quarter under review decreased by RM2.31 million or 45.2% as compared to the third quarter ended 31 December 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's revenue for the current quarter was RM39.3 million, representing an increase of RM8.71 million or 28.5% as compared to that of the immediate preceding quarter ended 30 September 2007.

The Group recorded a profit before taxation of RM2.8 million for the quarter under review. This represents an increase of RM2.79 million or 18872% as compared to that of the immediate preceding quarter. This increase in profit was mainly due to higher 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 fourth quarter of the financial year. Due to appreciation of Ringgit Malaysia and China Renminbi against US Dollar and Sterling Pound, the Group expects continued pressure on profit for the next quarter.

**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 Dec 2007 RM'000	Current year- to-date ended 31 Dec 2007 RM'000
Estimated income tax expense:		
Current tax expense	(157)	336
Under-provision in prior year	18	18
Deferred tax	274	(6)
	<u>135</u>	<u>348</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.



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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

**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	3,786	by Sep 2009	7,619	66.8	R&D projects in-progress
(b) R& D expenditure	3,595	3,670		(75)		
ii. Working capital	5,711	5,711		-		
iii. Estimated Listing expenses	2,700	2,901		(201)		
Total	<u>23,411</u>	<u>16,068</u>		<u>7,343</u>		

**9. GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowing as of 31 December 2007 are as follows:

	Quarter ended 31 Dec 2007	
	RM	Included in the total borrowings are amounts denominated in foreign currency GBP
Bank borrowings:		
Current/short term portion	495,870	75,000
Non-current/long term portion	<u>1,859,527</u>	<u>281,252</u>
	<u>2,355,397</u>	<u>356,252</u>

**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.

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2007**

**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 31 December 2007.

**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 Dec 2007	Current year- to-date ended 31 Dec 2007
Net profit for the period (RM'000)	<u>2,668</u>	<u>3,223</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings per share (sen)	<u>3.14</u>	<u>3.79</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.

26 February 2008