

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

FOURTH QUARTER REPORT ENDED 31 MARCH 2008

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2008**

	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 2008 RM'000	31 March 2007 RM'000	31 March 2008 RM'000	31 March 2007 RM'000
Revenue	36,378	44,035	139,312	153,765
Profit from operations	(1,427)	3,185	1,556	14,393
Income from other investments	114	368	730	1,132
Finance cost	(70)	4	(98)	-
Profit before tax	(1,383)	3,557	2,188	15,525
Income tax expense	(661)	(1,312)	(1,009)	(2,927)
Net profit after tax for the period	(2,044)	2,245	1,179	12,598
Basic earnings per ordinary share (sen)	(2.40)	2.64	1.39	14.82
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 31 March 2008	Audited as at preceding financial year ended 31 March 2007
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	25,214	22,169
Prepaid lease payment on leasehold land	1,997	2,045
Product development costs	7,278	7,323
Deferred tax assets	107	145
Total non-current assets	34,596	31,682
Current assets		
Inventories	35,829	38,186
Trade and other receivables	30,875	35,796
Other assets	2,026	1,526
Current tax assets	2,121	2,394
Short-term deposits with licensed banks	15,839	26,875
Cash and bank balances	15,942	9,756
Total current assets	102,632	114,533
Total assets	137,228	146,215
EQUITY AND LIABILITIES		
Share capital	85,000	85,000
Reserves	4,523	5,512
Retained earnings	17,541	19,762
Total equity	107,064	110,274
Non-current liabilities		
Deferred tax liabilities	1,480	1,843
Bank borrowings	1,764	-
Total non-current liabilities	3,244	1,843
Current liabilities		
Trade and other payables	25,403	33,119
Bank borrowings	419	-
Current tax liabilities	1,098	979
Dividend payable	-	-
Total current liabilities	26,920	34,098
Total liabilities	30,164	35,941
Total equity and liabilities	137,228	146,215
Net assets per share (RM)	1.26	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 31 MARCH 2008**

	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					1,179	1,179
Recognition of share-based payment				46		46
Dividends					(3,400)	(3,400)
Currency translation differences			(1,035)			(1,035)
Balance as of 31 March 2008	85,000	7,504	(3,176)	195	17,541	107,064

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 31 MARCH 2008**

	Individual Quarter	
	Current year quarter ended 31 March 2008 RM'000	Preceding year corresponding quarter ended 31 March 2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,188	15,525
Adjustments for :		
Depreciation of property, plant and equipment	6,071	5,024
Amortisation of development cost	1,633	1,846
Inventories written off	82	237
Unrealised loss/(gain) on foreign exchange	1,030	49
Product development cost written off	725	-
Interest expenses	98	-
Property, plant and equipment written off	48	64
Interest income	(730)	(1,132)
Lease rental on leasehold land	48	48
(Gain)/Loss on disposal of property, plant and equipment	334	(66)
Equity-settled share-based payment	46	83
Other non-cash items	(363)	
Operating profit before working capital changes	11,210	21,678
(Increase) / Decrease in:		
Inventories	2,275	(9,991)
Trade and other receivables	4,921	(5,503)
Other assets	(500)	(111)
Increase / (Decrease) in:		
Trade and other payables	(7,716)	4,625
Cash generated from operations	10,190	10,698
Tax paid	(2,217)	(2,734)
Tax refund	1,281	-
Retirement benefits paid	-	(40)
Net cash generated from operating activities	9,254	7,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	862	104
Interest received	730	1,132
Purchase of property, plant and equipment	(9,605)	(4,559)
Payment of capitalised development costs	(2,301)	(3,151)
Net cash generated from investing activities	(10,314)	(6,474)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(3,400)	(11,900)
Proceeds from long-term loan	2,380	
Repayment of bank borrowings	(197)	
Repayment of hire-purchase payables	-	(4)
Interest paid	(98)	
Net cash generated from financing activities	(1,315)	(11,904)
Effect of foreign exchange rate changes	(2,475)	(2,152)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,850)	(12,606)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,631	49,237
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,781	36,631
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	15,839	26,875
Cash and bank balances	15,942	9,756
	31,781	36,631

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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2008

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 ended 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. 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.

However, current quarter recorded a decline in profit as compared to previous quarters due to the reasons explained in note 2, Part B : Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

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 March 2008.

8. DIVIDENDS PAID

No interim dividend was paid by the Company for the quarter ended 31 March 2008.

9. SEGMENT REPORTING

**Cumulative quarter
ended 31 March 2008**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Revenue</u>					
External sales	-	69,298	70,014		139,312
Inter-segment sales	6,332	65,874	70,904	(143,110)	-
Total revenue	<u>6,332</u>	<u>135,172</u>	<u>140,918</u>	<u>(143,110)</u>	<u>139,312</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Results</u>					
Profit from operations	(6)	(9,655)	8,711	2,506	1,556
Investment revenue	379	226	125		730
Finance cost					<u>(98)</u>
Profit/(loss) before tax					2,188
Income tax expense					<u>(1,009)</u>
Profit/(loss) after tax					<u>1,179</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. 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 1,460,000 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.

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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 RM7.66 million or 17.4% as compared to the fourth quarter ended 31 March 2007. The Group loss before taxation for the current quarter under review increased by RM4.94 million or 138.9% as compared to the fourth quarter ended 31 March 2007, mainly due to the increase in raw material cost, 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 RM36.4 million, representing a decrease of RM2.89 million or 7.4% as compared to that of the immediate preceding quarter ended 31 December 2007.

The Group recorded a loss before taxation of RM1.38 million for the quarter under review. This represents a decrease of RM4.19 million or 149.3% as compared to that of the immediate preceding quarter. This decrease in profit was mainly due to the decrease in revenue, higher raw material cost and foreign exchange loss in current quarter.

3. COMMENTARY ON PROSPECTS

Barring any unforeseen circumstances, the Directors expect continued demand for the Group's products in the next financial year. Due to appreciation of Ringgit Malaysia and China Renminbi against US Dollar and Sterling Pound, and continued increase in raw material cost, the Group expects continued pressure on profit for the next 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 31 Mar 2008 RM'000	Current year- to-date ended 31 Mar 2008 RM'000
Estimated income tax expense:		
Current tax expense	535	871
Under-provision in prior year	453	471
Deferred tax	(327)	(333)
	<u>661</u>	<u>1,009</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 under-provision of income tax in prior year.

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	4,308	by Sep 2009	7,097	62.2	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>16,590</u>		<u>6,821</u>		

9. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowing as of 31 March 2008 are as follows:

	Quarter ended 31 Mar 2008	
	RM	Included in the total borrowings are amounts denominated in foreign currency GBP
Bank borrowings:		
Current/short term portion	419,348	66,063
Non-current/long term portion	<u>1,763,651</u>	<u>277,841</u>
	<u>2,182,999</u>	<u>343,904</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.

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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 March 2008.

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 2008	Current year- to-date ended 31 Mar 2008
Net profit for the period (RM'000)	<u>(2,044)</u>	<u>1,179</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings per share (sen)	<u>(2.40)</u>	<u>1.39</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.

30 May 2008