

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2008**

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

	<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 2008</b>	<b>31 December 2007</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	<b>51,064</b>	39,272	<b>108,493</b>	102,934
<b>Profit/(loss) from operations</b>	<b>655</b>	2,727	<b>(1,818)</b>	2,983
<b>Income from other investments</b>	<b>119</b>	104	<b>436</b>	616
<b>Finance cost</b>	<b>(30)</b>	(28)	<b>(109)</b>	(28)
<b>Profit/(loss) before tax</b>	<b>744</b>	2,803	<b>(1,491)</b>	3,571
<b>Income tax expense</b>	<b>732</b>	(135)	<b>191</b>	(348)
<b>Net profit/(loss) after tax for the period</b>	<b>1,476</b>	2,668	<b>(1,300)</b>	3,223
Basic earnings per ordinary share (sen)	1.74	3.14	(1.53)	3.79
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 2008 and the accompanying explanatory notes attached to this interim financial report.*

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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2008**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

	As at end of current quarter 31 December 2008	Audited as at preceding financial year ended 31 March 2008
	RM'000	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	24,692	25,214
Prepaid lease payments	1,960	1,997
Product development costs	8,769	7,278
Deferred tax assets	85	107
<b>Total non-current assets</b>	<u>35,506</u>	<u>34,596</u>
<b>Current assets</b>		
Inventories	39,506	35,829
Trade and other receivables	48,657	30,875
Other assets	5,230	2,026
Current tax assets	3,542	2,121
Short-term deposits with licensed banks	6,700	15,839
Cash and bank balances	11,987	15,942
<b>Total current assets</b>	<u>115,622</u>	<u>102,632</u>
<b>Total assets</b>	<u>151,128</u>	<u>137,228</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	85,000	85,000
Reserves	10,443	4,523
Retained earnings	16,220	17,541
<b>Total equity</b>	<u>111,663</u>	<u>107,064</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,161	1,480
Long-term loan	1,392	1,764
<b>Total non-current liabilities</b>	<u>2,553</u>	<u>3,244</u>
<b>Current liabilities</b>		
Trade and other payables	35,476	25,403
Long-term loan	78	419
Current tax liabilities	1,358	1,098
<b>Total current liabilities</b>	<u>36,912</u>	<u>26,920</u>
<b>Total liabilities</b>	<u>39,465</u>	<u>30,164</u>
<b>Total equity and liabilities</b>	<u>151,128</u>	<u>137,228</u>
Net assets per share (RM)	1.31	1.26

*The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2008 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 DECEMBER 2008**

	Non-Distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	
Balance as of 1 April 2008	85,000	7,504	(3,175)	194	17,541	107,064
Prior year adjustment - Others					(21)	(21)
Net profit/(loss) after tax for the period					(1,300)	(1,300)
Recognition of share-based payment				9		9
Dividends						-
Currency translation differences			5,911			5,911
Balance as of 31 December 2008	<u>85,000</u>	<u>7,504</u>	<u>2,736</u>	<u>203</u>	<u>16,220</u>	<u>111,663</u>

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to this interim financial report.*

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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2008**

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE QUARTER ENDED 31 DECEMBER 2008**

	<b>Individual Quarter</b>	
	<b>Current year quarter ended 31 December 2008 RM'000</b>	<b>Preceding year corresponding quarter ended 31 December 2007 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	(1,491)	3,571
Adjustments for :		
Depreciation of property, plant and equipment	3,565	3,432
Amortisation of development costs	1,608	1,689
Inventories written off	25	966
Unrealised loss/(gain) on foreign exchange	3,528	341
Interest expenses	109	28
Property, plant and equipment written off	-	206
Interest income	(436)	(616)
Amortisation of prepaid lease payments	36	36
(Gain)/Loss on disposal of property, plant and equipment	(36)	(18)
Equity-settled share-based payment	9	35
Other non-cash items	(21)	(308)
Operating profit before working capital changes	6,896	9,362
(Increase) / Decrease in:		
Inventories	(3,702)	(1,741)
Trade and other receivables	(17,601)	(3,218)
Other assets	(3,204)	80
Increase / (Decrease) in:		
Trade and other payables	9,950	(2,603)
Cash generated from operations	(7,661)	1,880
Tax paid	(1,427)	(2,166)
Tax refunded	-	1,281
<b>Net cash generated from operating activities</b>	(9,088)	995
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	662	182
Interest received	436	616
Purchase of property, plant and equipment	(3,424)	(6,983)
Payment of capitalised development costs	(2,974)	(3,011)
<b>Net cash generated from investing activities</b>	(5,300)	(9,196)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(3,400)
Proceeds from long-term loan	-	2,479
Repayment of bank borrowings	(253)	(124)
Interest paid	(109)	(28)
<b>Net cash generated from financing activities</b>	(362)	(1,073)
Effect of foreign exchange rate changes	1,656	(596)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(13,094)	(9,870)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	31,781	36,631
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	18,687	26,761
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	6,700	12,372
Cash and bank balances	11,987	14,389
	18,687	26,761

*The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to this interim financial report.*

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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2008**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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, 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 2008 except for the accounting policy changes that are expected to be reflected in financial statement for the year ended 31 March 2009. 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, 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 2008.

**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 July 2007. The Group will apply these FRS for the financial period beginning from 1 April 2008.

FRS 107 : Cash Flow Statements

FRS 112 : Income Taxes

FRS 118 : Revenue

Amendments to FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

FRS 134 : Interim Financial Reporting

FRS 137 : Provisions, Contingent Liabilities and Contingent Assets

IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 8 : Scope of FRS 2

The above FRS do not have significant impact on the financial statements of the Group.

**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.

**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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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2008**

**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 26 September 2008, 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 2008.

**8. DIVIDENDS PAID**

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

**9. SEGMENT REPORTING**

**Cumulative quarter ended 31 Dec 2008**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>Revenue</b>					
External sales	-	57,703	50,790		108,493
Inter-segment sales	5,245	54,531	59,691	(119,467)	-
Total revenue	<u>5,245</u>	<u>112,234</u>	<u>110,481</u>	<u>(119,467)</u>	<u>108,493</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>Results</b>					
Profit from operations	1,192	(13,113)	8,593	1,510	(1,818)
Investment revenue	156	237	43		436
Finance cost					<u>(109)</u>
Profit/(loss) before tax					(1,491)
Income tax expense					<u>191</u>
Profit/(loss) after tax					<u>(1,300)</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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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2008**

**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 21 July 2008, the Company has increased the registered capital of its subsidiary, IQ Group (Dongguan) Ltd. (IQD) from USD 1,750,000 to USD 2,750,000. As at to-date, a total amount of USD 2,750,000 has been remitted to IQD as paid-up capital.

**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 DECEMBER 2008**

**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 increased by RM11.8 million or 30.0% as compared to the third quarter ended 31 December 2007.

Despite increase in sales, the Group profit before taxation for the current quarter under review decreased by RM2.1 million as compared to the third quarter ended 31 December 2007. This was mainly due to foreign exchange losses amounting RM7.04 million in the current quarter. These foreign exchange losses were mainly due to the weakening of Sterling Pound against US Dollar and Ringgit Malaysia. Out of this foreign exchange loss of RM7.04 million, RM2.22 million is related to realised foreign exchange loss and RM4.82 million is related to unrealised foreign exchange loss which is mainly the impact of revaluations of trade debts which are nominated in foreign currencies such as US Dollar and Sterling Pound.

**2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS**

The Group's revenue for the current quarter was RM51.06 million, representing an increase of RM20.27 million or 65.9% as compared to that of the immediate preceding quarter ended 30 September 2008.

The Group recorded a profit before taxation of RM0.74 million for the quarter under review. Despite the increase in sales by 65.9%, there was only an improvement in profit by RM1.81 million as compared to that of the immediate preceding quarter. This was mainly due to foreign exchange losses amounting RM7.04 million in the current quarter as compared to foreign exchange loss of RM1.02 million in the immediate preceding quarter.

**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.

**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 2008 RM'000	Current year- to-date ended 31 Dec 2008 RM'000
Estimated income tax expense:		
Current tax expense	68	704
Under/(over)-provision in prior year	(579)	(577)
Deferred tax	(221)	(318)
	<u>(732)</u>	<u>(191)</u>



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The Group's income tax for the current quarter reflects an effective tax rate which is lower than the statutory income tax rate mainly due to adjustment for over-provision of tax in prior years as a result of the approval of claims on R&D double deduction by a subsidiary.

**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	5,669	by Sep 2009	5,736	50.3	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>17,951</u>		<u>5,460</u>		

**9. GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowing as of 31 Dec 2008 are as follows:

	RM	Quarter ended 31 Dec 2008	Included in the total borrowings are amounts denominated in foreign currency
Bank borrowings:			GBP
Current/short term portion	78,460	15,655	

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Non-current/long term portion	<u>1,392,484</u>	<u>277,841</u>
	<u>1,470,943</u>	<u>293,496</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.

**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 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 Dec 2008	Current year- to-date ended 31 Dec 2008
Net profit for the period (RM'000)	<u>1,476</u>	<u>(1,300)</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings per share (sen)	<u>1.74</u>	<u>(1.53)</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 Feb 2009