

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

FOURTH QUARTER REPORT ENDED 31 MARCH 2009

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2009**

	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 2009 RM'000	31 March 2008 RM'000	31 March 2009 RM'000	31 March 2008 RM'000
Revenue	43,442	36,378	151,935	139,312
Profit/(loss) from operations	(526)	(1,427)	(2,344)	1,556
Income from other investments	(58)	114	378	730
Finance cost	(30)	(70)	(139)	(98)
Profit/(loss) before tax	(614)	(1,383)	(2,105)	2,188
Income tax expense	(189)	(661)	2	(1,009)
Net profit/(loss) after tax for the period	(803)	(2,044)	(2,103)	1,179
Basic earnings per ordinary share (sen)	(0.94)	(2.40)	(2.47)	1.39
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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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As at end of current quarter 31 March 2009	Audited as at preceding financial year ended 31 March 2008
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	24,476	25,214
Prepaid lease payments	1,948	1,997
Product development costs	8,122	7,278
Deferred tax assets	88	107
Total non-current assets	<u>34,634</u>	<u>34,596</u>
Current assets		
Inventories	30,969	35,829
Trade and other receivables	40,807	30,875
Other assets	1,584	2,026
Current tax assets	1,392	2,121
Short-term deposits with licensed banks	18,960	15,839
Cash and bank balances	11,619	15,942
Total current assets	<u>105,331</u>	<u>102,632</u>
Total assets	<u>139,965</u>	<u>137,228</u>
EQUITY AND LIABILITIES		
Share capital	85,000	85,000
Reserves	12,854	4,523
Retained earnings	15,438	17,541
Total equity	<u>113,292</u>	<u>107,064</u>
Non-current liabilities		
Deferred tax liabilities	1,145	1,480
Long-term loan	-	1,764
Total non-current liabilities	<u>1,145</u>	<u>3,244</u>
Current liabilities		
Trade and other payables	22,493	25,403
Long-term loan	1,438	419
Current tax liabilities	1,597	1,098
Total current liabilities	<u>25,528</u>	<u>26,920</u>
Total liabilities	<u>26,673</u>	<u>30,164</u>
Total equity and liabilities	<u>139,965</u>	<u>137,228</u>
Net assets per share (RM)	1.33	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 MARCH 2009**

	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						-
Net profit/(loss) after tax for the period					(2,103)	(2,103)
Recognition of share-based payment				19		19
Dividends						-
Currency translation differences			7,953			7,953
Balance as of 31 March 2009	85,000	7,504	4,778	213	15,438	112,933

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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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2009**

	Individual Quarter	
	Current year quarter ended 31 March 2009 RM'000	Preceding year corresponding quarter ended 31 March 2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(2,105)	2,188
Adjustments for :		
Depreciation of property, plant and equipment	4,546	5,028
Amortisation of development costs	2,137	2,358
Inventories written off	-	-
Unrealised loss/(gain) on foreign exchange	(1,851)	1,357
Product development cost written off	(443)	724
Interest expenses	139	98
Property, plant and equipment written off	(2)	151
Interest income	(514)	(730)
Amortisation of prepaid lease payments	48	48
(Gain)/Loss on disposal of property, plant and equipment	(58)	(337)
Equity-settled share-based payment	19	46
Impairment of property, plant and equipment	579	
Other non-cash items		
Operating profit before working capital changes	2,495	10,931
(Increase) / Decrease in:		
Inventories	4,859	2,357
Trade and other receivables	(9,130)	5,187
Other assets	442	(500)
Increase / (Decrease) in:		
Trade and other payables	(2,703)	(7,578)
Cash generated from operations	(4,037)	10,397
Tax paid	(1,290)	(2,243)
Tax refunded	2,030	1,285
Net cash generated from operating activities	(3,297)	9,439
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	677	374
Interest received	513	788
Purchase of property, plant and equipment	(4,221)	(8,605)
Payment of capitalised development costs	(2,462)	(3,026)
Net cash generated from investing activities	(5,493)	(10,469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(3,400)
Proceeds from long-term loan	-	2,380
Repayment of bank borrowings	(351)	(210)
Interest paid	(139)	(98)
Net cash generated from financing activities	(490)	(1,328)
Effect of foreign exchange rate changes	8,078	(2,492)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,202)	(4,850)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	31,781	36,631
CASH AND CASH EQUIVALENTS AT END OF PERIOD	30,579	31,781
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	18,960	15,839
Cash and bank balances	11,619	15,942
	30,579	31,781

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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FOURTH QUARTER REPORT ENDED 31 MARCH 2009

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2009

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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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 March 2009.

8. DIVIDENDS PAID

No interim dividend was paid by the Company for the quarter ended 31 March 2009 and financial year to-date.

9. SEGMENT REPORTING

Cumulative quarter ended 31 March 2009

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Revenue</u>					
External sales	-	84,433	67,502		151,935
Inter-segment sales	6,483	73,736	79,846	(160,065)	-
Total revenue	<u>6,483</u>	<u>158,169</u>	<u>147,348</u>	<u>(160,065)</u>	<u>151,935</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Results</u>					
Profit from operations	215	(12,498)	5,997	3,942	(2,344)
Investment revenue	189	144	45		378
Finance cost					<u>(139)</u>
Profit/(loss) before tax					(2,105)
Income tax expense					<u>2</u>
Profit/(loss) after tax					<u>(2,103)</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 10 March 2009, the Company has increased the registered capital of its subsidiary, IQ Group (Dongguan) Ltd. (IQD) from USD 2,750,000 to USD 3,750,000. As at to-date, a total amount of USD 2,950,000 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 MARCH 2009

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 RM7.1 million or 19.5% as compared to the fourth quarter ended 31 March 2008, mainly contributed by the launching of a new range of products to an existing customer in Europe.

The Group profit before taxation for the current quarter under review increased by RM0.77 million as compared to the fourth quarter ended 31 March 2008. This was mainly due to foreign exchange gains amounting RM1.86 million in the current quarter. These foreign exchange gains were mainly due to the weakening of Ringgit Malaysia against US Dollar and Sterling Pound in the current quarter. Out of this foreign exchange gain of RM1.86 million, RM3.08 million is related to realised foreign exchange loss and RM4.94 million is related to unrealised foreign exchange gain which is mainly the impact of revaluations of trade debts which are nominated in foreign currencies such as US Dollar and Sterling Pound.

The financial year to-date Group profit before taxation decreased by RM4.29 million as compared to the financial year ended 31 March 2008. Despite the increase in revenue by RM12.6 million, the profit was lower, mainly due to foreign exchange loss amounting RM5.35 million for the current year as compared to foreign exchange loss of RM2.23 million in the preceeding year. Out of the current year foreign exchange loss of RM5.35 million, RM7.15 million is related to realised foreign exchange loss and RM1.80 million is related to unrealised foreign exchange gain.

Moreover, before the end of the financial year, the Directors took the decision to move the trading of a UK subsidiary to a direct supply model which will result in closure of the UK subsidiary with a UK branch as a replacement. In view of this, the accounts of the subsidiary was prepared on a non-going concern basis. The Directors have included their best estimates of the costs to close the business of the subsidiary company. This includes provision for staff redundancy, stock returns & warranty amounting to RM1.12 million and the writing down of all asset categories to their estimated recoverable values, which resulted in assets impairment amounting to RM3.7 million.

In summary, should we exclude the above associated costs related to the decision to move the trading of the UK subsidiary to a direct supply model, the Group's trading profit for the financial year ended 31 Mar 2009 was RM2.7 million as shown below.

	Current year- to-date ended 31 Mar 2009 RM'000
Group reported profit / (loss)	(2,103)
Add: Provision for staff redundancy, stock returns & warranty	1,118
Add: Assets impairment	3,700
Group trading profit	<u>2,715</u>

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2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's revenue for the current quarter was RM43.44million, representing a decrease of RM7.6 million or 14.9% as compared to that of the immediate preceding quarter ended 31 December 2008.

The Group recorded a loss before taxation of RM614,336 for the quarter under review. This represents a decrease of RM1.36 million as compared to that of the immediate preceding quarter. This decrease in profit was mainly due to the associated cost related to the decision to move the trading of a UK subsidiary to a direct supply model as explained in Note (1) above. However, this was partly offset by foreign exchange gain amounting RM1.86 million in the current quarter. The Group trading profit for the quarter ended 31 Mar 2009 was RM4.2 million as shown below.

	Quarter ended 31 Mar 2009 RM'000
Group reported profit / (loss)	(614)
Add: Provision for staff redundancy, stock returns & warranty	1,118
Add: Assets impairment	3,700
Group trading profit	<u>4,204</u>

3. COMMENTARY ON PROSPECTS

Barring any unforeseen circumstances, the Directors expect continued demand for the Group's products in 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 2009 RM'000	Current year- to-date ended 31 Mar 2009 RM'000
Estimated income tax expense:		
Current tax expense	231	935
Under/(over)-provision in prior year	(25)	(602)
Deferred tax	(17)	(335)
	<u>189</u>	<u>(2)</u>

The Group's income tax for the current quarter reflects an effective tax rate which is higher than the statutory income tax rate mainly due to losses of certain subsidiaries which cannot be offset against taxable profits made by other subsidiaries. The Group's financial year to-date income tax reflects an effective tax rate which is lower than the statutory income tax rate mainly due to over-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.

The Board of Directors has announced the change in utilisation of the Initial Public Offering (IPO) proceeds on 26 February 2009. As at the date of this report, the utilisation of the IPO proceeds of RM23,410,800 are as follows.

Purpose	Revised 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	5,669	5,669		-		
(b) R& D expenditure	3,670	3,670		-		
ii. Working capital	11,171	5,711	by June 2010	5,460	48.9	Utilisation in-progress
iii. Estimated Listing expenses	2,901	2,901		-		
Total	<u>23,411</u>	<u>17,951</u>		<u>5,460</u>		

9. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowing as of 31 Mar 2009 are as follows:

	RM	Quarter ended 31 Mar 2009 Included in the total borrowings are amounts denominated in foreign currency GBP
Bank borrowings:		
Current/short term portion	1,438,246	276,464
Non-current/long term portion	-	-
	<u>1,438,246</u>	<u>276,464</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 2009.

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 2009	Current year- to-date ended 31 Mar 2009
Net profit for the period (RM'000)	<u>(803)</u>	<u>(2,103)</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings per share (sen)	<u>(0.94)</u>	<u>(2.47)</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.

29 May 2009