

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

FIRST QUARTER REPORT ENDED 30 JUNE 2009

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2009**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 3 months ended	Preceding year corresponding period of 3 months ended
	30 June 2009 RM'000	30 June 2008 RM'000	30 June 2009 RM'000	30 June 2008 RM'000
Revenue	29,528	26,641	29,528	26,641
Profit/(loss) from operations	1,085	(1,287)	1,085	(1,287)
Income from other investments	68	158	68	158
Finance cost	(31)	(43)	(31)	(43)
Profit/(loss) before tax	1,122	(1,172)	1,122	(1,172)
Income tax expense	(494)	(77)	(494)	(77)
Net profit/(loss) after tax for the period	628	(1,249)	628	(1,249)
Basic earnings per ordinary share (sen)	0.74	(1.47)	0.74	(1.47)
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 2009 and the accompanying explanatory notes attached to this interim financial report.

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FIRST QUARTER REPORT ENDED 30 JUNE 2009

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As at end of current quarter 30 June 2009	Audited as at preceding financial year ended 31 March 2009
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	23,379	24,476
Prepaid lease payments	1,936	1,948
Product development costs	8,380	8,122
Deferred tax assets	99	88
Total non-current assets	<u>33,794</u>	<u>34,634</u>
Current assets		
Inventories	27,103	30,969
Trade and other receivables	33,627	40,807
Other assets	1,485	1,584
Current tax assets	1,518	1,435
Short-term deposits with licensed banks	23,589	18,960
Cash and bank balances	13,676	11,619
Total current assets	<u>100,998</u>	<u>105,374</u>
Total assets	<u>134,792</u>	<u>140,008</u>
EQUITY AND LIABILITIES		
Share capital	85,000	85,000
Reserves	9,597	12,854
Retained earnings	16,073	15,438
Total equity	<u>110,670</u>	<u>113,292</u>
Non-current liabilities		
Deferred tax liabilities	1,358	1,145
Long-term loan	-	-
Total non-current liabilities	<u>1,358</u>	<u>1,145</u>
Current liabilities		
Trade and other payables	20,088	22,493
Long-term loan	1,516	1,438
Current tax liabilities	1,160	1,640
Total current liabilities	<u>22,764</u>	<u>25,571</u>
Total liabilities	24,122	26,716
Total equity and liabilities	<u>134,792</u>	<u>140,008</u>
Net assets per share (RM)	1.30	1.33

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to this interim financial report.

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(Incorporated in Malaysia under the Companies Act, 1965)

FIRST QUARTER REPORT ENDED 30 JUNE 2009

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 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 2009	85,000	7,504	5,137	213	15,438	113,292
Exchange difference on translation of net assets of foreign subsidiary companies			(3,250)			(3,250)
Share-based payment forfeited				(6)	6	-
Net profit/(loss) after tax for the period					628	628
Recognition of share-based payment						-
Dividends						-
Balance as of 30 June 2009	85,000	7,504	1,887	207	16,072	110,670

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to this interim financial report.

IQ GROUP HOLDINGS BERHAD
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FIRST QUARTER REPORT ENDED 30 JUNE 2009

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2009**

	Individual Quarter	
	Current year quarter ended 30 June 2009 RM'000	Preceding year corresponding quarter ended 31 March 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,122	(2,105)
Adjustments for :		
Depreciation of property, plant and equipment	907	5,167
Allowance for slow moving inventories		2,352
Amortisation of development costs	417	2,138
Allowance for doubtful debts		624
Impairment loss of property, plant and equipment	-	580
Product development cost written off	165	418
Interest expenses	31	139
Amortisation of prepaid lease payments	12	48
Property, plant and equipment written off	16	38
Equity-settled share-based payment		18
Unrealised loss/(gain) on foreign exchange	(4,241)	(6,271)
Interest income	(68)	(378)
(Gain)/Loss on disposal of property, plant and equipment	30	(79)
Inventories written off	-	-
Other non-cash items		
Operating profit before working capital changes	<u>(1,609)</u>	<u>2,689</u>
(Increase) / Decrease in:		
Inventories	3,866	3,104
Trade and other receivables	6,535	7,342
Other assets	99	555
Increase / (Decrease) in:		
Trade and other payables	(2,977)	(8,535)
Cash generated from operations	<u>5,914</u>	<u>5,155</u>
Tax refunded	-	2,030
Tax paid	(822)	(1,290)
Net cash (used in)/generated from operating activities	<u>5,092</u>	<u>5,895</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	73	443
Interest received	76	377
Purchase of property, plant and equipment	(13)	(4,401)
Payment of capitalised development costs	(872)	(3,287)
Net cash (used in)/generated from investing activities	(736)	(6,868)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(102)	(393)
Interest paid	(31)	(139)
Net cash (used in)/generated from financing activities	(133)	(532)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,223	(1,505)
Effect of foreign exchange rate changes	<u>2,463</u>	<u>303</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	30,579	31,781
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>37,265</u>	<u>30,579</u>
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	23,589	18,960
Cash and bank balances	13,676	11,619
	<u>37,265</u>	<u>30,579</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to this interim financial report.

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(Company No. 636944-U)
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FIRST QUARTER REPORT ENDED 30 JUNE 2009

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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 2009 except for the accounting policy changes that are expected to be reflected in financial statement for the year ended 31 March 2010. 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 2009.

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 2010, except for FRS 8 which is effective for period beginning on or after 1 July 2009. The Group will apply these FRS for the financial period beginning from 1 April 2010.

- FRS 1 : First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
- FRS 2 : Share-based Payment (Amendments relating to vesting conditions and cancellations)
- FRS 4 : Insurance Contracts
- FRS 7 : Financial Instruments: Disclosures
- FRS 8 : Operating Segments
- FRS 123 : Borrowing Costs (Revised)
- FRS 127 : Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
- FRS 139 : Financial Instruments: Recognition and Measurement
- IC Interpretation 9 : Reassessment of Embedded Derivatives
- IC Interpretation 10 : Interim Financial Reporting and Impairment
- IC Interpretation 11 : FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13 : Customer Loyalty Programmes
- IC Interpretation 14 : FRS 119 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

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.

IQ GROUP HOLDINGS BERHAD
(Company No. 636944-U)
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FIRST QUARTER REPORT ENDED 30 JUNE 2009

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 events 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.

6. MATERIAL CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter 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 30 June 2009.

8. DIVIDENDS PAID

No interim dividend was paid by the Company for the quarter ended 30 June 2009.

9. SEGMENT REPORTING

Cumulative quarter ended 30 June 2009

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Revenue					
External sales	-	15,325	14,203		29,528
Inter-segment sales	1,640	9,975	8,874	(20,489)	-
Total revenue	<u>1,640</u>	<u>25,300</u>	<u>23,077</u>	<u>(20,489)</u>	<u>29,528</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Results					
Profit from operations	98	(41)	673	355	1,085
Investment revenue	18	50			68
Finance cost					<u>(31)</u>
Profit/(loss) before tax					1,122
Income tax expense					<u>(494)</u>
Profit/(loss) after tax					<u>628</u>

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FIRST QUARTER REPORT ENDED 30 JUNE 2009

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.

11. MATERIAL SUBSEQUENT EVENT

Save as disclosed below, there were no material events subsequent to the current financial quarter ended 30 June 2009 up to the date of this report.

On 29 July 2009, the Board of Directors had announced that the Company, had on 29 July 2009, entered into a Memorandum of Understanding with SemiLEDs Optoelectronics Co. Ltd. to form a joint venture company to be called SILQ (Malaysia) Sdn. Bhd. to collaborate in the development, design, manufacture, sales and distribution of LED luminaires and the manufacture of light engines for use in luminaires.

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 3,350,000 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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FIRST QUARTER REPORT ENDED 30 JUNE 2009

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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 RM2.9 million or 10.8% as compared to the first quarter ended 30 June 2008.

The Group profit before taxation for the current quarter under review increased by RM2.29 million as compared to the first quarter ended 30 June 2008. This was mainly due to the increase in gross profit by RM1.0 million as a result of higher revenue and foreign exchange gains amounting RM2.48 million in the current quarter as compared to foreign exchange gains of RM0.85 million in the quarter ended 30 June 2008. These foreign exchange gains were mainly due to the weakening of Ringgit Malaysia against Sterling Pound in the current quarter. Out of this foreign exchange gain of RM2.48 million, RM2.11 million is related to realised foreign exchange loss and RM4.59 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.

2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's revenue for the current quarter was RM29.53 million, representing a decrease of RM13.91 million or 32% as compared to that of the immediate preceding quarter ended 31 March 2009.

The Group recorded a profit before taxation of RM1.12 million for the quarter under review. Despite decrease in sales, the Group's profit before taxation for the current quarter increased by RM1.74 million as compared to that of the immediate preceding quarter. This increase in profit was mainly due to lower operating expenses by RM1.72 million in the current quarter. The operating expenses for the immediate preceding quarter included the restructuring and associated cost related to the decision to move the trading of a UK subsidiary to a direct supply model at a cost of RM 4.82 million.

3. COMMENTARY ON PROSPECTS

Barring any unforeseen circumstances, the Directors expect continued demand for the Group's products in 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 30 Jun 2009 RM'000	Current year- to-date ended 30 Jun 2009 RM'000
Estimated income tax expense:		
Current tax expense	281	281
Under/(over)-provision in prior year		
Deferred tax	213	213
	<u>494</u>	<u>494</u>

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FIRST QUARTER REPORT ENDED 30 JUNE 2009

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 deferred tax liability and losses of certain subsidiaries which cannot be offset against taxable profits made by other subsidiaries.

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.

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	8,988	by March 2010	2,183	19.5	Utilisation in-progress
iii. Estimated Listing expenses	2,901	2,901		-		
Total	<u>23,411</u>	<u>21,228</u>		<u>2,183</u>		

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FIRST QUARTER REPORT ENDED 30 JUNE 2009

9. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowing as of 30 June 2009 are as follows:

	Quarter ended 30 Jun 2009	Included in the total borrowings are amounts denominated in foreign currency GBP
	RM	
Bank borrowings:		
Current/short term portion	1,516,361	259,087
Non-current/long term portion	-	-
	<u>1,516,361</u>	<u>259,087</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 30 June 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 30 Jun 2009	Current year- to-date ended 30 Jun 2009
Net profit for the period (RM'000)	<u>628</u>	<u>628</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings per share (sen)	<u>0.74</u>	<u>0.74</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.