

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

**SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2009**

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

	<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 6 months ended</b>	<b>Preceding year corresponding period of 6 months ended</b>
	<b>30 September 2009</b>	<b>30 September 2008</b>	<b>30 September 2009</b>	<b>30 September 2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	<b>31,813</b>	<b>30,788</b>	<b>61,341</b>	<b>57,429</b>
<b>Profit/(loss) from operations</b>	<b>(770)</b>	<b>(1,186)</b>	<b>315</b>	<b>(2,473)</b>
<b>Income from other investments</b>	<b>94</b>	<b>159</b>	<b>162</b>	<b>317</b>
<b>Finance cost</b>	<b>(37)</b>	<b>(36)</b>	<b>(68)</b>	<b>(79)</b>
<b>Profit/(loss) before tax</b>	<b>(713)</b>	<b>(1,063)</b>	<b>409</b>	<b>(2,235)</b>
<b>Income tax expense</b>	<b>118</b>	<b>(464)</b>	<b>(376)</b>	<b>(541)</b>
<b>Net profit/(loss) after tax for the period</b>	<b>(595)</b>	<b>(1,527)</b>	<b>33</b>	<b>(2,776)</b>
Basic earnings per ordinary share (sen)	(0.70)	(1.80)	0.04	(3.27)
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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**SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2009**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

	As at end of current quarter 30 September 2009	Audited as at preceding financial year ended 31 March 2009
	RM'000	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	23,200	24,476
Prepaid lease payments	1,924	1,948
Product development costs	8,888	8,122
Investment in joint venture	2,000	-
Deferred tax assets	99	88
<b>Total non-current assets</b>	<b>36,111</b>	<b>34,634</b>
<b>Current assets</b>		
Inventories	22,765	30,969
Trade and other receivables	35,594	40,807
Other assets	1,279	1,584
Current tax assets	1,697	1,435
Short-term deposits with licensed banks	22,417	18,960
Cash and bank balances	14,917	11,619
<b>Total current assets</b>	<b>98,669</b>	<b>105,374</b>
<b>Total assets</b>	<b>134,780</b>	<b>140,008</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	85,000	85,000
Reserves	9,245	12,854
Retained earnings	15,489	15,438
<b>Total equity</b>	<b>109,734</b>	<b>113,292</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,439	1,145
Long-term loan	-	-
<b>Total non-current liabilities</b>	<b>1,439</b>	<b>1,145</b>
<b>Current liabilities</b>		
Trade and other payables	21,377	22,493
Long-term loan	1,352	1,438
Current tax liabilities	878	1,640
<b>Total current liabilities</b>	<b>23,607</b>	<b>25,571</b>
<b>Total liabilities</b>	<b>25,046</b>	<b>26,716</b>
<b>Total equity and liabilities</b>	<b>134,780</b>	<b>140,008</b>
Net assets per share (RM)	1.29	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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**SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2009**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 SEPTEMBER 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			(3,591)			(3,591)
Share-based payment forfeited				(18)	18	-
Net profit/(loss) after tax for the period					33	33
Recognition of share-based payment						-
Dividends						-
Balance as of 30 September 2009	85,000	7,504	1,546	195	15,489	109,734

*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.*

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**SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2009**

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

	<b>Individual Quarter</b>	
	<b>Current year quarter ended 30 September 2009 RM'000</b>	<b>Preceding year corresponding quarter ended 30 September 2008 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	409	(2,235)
Adjustments for :		
Depreciation of property, plant and equipment	2,143	2,370
Amortisation of development costs	924	977
Allowance for doubtful debts	-	-
Impairment loss of property, plant and equipment	-	-
Product development cost written off	75	-
Interest expenses	68	79
Amortisation of prepaid lease payments	24	24
Property, plant and equipment written off	-	-
Equity-settled share-based payment	-	-
Unrealised loss/(gain) on foreign exchange	(3,748)	(2,585)
Interest income	(162)	(317)
(Gain)/Loss on disposal of property, plant and equipment	26	24
Inventories written off	-	24
Other non-cash items	-	(21)
Operating profit before working capital changes	(241)	(1,660)
(Increase) / Decrease in:		
Inventories	8,205	(8,793)
Trade and other receivables	4,316	(1,308)
Other assets	304	(4,023)
Increase / (Decrease) in:		
Trade and other payables	(1,140)	2,954
Cash generated from operations	11,444	(12,830)
Tax refunded	20	-
Tax paid	(1,045)	(784)
<b>Net cash( used in)/generated from operating activities</b>	<b>10,419</b>	<b>(13,614)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	79	380
Interest received	179	317
Purchase of property, plant and equipment	(1,339)	(2,317)
Payment of capitalised development costs	(1,809)	(2,131)
Investment in joint venture	(2,000)	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(4,890)</b>	<b>(3,751)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(187)	(206)
Interest paid	(68)	(79)
<b>Net cash (used in)/generated from financing activities</b>	<b>(255)</b>	<b>(285)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,274</b>	<b>(17,650)</b>
Effect of foreign exchange rate changes	1,481	4,029
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>30,579</b>	<b>31,781</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>37,334</b>	<b>18,160</b>
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	22,417	10,786
Cash and bank balances	14,917	7,374
	<b>37,334</b>	<b>18,160</b>

*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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**SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2009**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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.

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**SECOND QUARTER REPORT ENDED 30 SEPTEMBER 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 25 September 2009, 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 September 2009.

**8. DIVIDENDS PAID**

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

**9. SEGMENT REPORTING**

**Cumulative quarter  
ended 30 September 2009**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>Revenue</b>					
External sales	-	31,641	29,700		61,341
Inter-segment sales	6,461	28,043	21,730	(56,234)	-
Total revenue	<u>6,461</u>	<u>59,684</u>	<u>51,430</u>	<u>(56,234)</u>	<u>61,341</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>Results</b>					
Profit from operations	3,581	(573)	(593)	(2,100)	315
Investment revenue	39	123			162
Finance cost					<u>(68)</u>
Profit/(loss) before tax					409
Income tax expense					<u>(376)</u>
Profit/(loss) after tax					<u>33</u>

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**SECOND QUARTER REPORT ENDED 30 SEPTEMBER 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**

There were no material events subsequent to the current financial quarter ended 30 September 2009 up to the date of this report.

**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 3,750,000 has been remitted to IQD as paid-up capital.

On 28 August 2009, the Company entered into a Joint Venture Agreement with SemiLEDs Optoelectronics Co. Ltd. to form a joint venture company, 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. SILQ (Malaysia) Sdn. Bhd. was incorporated on 2 Sep 2009 in Malaysia. The issued and paid up share capital is RM4 million comprising 4,000,000 ordinary shares of RM1.00 each of which the Company holds 2,000,000 ordinary shares of RM1.00 each, representing 50% of the issued and paid up share capital. The balance of 2,000,000 ordinary shares of RM1.00 each is held by SemiLEDs Optoelectronics Co. Ltd., representing 50% of the issued and 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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**SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2009**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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 RM1.02 million or 3.3% as compared to the second quarter ended 30 September 2008.

The Group recorded a loss before taxation of RM0.71 million for the quarter under review. This represents an improvement in profit by RM0.35 million or 32.9% as compared to the second quarter ended 30 September 2008. This was due to the lower operating expenses by RM0.95 million in the current quarter, mainly as a result of the streamlining in the operation of the UK subsidiary.

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

The Group's revenue for the current quarter was RM31.81 million, representing an increase of RM2.28 million or 7.7% as compared to that of the immediate preceding quarter ended 30 June 2009.

Despite increase in sales, the Group's profit before taxation for the current quarter decreased by RM1.84 million as compared to that of the immediate preceding quarter. This was mainly due to foreign exchange losses amounting RM0.97 million in the current quarter as compared to foreign exchange gain of RM2.48 million in the immediate preceding quarter. Out of this foreign exchange loss of RM0.97 million, RM0.92 million is related to realised foreign exchange loss and RM0.05 million is related to unrealised foreign exchange loss.

**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 Sep 2009 RM'000	Current year- to-date ended 30 Sep 2009 RM'000
Estimated income tax expense:		
Current tax expense	(171)	110
Under/(over)-provision in prior year	(23)	(23)
Deferred tax	76	289
	<u>(118)</u>	<u>376</u>

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 over-provision of income tax in previous quarter and prior year. The Group's financial year to-date income tax 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.



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**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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**9. GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowing as of 30 September 2009 are as follows:

	RM	Quarter ended 30 Sep 2009	Included in the total borrowings are amounts denominated in foreign currency GBP
Bank borrowings:			
Current/short term portion	1,351,960		242,757
Non-current/long term portion	-		-
	<u>1,351,960</u>		<u>242,757</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 September 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 Sep 2009	Current year- to-date ended 30 Sep 2009
Net profit/(loss) for the period (RM'000)	<u>(595)</u>	<u>33</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,000</u>	<u>85,000</u>
Basic earnings/(loss) per share (sen)	<u>(0.70)</u>	<u>0.04</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.