

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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE QUARTER ENDED 31 MARCH 2010**

	<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 12 months ended</b>	<b>Preceding year corresponding period of 12 months ended</b>
	<b>31 March 2010 RM'000</b>	<b>31 March 2009 RM'000</b>	<b>31 March 2010 RM'000</b>	<b>31 March 2009 RM'000</b>
Revenue	36,970	43,442	132,760	151,935
Investment revenue	89	(58)	332	378
Other gains and losses	(5,106)	1,621	(4,119)	(5,417)
Changes in inventories of finished goods and work-in-progress	8,250	(6,928)	2,781	(5,004)
Raw materials and consumables used	(21,750)	(17,813)	(58,632)	(68,742)
Purchase of trading goods	(6,622)	1,219	(13,510)	(7,718)
Employee benefits expense	(10,184)	(6,743)	(29,173)	(25,349)
Depreciation of property, plant and equipment	(1,151)	(1,428)	(4,730)	(5,167)
Impairment loss on property, plant and equipment	(1,675)	-	(1,675)	-
Amortisation of prepaid lease payments	(12)	(12)	(48)	(48)
Amortisation of development costs	(631)	(530)	(2,045)	(2,138)
Finance costs	(15)	(30)	(90)	(139)
Other operating expenses	(11,961)	(13,354)	(33,471)	(34,696)
Share of profit/(loss) of joint venture	(232)	-	(357)	-
Profit/(loss) before tax	<u>(14,030)</u>	<u>(614)</u>	<u>(11,977)</u>	<u>(2,105)</u>
Income tax expense	481	(189)	564	2
Net profit/(loss) after tax for the period	<u><u>(13,549)</u></u>	<u><u>(803)</u></u>	<u><u>(11,413)</u></u>	<u><u>(2,103)</u></u>
Basic earnings per ordinary share (sen)	(15.94)	(0.94)	(13.43)	(2.47)
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.*

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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

	As at end of current quarter 31 March 2010	Audited as at preceding financial year ended 31 March 2009
	RM'000	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	19,958	24,476
Prepaid lease payments	1,900	1,948
Product development costs	6,709	8,122
Investment in joint venture	1,642	-
Deferred tax assets	20	88
<b>Total non-current assets</b>	<b>30,229</b>	<b>34,634</b>
<b>Current assets</b>		
Inventories	35,557	30,969
Trade and other receivables	41,269	40,807
Other assets	1,792	1,584
Current tax assets	3,019	1,435
Short-term deposits with licensed banks	7,863	18,960
Cash and bank balances	14,101	11,619
<b>Total current assets</b>	<b>103,601</b>	<b>105,374</b>
<b>Total assets</b>	<b>133,830</b>	<b>140,008</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	85,000	85,000
Reserves	8,003	12,854
Retained earnings	4,044	15,438
<b>Total equity</b>	<b>97,047</b>	<b>113,292</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	981	1,145
Long-term loan	-	-
<b>Total non-current liabilities</b>	<b>981</b>	<b>1,145</b>
<b>Current liabilities</b>		
Trade and other payables	33,361	22,493
Long-term loan	-	1,438
Short-term loan	1,530	-
Current tax liabilities	911	1,640
<b>Total current liabilities</b>	<b>35,802</b>	<b>25,571</b>
<b>Total liabilities</b>	<b>36,783</b>	<b>26,716</b>
<b>Total equity and liabilities</b>	<b>133,830</b>	<b>140,008</b>
Net assets per share (RM)	1.14	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.*

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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 MARCH 2010**

	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			(4,832)			(4,832)
Share-based payment forfeited				(19)	19	-
Net profit/(loss) after tax for the period					(11,413)	(11,413)
Recognition of share-based payment						-
Dividends						-
Balance as of 31 March 2010	85,000	7,504	305	194	4,044	97,047
Balance as of 1 April 2008	85,000	7,504	(3,175)	194	17,541	107,064
Prior year adjustment - Others						-
Exchange difference on translation of net assets of foreign subsidiary companies			8,312			8,312
Net profit/(loss) after tax for the period					(2,103)	(2,103)
Recognition of share-based payment				19		19
Dividends						-
Balance as of 31 March 2009	85,000	7,504	5,137	213	15,438	113,292

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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE QUARTER ENDED 31 MARCH 2010**

	Individual Quarter	
	Current year quarter ended 31 March 2010 RM'000	Preceding year corresponding quarter ended 31 March 2009 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	(11,977)	(2,105)
Adjustments for :		
Depreciation of property, plant and equipment	4,730	5,167
Allowance for slow moving inventories		2,352
Amortisation of development costs	2,045	2,138
Allowance for doubtful debts		624
Impairment loss of property, plant and equipment	1,675	579
Product development cost written off	811	418
Interest expenses	90	139
Amortisation of prepaid lease payments	48	48
Property, plant and equipment written off	1,050	38
Equity-settled share-based payment	-	19
Unrealised loss/(gain) on foreign exchange	(3,312)	(6,271)
Interest income	(332)	(378)
(Gain)/Loss on disposal of property, plant and equipment	25	(79)
Inventories written off	-	
Share of profit/(loss) of joint venture	357	
Other non-cash items		
Operating profit before working capital changes	<u>(4,790)</u>	<u>2,689</u>
(Increase) / Decrease in:		
Inventories	(4,588)	3,105
Trade and other receivables	(2,684)	7,342
Other assets	(208)	555
Increase / (Decrease) in:		
Trade and other payables	10,874	(8,535)
Cash generated from operations	<u>(1,396)</u>	<u>5,156</u>
Tax refunded	20	2,030
Tax paid	(1,262)	(1,290)
<b>Net cash( used in)/generated from operating activities</b>	<u>(2,638)</u>	<u>5,896</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	1,829	443
Interest received	343	377
Purchase of property, plant and equipment	(5,741)	(4,401)
Payment of capitalised development costs	(1,502)	(3,287)
Investment in joint venture	(2,000)	-
<b>Net cash (used in)/generated from investing activities</b>	<u>(7,071)</u>	<u>(6,868)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(1,366)	(393)
Proceeds from bank borrowings	1,529	
Interest paid	(90)	(139)
<b>Net cash (used in)/generated from financing activities</b>	<u>73</u>	<u>(532)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(9,636)</u>	<u>(1,504)</u>
Effect of foreign exchange rate changes	1,021	302
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>30,579</u>	<u>31,781</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>21,964</u></u>	<u><u>30,579</u></u>
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	7,863	18,960
Cash and bank balances	14,101	11,619
	<u><u>21,964</u></u>	<u><u>30,579</u></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.*

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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2010**

**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)**  
(Incorporated in Malaysia under the Companies Act, 1965)

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

**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 31 March 2010.

**8. DIVIDENDS PAID**

No interim dividend was paid by the Company for the quarter ended 31 March 2010.

**9. SEGMENT REPORTING**

**Cumulative quarter ended  
31 March 2010**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>Revenue</b>					
External sales	-	70,094	62,666		132,760
Inter-segment sales	10,924	71,116	65,499	(147,539)	-
Total revenue	<u>10,924</u>	<u>141,210</u>	<u>128,165</u>	<u>(147,539)</u>	<u>132,760</u>
<b>Results</b>					
Profit from operations	4,783	(17,500)	5,149	(4,294)	(11,862)
Investment revenue	54	276			332
Finance cost					(90)
Share of profit/(loss) of joint venture					<u>(357)</u>
Profit/(loss) before tax					(11,977)
Income tax expense					564
Profit/(loss) after tax					<u><u>(11,413)</u></u>

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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

**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 31 March 2010 up to the date of this report.

**12. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current quarter.

**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.

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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2010**

**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 RM6.47 million or 14.9% as compared to the fourth quarter ended 31 March 2009. The decrease was mainly due to changes in pricing structure for the UK customers as a result of change in the UK trading to a direct supply model.

The Group recorded a loss before taxation of RM14.03 million for the quarter under review. The Group loss before tax for the quarter increased by RM13.42 million as compared to the fourth quarter ended 31 March 2009. This was due to the higher operating expenses by RM5.14 million in the current quarter, mainly due to associated one time costs related to the decision to consolidate two manufacturing plants in China which will result in closure of one of the China plant. The Directors have included their best estimates of the costs to close the business of the subsidiary company. This includes redundancy compensations to employees amounting to RM3.46 million, Factory tenancy exit penalty of RM0.51 million and impairment losses from property, plant, equipment and inventories of RM6.5 million.

Moreover, due to the strengthening of Ringgit Malaysia against US Dollar, the Group incurred foreign exchange loss of RM3.01 million in the current quarter as compared to foreign exchange gain of RM1.86 million in fourth quarter ended 31 March 2009.

In summary, should we exclude the above associated one time costs related to the consolidation of the China factories, the Group's trading loss for the financial year ended 31 Mar 2010 was RM0.95 million as shown below.

	Current year- to-date ended 31 Mar 2010 RM'000
Group reported profit / (loss)	(11,413)
Add: Redundancy Compensations to employees	3,458
Add: Tenancy exit penalty	505
Add: Impairment losses from property, plant, equipment and inventories	6,497
Group trading profit/(loss)	<u><u>(953)</u></u>

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

The Group's revenue for the current quarter was RM36.97 million, representing an increase of RM2.52 million or 7.3% as compared to that of the immediate preceding quarter ended 31 December 2009.

The Group recorded a loss before taxation of RM14.03 million for the quarter under review. This represents a decrease of RM15.67 million as compared to that of the immediate preceding quarter. Despite increase in sales, the profit decreased mainly due to the associated one time cost related to the decision to consolidate the two China factories as explained in Note (1) above and foreign exchange loss amounting RM3.01 million in the current quarter. The Group trading loss for the quarter ended 31 Mar 2010 was RM3.09 million as shown below.

	Quarter ended 31 Mar 2010 RM'000
Group reported profit / (loss)	(13,549)
Add: Redundancy Compensations to employees	3,458
Add: Tenancy exit penalty	505
Add: Impairment losses from property, plant, equipment and inventories	6,497



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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

Group trading profit (3,089)

**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 2010 RM'000	Current year- to-date ended 31 Mar 2010 RM'000
Estimated income tax expense:		
Current tax expense	(18)	73
Under/(over)-provision in prior year	(126)	(547)
Deferred tax	<u>(337)</u>	<u>(90)</u>
	<u><u>(481)</u></u>	<u><u>(564)</u></u>

The Group's income tax for the current quarter and financial year to-date 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.

**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**

There were no corporate proposals announced but not completed as at the date of issue of this interim financial report.

**9. GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowing as of 31 Mar 2010 are as follows:

	Quarter ended 31 Mar 2010	Included in the total borrowings are amounts denominated in foreign currency
	RM	RMB
Bank borrowings:		
Current/short term portion	1,529,280	3,200,000

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

**FOURTH QUARTER REPORT ENDED 31 MARCH 2010**

Non-current/long term portion	-	-
	<u>1,529,280</u>	<u>3,200,000</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 March 2010.

**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 2010	Current year- to-date ended 31 Mar 2010
Net profit/(loss) for the period (RM'000)	<u>(13,549)</u>	<u>(11,413)</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>(15.94)</u>	<u>(13.43)</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.