

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

THIRD QUARTER REPORT ENDED 31 DECEMBER 2012

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2012**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 9 months ended	Preceding year corresponding period of 9 months ended
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	33,504	36,499	103,635	113,945
Investment revenue	42	49	115	112
Other gains and losses	(560)	(25)	(1,188)	4,010
Changes in inventories of finished goods and work-in-progress	(9)	(311)	(993)	(2,368)
Raw materials and consumables used	(13,713)	(15,222)	(41,396)	(45,413)
Purchase of trading goods	(5,197)	(7,643)	(13,624)	(19,190)
Employee benefits expense	(8,380)	(7,557)	(24,641)	(23,822)
Depreciation and amortisation of non-current assets	(1,898)	(1,448)	(5,291)	(3,847)
Finance costs	(67)	(102)	(228)	(286)
Other operating expenses	(3,948)	(6,169)	(15,555)	(19,327)
Share of results of jointly controlled entity	(78)	(6)	(505)	(561)
Profit/(loss) before tax	(304)	(1,935)	329	3,253
Tax income/(expense)	(2)	804	(473)	245
Profit/(loss) for the period	(306)	(1,131)	(144)	3,498
Basic earnings/(loss) per ordinary share (sen)	(0.36)	(1.33)	(0.17)	4.12
Diluted earnings/(loss) 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 2012 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2012**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 9 months ended	Preceding year corresponding period of 9 months ended
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the period	(306)	(1,131)	(144)	3,498
Exchange differences on translating foreign operations	(137)	(256)	1,637	(363)
Total comprehensive income/(loss) for the period	<u>(443)</u>	<u>(1,387)</u>	<u>1,493</u>	<u>3,135</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at end of current quarter 31 December 2012 Unaudited RM'000	As at preceding financial year ended 31 March 2012 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	16,401	17,256
Prepaid lease payments on leasehold land	1,766	1,803
Product development costs	9,386	9,203
Interest in a jointly controlled entity	1,437	1,941
Deferred tax assets	374	385
Total non-current assets	29,364	30,588
Current assets		
Inventories	31,892	32,270
Trade and other receivables	38,779	42,984
Other financial assets	33	114
Current tax assets	700	544
Other assets	2,685	1,945
Short-term deposits with licensed banks	1,529	3,071
Cash and bank balances	14,388	6,850
Total current assets	90,006	87,778
Total assets	119,370	118,366
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	85,000	85,000
Reserves	2,791	1,123
Retained earnings/(accumulated losses)	(3,225)	(3,051)
Total equity	84,566	83,072
Non-current liabilities		
Deferred tax liabilities	945	912
Total non-current liabilities	945	912
Current liabilities		
Trade and other payables	31,710	28,872
Bank borrowings	1,399	4,198
Current tax liabilities	750	1,312
Total current liabilities	33,859	34,382
Total liabilities	34,804	35,294
Total equity and liabilities	119,370	118,366
Net assets per share (RM)	0.99	0.98

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2012 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 NINE MONTHS ENDED 31 DECEMBER 2012**

	Non-Distributable					Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Share Option Reserve RM'000	Legal Reserve RM'000	Retained Earnings RM'000	
Balance as of 1 April 2012	85,000	7,504	(6,525)	145	-	(3,051)	83,073
Profit for the year						(144)	(144)
Other comprehensive income/(loss) for the period			1,637				1,637
Total comprehensive income/(loss) for the period			1,637			(144)	1,493
Transactions with owners:							
Share-based payment forfeited						-	-
Recognition of share-based payment							-
Appropriation to reserve on dividends paid by subsidiary					30	(30)	-
Balance as of 31 December 2012	85,000	7,504	(4,888)	145	30	(3,225)	84,566
Balance as of 1 April 2011	85,000	7,504	(901)	183	-	(9,374)	82,412
Profit for the year						3,498	3,498
Other comprehensive income/(loss) for the period			(363)				(363)
Total comprehensive income/(loss) for the period			(363)			3,498	3,135
Share-based payment forfeited				(17)		17	-
Balance as of 31 December 2011	85,000	7,504	(1,264)	166	-	(5,859)	85,547

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE NINE MONTHS ENDED 31 DECEMBER 2012**

	Individual Quarter	
	Current year quarter ended 31 December 2012 RM'000	Preceding year corresponding quarter ended 31 December 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	329	3,253
Adjustments for :		
Depreciation and amortisation of non-current assets	5,291	3,847
Interest expenses recognised in profit and loss	228	286
Unrealised (gain)/loss on foreign exchange	438	(856)
Interest revenue recognised in profit and loss	(69)	(25)
(Gain)/Loss on disposal of property, plant and equipment	(44)	31
Unrealised (gain)/loss arising from forward contract	82	114
Share of results of jointly controlled entity	505	561
Operating profit/(loss) before working capital changes	6,760	7,211
(Increase) / Decrease in:		
Inventories	378	(1,035)
Trade and other receivables	3,667	1,397
Other assets	(739)	(4,056)
Increase / (Decrease) in:		
Trade and other payables	2,937	3,635
Cash generated from operations	13,003	7,152
Tax refunded	-	1,904
Tax paid	(1,173)	(1,092)
Net cash (used in)/generated from operating activities	11,830	7,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	240	1,920
Interest received	69	25
Addition to property, plant and equipment	(2,156)	(3,833)
Addition to capitalised development costs	(2,553)	(1,222)
Short-term deposits held as security value	1,541	
Investment in a jointly controlled entity	-	(2,000)
Net cash (used in)/generated from investing activities	(2,859)	(5,110)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(2,823)	-
Proceeds from bank borrowings	-	19
Interest paid	(228)	(286)
Net cash (used in)/generated from financing activities	(3,051)	(267)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,920	2,587
Effect of foreign exchange rate changes	1,618	(1,723)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,850	7,118
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,388	7,982
Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount:		
Short term deposits with licensed banks	1,529	3,168
Cash and bank balances	14,388	7,982
	15,917	11,150
Less: Short-term deposits pledged as security value	(1,529)	(3,168)
	14,388	7,982

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2012

PART A : EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134 - INTERIM FINANCIAL REPORTING

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with MFRS 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 2012 except for the accounting policy changes that are expected to be reflected in financial statement for the year ended 31 March 2013.

The preparation of an interim financial report in conformity with MFRS 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.

At the transition date, the Group reviewed its accounting policies and the adoption of MFRS has no significant impact on the financial statements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2012.

2. CHANGES IN ACCOUNTING POLICIES

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRS were issued but not yet effective and have not been applied by the Group.

MFRS and Amendments to MFRS		Effective for annual period beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

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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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 21 September 2012, 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 2012.

8. DIVIDENDS PAID

No interim dividend was paid by the Company for the quarter ended 31 December 2012.

9. SEGMENT REPORTING

**Cumulative quarter ended
31 December 2012**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Revenue					
External revenue	-	74,480	29,155		103,635
Inter-segment revenue	11,591	49,785	61,516	(122,892)	-
Total revenue	11,591	124,265	90,671	(122,892)	103,635
Results					
Profit/(loss) from operations	6,191	10,592	(9,146)	(6,690)	947
Investment revenue	88	10	17		115
Finance cost					(228)
Share of results of jointly controlled entity					(505)
Profit/(loss) before tax					329
Income tax income/(expense)					(473)
Profit/(loss) after tax					(144)

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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 December 2012 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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2012

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 RM2.99 million or 8.2% as compared to the third quarter ended 31 December 2011, mainly due to new products launched during the preceding year.

The Group recorded a loss before taxation of RM0.30 million for the quarter under review, representing a decrease in loss by RM1.63 million as compared to that of the preceding year quarter. Despite the decrease in revenue, the loss before tax decreased mainly due to the reduction in operating expenses by RM1.29 million as a result of the completion of group's restructuring plan to turnaround the business.

The performance of the respective operating segments are analysed as follows:-

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended 31 December 2012 RM'000	Preceding year corresponding quarter ended 31 December 2011 RM'000	Current year to-date for 9 months ended 31 December 2012 RM'000	Preceding year corresponding period of 9 months ended 31 December 2011 RM'000
<u>Revenue</u>				
Investment holding	8,186	1,444	11,591	4,608
Manufacturing	40,479	37,196	124,265	116,936
Trading	32,916	39,216	90,671	110,328
<u>Profit before tax</u>				
Investment holding	6,733	671	6,219	3,816
Manufacturing	8,499	23,817	10,434	25,556
Trading	(8,861)	(2,797)	(9,129)	(2,402)

Investment Holdings

Q3 FY2013 vs. Q3 FY2012

The investment holdings segment profit increased by RM6.06 million in the current quarter as compared to preceding year quarter, mainly due to gross dividends received from a wholly owned subsidiary of RM6.67 million. However, there was a waiver of debts owing by a wholly owned subsidiary of RM1.01 million in current quarter.

Q3 YTD FY2013 vs. Q3 YTD FY2012

The investment holdings segment YTD profit increased by RM2.40 million, mainly due to dividends received from wholly owned subsidiaries of RM7.02 million. However, there was waiver of debts owing by a wholly owned subsidiary of RM1.01 million in current year period and a foreign exchange loss of RM1.26 thousand in current period as compared to foreign exchange gain of RM1.53 million in preceding year period. In the preceding year, there was debts waiver received from a wholly owned subsidiary of RM1.53 million upon its liquidation.

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Manufacturing

Q3 FY2013 vs. Q3 FY2012

The manufacturing segment profit decreased by RM15.32 million. There was debts waiver of RM10.5 million received by a manufacturing subsidiary company from a related company in current quarter as compared to debts waiver of RM25 million received by a manufacturing subsidiary company from its related companies within the group in preceeding year quarter.

Q3 YTD FY2013 vs. Q3 YTD FY2012

The manufacturing segment YTD profit decreased by RM15.12 million. Despite increase in revenue, the profit decreased mainly due to debts waiver of RM10.5 million received by a manufacturing subsidiary company in current year period as compared to debts waiver of RM25 million received by a manufacturing subsidiary company in preceding year period. Moreover, there was a foreign exchange loss of RM0.71 million in current period as compared to foreign exchange gain of RM3.15 million in preceding year period.

Trading

Q3 FY2013 vs. Q3 FY2012

The trading segment loss increased by RM6.06 million mainly due to decrease in revenue and waiver of debts owing by a manufacturing subsidiary company to a trading subsidiary in current quarter. Moreover, there was a foreign exchange loss of RM0.36 million in the current quarter as compared to foreign exchange loss of RM0.07 million in preceding year quarter.

Q3 YTD FY2013 vs. Q3 YTD FY2012

The trading segment YTD profit decreased by RM6.73 million, mainly due to decrease in revenue and waiver of debts owing by a manufacturing subsidiary company to a trading subsidiary company in current year period.

2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's revenue for the current quarter was RM33.50 million, representing a decrease of RM3.59 million or 9.7% as compared to that of the immediate preceding quarter ended 30 September 2012.

The Group recorded a loss before taxation of RM0.30 million for the quarter under review, representing a decrease in profit by RM0.11 million as compared to that of the immediate preceding quarter. This was mainly due to decrease in gross profit as a result of decrease in revenue.

3. COMMENTARY ON PROSPECTS

Initiatives to grow the business continue. The Group continues to be exposed to the impact from foreign currency fluctuations. But notwithstanding this exchange rate challenge, barring any unforeseen circumstances, the Directors are confident that the business turnaround plan will enhance group's performance in the future and the future outlook of the group will be positive.

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.

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5. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 31 Dec 2012 RM'000	Current year- to-date ended 31 Dec 2012 RM'000
Interest income	(42)	(115)
Other income including investment income	(215)	154
Interest expense	67	228
Depreciation and amortisation	1,898	5,291
Provision for and written off of receivables *	-	-
Provision for and written off of inventories *	-	-
(Gain)/loss on disposal of quoted/unquoted investments		
(Gain)/Loss on disposal of properties *	-	-
Impairment of assets *	-	-
Foreign exchange (gain) or loss	775	1,034
(Gain) or loss on derivatives *	-	-
Exceptional item charged / (credited) *	-	-

* Not applicable during the period

6. INCOME TAX EXPENSE

	Quarter ended 31 Dec 2012 RM'000	Current year- to-date ended 31 Dec 2012 RM'000
Estimated income tax expense:		
Current tax expense/(income)	386	432
Under/(over)-provision in prior quarter/ year	(35)	7
Deferred tax	(349)	34
	<u>2</u>	<u>473</u>

The Group's current quarter income tax reflects an effective tax rate which is lower than the statutory income tax rate mainly due to decrease in deferred tax liability. 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 losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

7. DISCLOSURE ON REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained earnings/(accumulated losses) are as follows:

	As at 31 Dec 2012 RM'000	As at 30 Sep 2012 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries		
Realised	43,440	44,184
Unrealised	(2,254)	(2,720)
	<u>41,186</u>	<u>41,464</u>
Total share of accumulated losses from jointly controlled entity		
Realised	(2,533)	(2,463)
Unrealised	(30)	(23)
	<u>(2,563)</u>	<u>(2,486)</u>
Add: Consolidation adjustments	(41,848)	(41,901)
Total Group retained earnings/(accumulated losses)	<u>(3,225)</u>	<u>(2,923)</u>

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as per statement of financial position

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 December 2012 are as follows:

	Included in the total borrowings are amounts denominated in foreign currency RMB	Quarter ended 31 Dec 2012 RM
Bank borrowings:		
Short term - unsecured	<u>2,850,000</u>	<u>1,398,780</u>

10. FINANCIAL INSTRUMENTS

As at 31 December 2012, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivables in US Dollar are as follows:

	Contract value USD'000	Notional value RM'000	Financial assets carried at fair value RM'000
Forward Foreign Currency Contracts			
Less than 1 year	<u>500</u>	<u>1,562</u>	<u>33</u>

Financial instruments are classified as Financial assets/liabilities at fair value through profit or loss (FVTPL).

Financial assets/liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other gains and losses" line item in the statement of comprehensive income.

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 2012.

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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 2012	Current year- to-date ended 31 Dec 2012
Net profit/(loss) for the period (RM'000)	<u>(306)</u>	<u>(144)</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>(0.36)</u>	<u>(0.17)</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.

Date: 25 February 2013