

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

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 6 months ended	Preceding year corresponding period of 6 months ended
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Revenue	52,457	51,529	109,197	90,355
Investment revenue	37	33	60	67
Other gains and losses	1,145	196	516	499
Changes in inventories of finished goods and work-in-progress	88	(280)	(411)	2,061
Raw materials and consumables used	(20,093)	(20,474)	(40,402)	(34,335)
Purchase of trading goods	(7,820)	(5,957)	(15,454)	(13,617)
Employee benefits expense	(9,896)	(8,993)	(19,904)	(18,197)
Depreciation and amortisation of non-current assets	(1,461)	(1,719)	(2,970)	(3,362)
Finance costs	(2)	(13)	(6)	(37)
Other operating expenses	(6,519)	(6,437)	(13,954)	(13,439)
Share of results of jointly controlled entity	-	(208)	-	(435)
Profit/(loss) before tax	7,936	7,677	16,672	9,560
Tax income/(expense)	(1,706)	(919)	(3,078)	(1,281)
Profit/(loss) for the period	6,230	6,758	13,594	8,279
Profit/(loss) for the period attributable to:				
Owners of the Company	6,349	6,758	13,815	8,279
Non-controlling interests	(119)	-	(221)	-
	6,230	6,758	13,594	8,279
Earnings/(loss) per ordinary share attributable to owners of the Company (sen):				
Basic	7.45	7.95	16.16	9.74
Diluted	7.44	N/A	16.12	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 6 months ended	Preceding year corresponding period of 6 months ended
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the period	6,230	6,758	13,594	8,279
Exchange differences on translating foreign operations	568	699	868	1,815
Total comprehensive income/(loss) for the period	6,798	7,457	14,462	10,094
Total comprehensive income/(loss) attributable to:				
Owners of the Company	6,917	7,457	14,683	10,094
Non-controlling interests	(119)	-	(221)	-
	6,798	7,457	14,462	10,094

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at end of current quarter 30 September 2014 Unaudited RM'000	As at preceding financial year ended 31 March 2014 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,190	15,617
Prepaid lease payments on leasehold land	1,682	1,706
Product development costs	7,976	7,380
Deferred tax assets	753	1,040
Goodwill on consolidation	279	101
Total non-current assets	25,880	25,844
Current assets		
Inventories	41,523	39,409
Trade and other receivables	64,239	45,219
Other financial assets	463	85
Current tax assets	-	10
Other assets	6,066	5,956
Cash and bank balances	17,592	20,927
Total current assets	129,883	111,606
Total assets	155,763	137,450
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	85,473	85,030
Reserves	3,563	2,710
Retained earnings/(accumulated losses)	22,611	8,772
Total equity attributable to Owners of the Company	111,647	96,512
Non-controlling interest	607	611
Total equity	112,254	97,123
Non-current liabilities		
Deferred tax liabilities	1,431	1,452
Deferred revenue	133	132
Total non-current liabilities	1,564	1,584
Current liabilities		
Trade and other payables	37,975	36,405
Borrowings	-	198
Other financial liabilities	300	-
Tax liabilities	3,605	2,008
Deferred revenue	65	132
Total current liabilities	41,945	38,743
Total liabilities	43,509	40,327
Total equity and liabilities	155,763	137,450
Net assets per share attributable to owners of the Company (RM)	1.31	1.14

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	< -----Attributable to owners of the Company ----->							
	Non-Distributable					Distributable		
	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	Non- controlling interest RM'000	Total RM'000
Balance as of 1 April 2014	85,030	7,504	(5,231)	409	28	8,772	611	97,123
Profit for the year						13,815	(221)	13,594
Other comprehensive income/(loss) for the period			868					868
Total comprehensive income/(loss) for the period			<u>868</u>			<u>13,815</u>	<u>(221)</u>	<u>14,462</u>
Transactions with owners of the Company:								
Share-based payment forfeited				(1)		1		-
Share-based payment exercised				(64)		64		-
Recognition of share-based payment								-
Non-controlling interest arising on the acquisition of subsidiary							217	217
Issue of ordinary shares under employee share option scheme	443	9						452
Appropriation to reserve on dividends paid by subsidiary					41	(41)		-
Balance as of 30 September 2014	<u>85,473</u>	<u>7,513</u>	<u>(4,363)</u>	<u>344</u>	<u>69</u>	<u>22,611</u>	<u>607</u>	<u>112,254</u>
Balance as of 1 April 2013	85,000	7,504	(5,875)	145	28	(2,455)	-	84,347
Profit for the year						8,279		8,279
Other comprehensive income/(loss) for the period			1,815					1,815
Total comprehensive income/(loss) for the period			<u>1,815</u>			<u>8,279</u>		<u>10,094</u>
Share-based payment forfeited				(2)		2		-
Transfer to legal reserve						-		-
Balance as of 30 September 2013	<u>85,000</u>	<u>7,504</u>	<u>(4,060)</u>	<u>143</u>	<u>28</u>	<u>5,826</u>	<u>-</u>	<u>94,441</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Individual Quarter	
	Current year quarter ended 30 September 2014 RM'000	Preceding year corresponding quarter ended 30 September 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	13,594	8,279
Adjustments for :		
Depreciation and amortisation of non-current assets	2,970	3,362
Tax expense recognised in profit or loss	3,078	1,281
Share of results of jointly controlled entity	-	435
Unrealised (gain)/loss on foreign exchange	(777)	(397)
Finance costs recognised in profit and loss	6	37
(Gain)/Loss on disposal of property, plant and equipment	1	273
Net fair value (gain)/loss on other financial asset	(78)	280
Interest revenue recognised in profit and loss	(45)	(37)
Operating profit/(loss) before working capital changes	18,749	13,513
(Increase) / Decrease in:		
Inventories	(2,114)	(5,724)
Trade and other receivables	(18,128)	(7,026)
Other assets	(110)	(2,690)
Increase / (Decrease) in:		
Trade and other payables	1,454	4,013
Deferred revenue	(65)	-
Cash generated from operations	(214)	2,086
Tax refunded	195	526
Tax paid	(1,394)	(613)
Net cash (used in)/generated from operating activities	(1,413)	1,999
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	81	97
Interest received	45	37
Purchase of property, plant and equipment	(1,325)	(1,203)
Addition to capitalised development costs	(1,782)	(720)
Net cash on acquisition of subsidiary	216	-
Net cash (used in)/generated from investing activities	(2,765)	(1,789)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	452	-
Repayment of borrowings	(198)	(184)
Interest paid	(6)	(37)
Net cash (used in)/generated from financing activities	248	(221)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,930)	(11)
Effect of foreign exchange rate changes	595	1,454
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,927	11,089
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17,592	12,532

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014

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 2014 except for the accounting policy changes that are expected to be reflected in financial statement for the year ended 31 March 2015.

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 2014.

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 (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)	To be announced by the Board
IC Int. 21 Levies	1 January 2014
Amendments to MFRS 9 and MFRS 7 Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities	1 January 2014
Amendments to MFRS 119 Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)	1 July 2014
Amendments to MFRS 132 Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)	1 January 2014
Amendments to MFRS 136 Impairment of Assets (Amendments relating to Recoverable Amount Disclosures for Non-Financial Assets)	1 January 2014
Amendments to MFRS 139 Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)	1 January 2014
Amendments to MFRS contained in the document entitled Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Amendments to MFRS contained in the document entitled Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014

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

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 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.

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. However, the seasonality factor became less obvious in recent years due to increase in the sales to the professional market.

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 2014, 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 issuance of 439,700 shares related to Employee share option scheme during the quarter. There were no 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 2014.

8. DIVIDENDS PAID

No interim dividend was paid by the Company for the quarter ended 30 September 2014.

9. SEGMENT REPORTING

**Cumulative quarter ended
30 September 2014**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Revenue					
External revenue	-	74,435	34,762		109,197
Inter-segment revenue	3,304	59,898	63,039	(126,241)	-
Total revenue	<u>3,304</u>	<u>134,333</u>	<u>97,801</u>	<u>(126,241)</u>	<u>109,197</u>
Results					
Profit/(loss) from operations	933	11,009	5,242	(566)	16,618
Investment revenue	45	15			60
Finance cost					<u>(6)</u>
Profit/(loss) before tax					16,672
Income tax income/(expense)					<u>(3,078)</u>
Profit/(loss) after tax					<u>13,594</u>

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

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

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 2014 up to the date of this report.

12. CHANGES IN THE COMPOSITION OF THE GROUP

On 3 November 2014, the Company's wholly owned subsidiary company, IQ Group Limited was officially struck off.

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)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014

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 RM0.93 million or 1.8% as compared to the second quarter ended 30 September 2013. The Group recorded a profit before taxation of RM7.94 million for the quarter under review, representing an increase in profit by RM0.26 million as compared to that of the preceding year quarter. This was due to improved sales performance, enhanced by higher foreign exchange gain of RM0.52 million in the current year quarter as compared to preceding year quarter.

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

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 6 months ended	Preceding year corresponding period of 6 months ended
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment holding	1,501	3,053	3,304	4,783
Manufacturing	64,832	60,072	134,333	106,319
Trading	46,602	43,263	97,801	81,417
Total	112,935	106,388	235,438	192,519
Eliminations	(60,478)	(54,859)	(126,241)	(102,164)
Revenue after eliminations	52,457	51,529	109,197	90,355
Profit/(loss) before tax				
Investment holding	447	2,051	977	2,640
Manufacturing	6,041	3,953	11,019	4,418
Trading	1,532	2,673	5,242	4,428
Total	8,020	8,677	17,238	11,486
Eliminations	(84)	(1,000)	(566)	(1,926)
Profit/(loss) before tax after eliminations	7,936	7,677	16,672	9,560

Investment Holdings

Q2 FY2015 vs. Q2 FY2014

The investment holdings segment profit decreased by RM1.6 million in the current quarter as compared to preceding year quarter, mainly due to dividends received from a wholly owned subsidiary of RM1.57 million in the preceding year quarter.

Q2 YTD FY2015 vs. Q2 YTD FY2014

The investment holdings segment YTD profit decreased by RM1.66 million, mainly due to the following:

- a. Dividends received from a wholly owned subsidiary of RM1.57 million in the preceding year quarter.
- b. Lower foreign exchange gain by RM0.41 million in the current year as compared to preceding year.

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

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

Manufacturing

Q2 FY2015 vs. Q2 FY2014

The manufacturing segment profit increased by RM2.09 million. The profit increased mainly due to the following:

- a. Higher gross profit as a result of higher revenue by RM4.76 million in current quarter
- b. Higher foreign exchange gain by RM0.26 million in the current year as compared to preceding year.

Q2 YTD FY2015 vs. Q2 YTD FY2014

The manufacturing segment YTD profit increased by RM6.6 million, mainly due to higher gross profit as a result of increase in revenue by RM28.0 million.

Trading

Q2 FY2015 vs. Q2 FY2014

Despite increase in revenue, the profit decreased by RM1.14 million in the current quarter as compared to preceding year quarter, mainly due to the decrease in gross margin as a result of change in sales model mixes.

Q2 YTD FY2015 vs. Q2 YTD FY2014

The trading segment YTD profit increased by RM0.81 million, mainly due to foreign exchange gain of RM0.38 million in the current quarter as compared to foreign exchange loss of RM0.3 million in preceding year quarter.

2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's revenue for the current quarter was RM52.46 million, representing a decrease of RM4.28 million or 7.5% as compared to that of the immediate preceding quarter ended 30 June 2014.

The Group recorded a profit before taxation of RM7.94 million for the quarter under review, representing a decrease in profit by RM0.8 million as compared to that of the immediate preceding quarter. This was mainly due to lower gross profit as a result of decrease in revenue in current quarter.

3. COMMENTARY ON PROSPECTS

As evident from the recent results, initiatives remain focused on driving business growth. Such current and emerging initiatives remain central to our considerations and as such the Directors are confident that the Group is well positioned to enjoy a positive business outlook.

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. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 30 Sep 2014 RM'000	Current year- to-date ended 30 Sep 2014 RM'000
Interest income	(37)	(60)
Other income including investment income	(505)	(507)
Interest expense	2	6
Depreciation and amortisation	1,461	2,970
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	(640)	(9)
(Gain) or loss on derivatives *	-	-

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

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2014

	Contract value	Notional value	Financial assets carried at fair value
	JPY'000	USD'000	RM'000
Forward Foreign Currency Contracts			
Less than 1 year	<u>209,266</u>	<u>2,053</u>	<u>463</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

As of the date of this announcement, the Board of Directors approved and declared an interim dividend of RM0.04 per share, exempt from income tax in respect of the financial year ending 31 March 2015. The dividend will be paid on 29 January 2015 to shareholders whose names appear in the Record of Depositors on 30 December 2014.

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 2014	Current year-to-date ended 30 Sep 2014
Profit/(loss) for the period attributable to the owners of the Company (RM'000)	<u>6,349</u>	<u>13,815</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,180</u>	<u>85,473</u>
Basic earnings/(loss) per share (sen)	<u>7.45</u>	<u>16.16</u>

b. Diluted earnings per share

	Current Quarter ended 30 Sep 2014	Current year-to-date ended 30 Sep 2014
Profit/(loss) for the period attributable to the owners of the Company (RM'000)	<u>6,349</u>	<u>13,815</u>
Weighted average number of ordinary shares in issue ('000)	<u>85,304</u>	<u>85,711</u>
Basic earnings/(loss) per share (sen)	<u>7.44</u>	<u>16.12</u>

Date: 26 November 2014