

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

FIRST QUARTER REPORT ENDED 30 JUNE 2015

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND THREE MONTHS ENDED 30 JUNE 2015**

	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 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Revenue	50,033	56,740	50,033	56,740
Investment revenue	155	23	155	23
Other gains and losses	1,175	(629)	1,175	(629)
Changes in inventories of finished goods and work-in-progress	(2,067)	(499)	(2,067)	(499)
Raw materials and consumables used	(18,369)	(20,309)	(18,369)	(20,309)
Purchase of trading goods	(4,894)	(7,634)	(4,894)	(7,634)
Employee benefits expense	(9,798)	(10,008)	(9,798)	(10,008)
Depreciation and amortisation of non-current assets	(1,595)	(1,509)	(1,595)	(1,509)
Finance costs	-	(4)	-	(4)
Other operating expenses	(6,205)	(7,435)	(6,205)	(7,435)
Profit/(loss) before tax	8,435	8,736	8,435	8,736
Tax income/(expense)	(2,160)	(1,372)	(2,160)	(1,372)
Profit/(loss) for the period	6,275	7,364	6,275	7,364
Profit/(loss) for the period attributable to:				
Owners of the Company	6,431	7,466	6,431	7,466
Non-controlling interests	(156)	(102)	(156)	(102)
	6,275	7,364	6,275	7,364
Earnings/(loss) per ordinary share attributable to owners of the Company (sen):				
Basic	7.36	8.78	7.36	8.78
Diluted	7.35	N/A	7.35	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 March 2015 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 2015

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND THREE MONTHS ENDED 30 JUNE 2015**

	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 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Net profit/(loss) for the period	6,275	7,364	6,275	7,364
Exchange differences on translating foreign operations	1,694	300	1,694	300
Total comprehensive income/(loss) for the period	<u>7,969</u>	<u>7,664</u>	<u>7,969</u>	<u>7,664</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	8,125	7,766	8,125	7,766
Non-controlling interests	(156)	(102)	(156)	(102)
	<u>7,969</u>	<u>7,664</u>	<u>7,969</u>	<u>7,664</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2015 and the accompanying explanatory notes attached to this interim financial report.

IQ GROUP HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at end of current quarter 30 June 2015 Unaudited RM'000	As at preceding financial year ended 31 March 2015 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	16,313	16,069
Prepaid lease payments on leasehold land	1,645	1,657
Product development costs	8,719	8,466
Deferred tax assets	990	974
Goodwill on consolidation	101	101
Total non-current assets	<u>27,768</u>	<u>27,267</u>
Current assets		
Inventories	36,678	40,854
Trade and other receivables	54,783	41,703
Other financial assets	211	-
Current tax assets	2	20
Other assets	3,446	2,893
Short-term deposits with licensed banks	22,428	17,625
Cash and bank balances	21,806	25,535
Total current assets	<u>139,354</u>	<u>128,630</u>
Total assets	<u><u>167,122</u></u>	<u><u>155,897</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	87,711	87,364
Reserves	8,002	6,120
Retained earnings/(accumulated losses)	32,840	26,421
Total equity attributable to Owners of the Company	<u>128,553</u>	<u>119,905</u>
Non-controlling interest	527	683
Total equity	<u>129,080</u>	<u>120,588</u>
Non-current liabilities		
Deferred tax liabilities	1,670	1,596
Deferred revenue	236	236
Total non-current liabilities	<u>1,906</u>	<u>1,832</u>
Current liabilities		
Trade and other payables	31,356	27,347
Other financial liabilities	1,469	2,214
Tax liabilities	3,170	3,720
Deferred revenue	141	196
Total current liabilities	<u>36,136</u>	<u>33,477</u>
Total liabilities	<u>38,042</u>	<u>35,309</u>
Total equity and liabilities	<u><u>167,122</u></u>	<u><u>155,897</u></u>
Net assets per share attributable to owners of the Company (RM)	1.47	1.37

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2015 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 THREE MONTHS ENDED 30 JUNE 2015**

	< -----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 2015	87,364	7,854	(1,885)	81	70	26,421	683	120,588
Profit/(Loss) for the year						6,431	(156)	6,275
Other comprehensive income/(loss) for the period			1,694					1,694
Total comprehensive income/(loss) for the period			<u>1,694</u>			<u>6,431</u>	<u>(156)</u>	<u>7,969</u>
Transactions with owners of the Company:								
Share-based payment forfeited						-		-
Share-based payment exercised				(37)		37		-
Recognition of share-based payment								-
Non-controlling interest arising on the acquisition of subsidiary							-	-
Issue of ordinary shares under employee share option scheme	347	176						523
Dividends paid								-
Appropriation to reserve on dividends paid by subsidiary					49	(49)		-
Balance as of 30 June 2015	<u>87,711</u>	<u>8,030</u>	<u>(191)</u>	<u>44</u>	<u>119</u>	<u>32,840</u>	<u>527</u>	<u>129,080</u>
Balance as of 1 April 2014	85,030	7,504	(5,231)	409	28	8,772	611	97,123
Profit/(Loss) for the year						7,466	(102)	7,364
Other comprehensive income/(loss) for the period			300					300
Total comprehensive income/(loss) for the period			<u>300</u>			<u>7,466</u>		<u>7,664</u>
Transactions with owners of the Company:								
Share-based payment forfeited						-		-
Share-based payment exercised				(1)		1		-
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	4	-						4
Appropriation to reserve on dividends paid by subsidiary					43	(43)		-
Balance as of 30 June 2014	<u>85,034</u>	<u>7,504</u>	<u>(4,931)</u>	<u>408</u>	<u>71</u>	<u>16,196</u>	<u>726</u>	<u>105,008</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 2015 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THREE MONTHS ENDED 30 JUNE 2015**

	Individual Quarter	
	Current year quarter ended 30 June 2015 RM'000	Preceding year corresponding quarter ended 30 June 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	6,275	7,364
Adjustments for :		
Depreciation and amortisation of non-current assets	1,595	1,509
Tax expense recognised in profit or loss	2,160	1,372
Unrealised (gain)/loss on foreign exchange	100	321
Finance costs recognised in profit and loss	-	4
(Gain)/Loss on disposal of property, plant and equipment	1	1
Net fair value (gain)/loss on other financial asset	(956)	(169)
Interest revenue recognised in profit and loss	(145)	(21)
Operating profit/(loss) before working capital changes	9,030	10,381
(Increase) / Decrease in:		
Inventories	4,176	(1,594)
Trade and other receivables	(13,206)	(10,311)
Other assets	(553)	(3,079)
Increase / (Decrease) in:		
Trade and other payables	3,939	5,571
Deferred revenue	(55)	(33)
Cash generated from operations	3,331	935
Tax refunded	-	195
Tax paid	(2,463)	(953)
Net cash (used in)/generated from operating activities	868	177
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	83	6
Interest received	145	21
Purchase of property, plant and equipment	(1,158)	(385)
Addition to capitalised development costs	(888)	(874)
Net cash on acquisition of subsidiary	-	217
Net cash (used in)/generated from investing activities	(1,818)	(1,015)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	523	4
Repayment of borrowings	-	(98)
Interest paid	-	(4)
Net cash (used in)/generated from financing activities	523	(98)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(427)	(936)
Effect of foreign exchange rate changes	1,501	223
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,160	20,927
CASH AND CASH EQUIVALENTS AT END OF PERIOD	44,234	20,214

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2015 and the accompanying explanatory notes attached to this interim financial report.

FIRST QUARTER REPORT ENDED 30 JUNE 2015

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2015

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 2015 except for the accounting policy changes that are expected to be reflected in financial statement for the year ended 31 March 2016.

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 2015.

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 July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRSs	Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016

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, Australasia and USA with localised seasonal and model mix requirements. Hence fluctuations in demand during the year are normal and expected.

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FIRST QUARTER REPORT ENDED 30 JUNE 2015

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 347,300 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 June 2015.

8. DIVIDENDS PAID

An interim dividend of RM0.04 per share, exempt from income tax in respect of the financial year ended 31 March 2015 has been paid on 29 July 2015 to shareholders registered in the Record of Depositors at the close of business on 30 June 2015.

9. SEGMENT REPORTING

**Cumulative quarter ended
30 June 2015**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Revenue					
External revenue	-	38,508	11,525		50,033
Inter-segment revenue	1,912	25,719	28,174	(55,805)	-
Total revenue	<u>1,912</u>	<u>64,227</u>	<u>39,699</u>	<u>(55,805)</u>	<u>50,033</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
Results					
Profit/(loss) from operations	976	5,989	1,708	(393)	8,280
Investment revenue	34	121			155
Finance cost					-
Profit/(loss) before tax					8,435
Income tax income/(expense)					(2,160)
Profit/(loss) after tax					<u>6,275</u>

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 June 2015 up to the date of this report.

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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 30 JUNE 2015

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 RM6.7 million or 11.8% as compared to the first quarter ended 30 June 2014. The Group recorded a profit before taxation of RM8.44 million for the quarter under review, representing a decrease in profit by RM0.3 million as compared to that of the preceding year quarter. This was mainly due to lower sales but offset by foreign exchange gain of RM1.33 million in the current year quarter as compared to foreign exchange loss of RM0.63 million in 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 3 months ended	Preceding year corresponding period of 3 months ended
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Investment holding	1,912	1,804	1,912	1,804
Manufacturing	64,228	69,501	64,228	69,501
Trading	39,699	51,199	39,699	51,199
Total	105,839	122,504	105,839	122,504
Eliminations	(55,806)	(65,764)	(55,806)	(65,764)
Revenue after eliminations	<u>50,033</u>	<u>56,740</u>	<u>50,033</u>	<u>56,740</u>
<u>Profit/(loss) before tax</u>				
Investment holding	1,010	530	1,010	530
Manufacturing	6,110	4,978	6,110	4,978
Trading	1,709	3,711	1,709	3,711
Total	8,829	9,219	8,829	9,219
Eliminations	(394)	(483)	(394)	(483)
Profit/(loss) before tax after eliminations	<u>8,435</u>	<u>8,736</u>	<u>8,435</u>	<u>8,736</u>

Investment Holdings
Q1 FY2016 vs. Q1 FY2015

The investment holdings segment profit increased by RM0.48 million in the current quarter as compared to preceding year quarter, mainly due to higher dividends received by RM0.05 million and lower operating expenses in the current year quarter as compared to preceding year quarter.

Manufacturing
Q1 FY2016 vs. Q1 FY2015

The manufacturing segment profit increased by RM1.13 million. The profit increased mainly due to the following:

- Higher gross profit as a result of favourable exchange rate on US Dollar against Ringgit Malaysia in current quarter as compared to preceding year quarter.
- Foreign exchange gain of RM1.04 million in the current year quarter as compared to foreign exchange loss of RM0.49 million in preceding year quarter.

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Trading

Q1 FY2016 vs. Q1 FY2015

The trading profit decreased by RM2.0 million in the current quarter as compared to preceding year quarter, mainly due to decrease in gross profit as a result of lower revenue and unfavourable exchange rate on Japanese Yen against US Dollar in current quarter as compared to preceding year quarter.

2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's revenue for the current quarter was RM50.03 million, representing an increase of RM11.11 million or 28.5% as compared to that of the immediate preceding quarter ended 31 March 2015, mainly due to shorter production days in the immediate preceding quarter as a result of extended Chinese New Year holidays for China's plant.

The Group recorded a profit before taxation of RM8.44 million for the quarter under review, representing an increase in profit by RM5.09 million as compared to that of the immediate preceding quarter. This was mainly due to higher gross profit as a result of increase in revenue in current quarter.

3. COMMENTARY ON PROSPECTS

As evident from the last financial year and 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 Jun 2015 RM'000	Current year- to-date ended 30 Jun 2015 RM'000
Interest income	(155)	(155)
Other income including investment income	155	155
Interest expense	-	-
Depreciation and amortisation	1,595	1,595
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	(1,330)	(1,330)
(Gain) or loss on derivatives *	-	-
Exceptional item charged / (credited) *	-	-

* Not applicable during the period

Product development cost written off

6. INCOME TAX EXPENSE

	Quarter ended 30 Jun 2015 RM'000	Current year- to-date ended 30 Jun 2015 RM'000
Estimated income tax expense:		
Current tax expense/(income)	1,538	1,538
Under/(over)-provision in prior quarter/ year	477	477
Deferred tax	145	145
	<u>2,160</u>	<u>2,160</u>

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The Group's current quarter income tax reflects an effective tax rate which is higher than the statutory income tax rate mainly due to higher corporate tax rate for a subsidiary in Japan.

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

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

	As at 30 Jun 2015 RM'000	As at 31 Mar 2015 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries		
Realised	67,834	64,927
Unrealised	<u>2,153</u>	<u>(1,309)</u>
	<u>69,987</u>	<u>63,618</u>
 Add: Consolidation adjustments	 (37,147)	 (37,197)
 Total Group retained earnings/(accumulated losses) as per statement of financial position	 <u><u>32,840</u></u>	 <u><u>26,421</u></u>

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

There were no group borrowings and debt securities as at the end of the reporting quarter.

10. FINANCIAL INSTRUMENTS

As at 30 June 2015, 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 liabilities carried at fair value RM'000
Forward Foreign Currency Contracts			
Less than 1 year	<u>7,400</u>	<u>26,463</u>	<u>1,469</u>
	Contract value JPY'000	Notional value USD'000	Financial assets carried at fair value RM'000
Forward Foreign Currency Contracts			
Less than 1 year	<u>235,936</u>	<u>1,963</u>	<u>211</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.

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12. DIVIDENDS DECLARED OR PAYABLE

No interim dividend has been declared by the Company for the quarter ended 30 June 2015.

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 2015	Current year- to-date ended 30 Jun 2015
Profit/(loss) for the period attributable to the owners of the Company (RM'000)	<u>6,431</u>	<u>6,431</u>
Weighted average number of ordinary shares in issue ('000)	<u>87,422</u>	<u>87,422</u>
Basic earnings/(loss) per share (sen)	<u>7.36</u>	<u>7.36</u>

b. Diluted earnings per share

	Current Quarter ended 30 Jun 2015	Current year- to-date ended 30 Jun 2015
Profit/(loss) for the period attributable to the owners of the Company (RM'000)	<u>6,431</u>	<u>6,431</u>
Weighted average number of ordinary shares in issue ('000)	<u>87,461</u>	<u>87,461</u>
Diluted earnings/(loss) per share (sen)	<u>7.35</u>	<u>7.35</u>

Date: 27 August 2015