

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

FIRST QUARTER REPORT ENDED 30 JUNE 2017

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND THREE MONTHS ENDED 30 JUNE 2017**

	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 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Revenue	45,243	53,906	45,243	53,906
Investment revenue	218	215	218	215
Other gains and losses	(1,062)	632	(1,062)	632
Changes in inventories of finished goods and work-in-progress	(2,293)	(249)	(2,293)	(249)
Raw materials and consumables used	(15,583)	(19,685)	(15,583)	(19,685)
Purchase of trading goods	(4,916)	(6,580)	(4,916)	(6,580)
Employee benefits expense	(11,193)	(11,852)	(11,193)	(11,852)
Depreciation and amortisation of non-current assets	(1,274)	(1,374)	(1,274)	(1,374)
Other operating expenses	(5,983)	(7,100)	(5,983)	(7,100)
Profit/(loss) before tax	3,157	7,913	3,157	7,913
Tax income/(expense)	(516)	(1,485)	(516)	(1,485)
Profit/(loss) for the period	2,641	6,428	2,641	6,428
Profit/(loss) for the period attributable to:				
Owners of the Company	2,641	6,671	2,641	6,671
Non-controlling interests	-	(243)	-	(243)
	2,641	6,428	2,641	6,428
Earnings/(loss) per ordinary share attributable to owners of the Company (sen):				
Basic	3.00	7.58	3.00	7.58
Diluted	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 2017 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 THREE MONTHS ENDED 30 JUNE 2017**

	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 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Net profit/(loss) for the period	2,641	6,428	2,641	6,428
Exchange differences on translating foreign operations	(1,503)	1,844	(1,503)	1,844
Total comprehensive income/(loss) for the period	1,138	8,272	1,138	8,272
Total comprehensive income/(loss) attributable to:				
Owners of the Company	1,138	8,515	1,138	8,515
Non-controlling interests	-	(243)	-	(243)
	1,138	8,272	1,138	8,272

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2017 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 30 June 2017 Unaudited RM'000	As at preceding financial year ended 31 March 2017 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,521	14,458
Prepaid lease payments on leasehold land	1,548	1,561
Product development costs	11,536	10,782
Deferred tax assets	491	577
Goodwill on consolidation	-	-
Total non-current assets	29,096	27,378
Current assets		
Inventories	46,054	47,878
Trade and other receivables	55,264	59,654
Current tax assets	2,802	2,040
Other assets	5,985	4,303
Short-term deposits with licensed banks	21,900	23,034
Cash and bank balances	35,252	33,767
Total current assets	167,257	170,676
Total assets	196,353	198,054
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	96,177	96,177
Reserves	6,469	7,972
Retained earnings/(accumulated losses)	59,574	56,933
Total equity attributable to Owners of the Company	162,220	161,082
Non-controlling interest	-	-
Total equity	162,220	161,082
Non-current liabilities		
Deferred tax liabilities	2,371	2,162
Total non-current liabilities	2,371	2,162
Current liabilities		
Trade and other payables	31,358	33,990
Other financial liabilities	29	386
Tax liabilities	375	434
Total current liabilities	31,762	34,810
Total liabilities	34,133	36,972
Total equity and liabilities	196,353	198,054
Net assets per share attributable to owners of the Company (RM)	1.84	1.83

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2017 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 2017**

	-----Attributable to owners of the Company -----						
	Non-Distributable				Distributable		
	Issued Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Legal Reserve RM'000	Retained Earnings RM'000	Non- controlling interest RM'000	Total RM'000
Balance as of 1 April 2017	88,028	8,149	7,847	125	56,933	-	161,082
Profit/(Loss) for the year					2,641		2,641
Other comprehensive income/(loss) for the period			(1,503)				(1,503)
Total comprehensive income/(loss) for the period			(1,503)		2,641	-	1,138
Dividends paid							-
Balance as of 30 June 2017	88,028	8,149	6,344	125	59,574	-	162,220
Balance as of 1 April 2016	88,028	8,149	92	125	40,273	456	137,123
Profit/(Loss) for the year					6,671	(243)	6,428
Other comprehensive income/(loss) for the period			1,844				1,844
Total comprehensive income/(loss) for the period			1,844		6,671	(243)	8,272
Dividends paid							-
Balance as of 30 June 2016	88,028	8,149	1,936	125	46,944	213	145,395

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2017 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 2017**

	Individual Quarter	
	Current year quarter ended 30 June 2017 RM'000	Preceding year corresponding quarter ended 30 June 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	2,641	6,428
Adjustments for :		
Tax expense recognised in profit or loss	516	1,485
Depreciation and amortisation of non-current assets	1,274	1,374
Unrealised (gain)/loss on foreign exchange	(403)	(2,453)
Net fair value (gain)/loss on other financial assets/ liabilities	29	770
(Gain)/Loss on disposal of property, plant and equipment	35	128
Interest income	(211)	(187)
Amortisation of government grant	-	(236)
Operating profit/(loss) before working capital changes	3,881	7,309
(Increase) / Decrease in:		
Inventories	1,824	(933)
Trade and other receivables	3,793	590
Other assets	(1,681)	(545)
Increase / (Decrease) in:		
Trade and other payables	(1,631)	5,081
Cash generated from operations	6,186	11,502
Tax paid	(1,044)	(2,505)
Net cash (used in)/generated from operating activities	5,142	8,997
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	141	110
Interest received	211	187
Purchase of property, plant and equipment	(1,942)	(664)
Addition to capitalised development costs	(1,380)	(1,230)
Net cash (used in)/generated from investing activities	(2,970)	(1,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Net cash (used in)/generated from financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,172	7,400
Effect of foreign exchange rate changes	(1,821)	1,808
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	56,801	47,569
CASH AND CASH EQUIVALENTS AT END OF PERIOD	57,152	56,777

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2017 and the accompanying explanatory notes attached to this interim financial report.

FIRST QUARTER REPORT ENDED 30 JUNE 2017

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

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 2017 except for the accounting policy changes that are expected to be reflected in financial statement for the year ended 31 March 2018.

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 2017.

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	1 January 2018
MFRS 15 Revenue from Contracts with Customers (and the related Clarifications)	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2 Classifications and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint venture	Date to be determined
Amendments to MFRS 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
IC Int. 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRSs Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2017 or 2018

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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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 30 August 2016, 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 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 2017.

8. DIVIDENDS PAID

An interim single-tier dividend of RM0.06 per share in respect of the financial year ended 31 March 2017 has been paid on 28 July 2017 to shareholders registered in the Record of Depositors at the close of business on 30 June 2017.

9. SEGMENT REPORTING

**Cumulative quarter ended
30 June 2017**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Revenue</u>					
External revenue	-	40,023	5,220		45,243
Inter-segment revenue	1,671	19,532	27,424	(48,627)	-
Total revenue	<u>1,671</u>	<u>59,555</u>	<u>32,644</u>	<u>(48,627)</u>	<u>45,243</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Results</u>					
Profit/(loss) from operations	4	(380)	2,748	567	2,939
Investment revenue	29	189			218
Finance cost					-
Profit/(loss) before tax					3,157
Income tax income/(expense)					(516)
Profit/(loss) after tax					<u>2,641</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 2017 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 2017

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 RM8.66 million or 16.1% as compared to the first quarter ended 30 June 2016.

The Group recorded a profit before taxation of RM3.16 million for the quarter under review, representing a decrease in profit by RM4.75 million as compared to that of the preceding year quarter. The profit before tax decreased mainly due to decrease in revenue and foreign exchange loss of RM1.15 million in the current year quarter as compared to foreign exchange gain of RM0.35 million in the 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 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Investment holding	1,671	1,480	1,671	1,480
Manufacturing	59,555	68,858	59,555	68,858
Trading	32,643	49,025	32,643	49,025
Total	<u>93,869</u>	<u>119,363</u>	<u>93,869</u>	<u>119,363</u>
Eliminations	(48,626)	(65,457)	(48,626)	(65,457)
Revenue after eliminations	<u><u>45,243</u></u>	<u><u>53,906</u></u>	<u><u>45,243</u></u>	<u><u>53,906</u></u>
<u>Profit/(loss) before tax</u>				
Investment holding	33	285	33	285
Manufacturing	(190)	4,550	(190)	4,550
Trading	2,748	3,086	2,748	3,086
Total	<u>2,591</u>	<u>7,921</u>	<u>2,591</u>	<u>7,921</u>
Eliminations	566	(8)	566	(8)
Profit/(loss) before tax after eliminations	<u><u>3,157</u></u>	<u><u>7,913</u></u>	<u><u>3,157</u></u>	<u><u>7,913</u></u>

Investment Holdings

Q1 FY2018 vs. Q1 FY2017

The investment holding segment profit decreased by RM0.25 million in the current quarter as compared to preceding year quarter, mainly due to foreign exchange loss of RM0.2 million in current year quarter as compared to foreign exchange gain of RM0.22 million in preceding year quarter.

Manufacturing

Q1 FY2018 vs. Q1 FY2017

The manufacturing segment profit decreased by RM4.74 million, mainly due to lower gross profit as a result of decrease in revenue in current year quarter as compared to preceding year quarter and foreign exchange loss of RM0.9 million in current year quarter as compared to foreign exchange gain of RM0.73 million in preceding year quarter.

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Trading

Q1 FY2018 vs. Q1 FY2017

The trading profit decreased by RM0.34 million in the current year quarter as compared to preceding year quarter, mainly due to lower gross profit as a result of lower revenue but offset by lower foreign exchange loss by RM0.55 million in current year 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 RM45.24 million, representing a decrease of RM2.25 million or 4.7% as compared to that of the immediate preceding quarter ended 31 March 2017.

The Group recorded a profit before taxation of RM3.16 million for the quarter under review, representing a decrease in profit by RM1.93 million as compared to that of the immediate preceding quarter. The profit before tax decreased mainly due to lower revenue and higher foreign exchange loss by RM0.43 million in current year quarter as compared to immediate preceding quarter.

3. COMMENTARY ON PROSPECTS

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 2017 RM'000	Current year- to-date ended 30 Jun 2017 RM'000
Interest income	(211)	(211)
Other income including investment income **	(97)	(97)
Interest expense	-	-
Depreciation and amortisation	1,274	1,274
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	1,152	1,152
(Gain) or loss on derivatives *	-	-
Exceptional item charged / (credited) *	-	-

* Not applicable during the period

Product development cost written off

** Exclude interest income

6. INCOME TAX EXPENSE

	Quarter ended 30 Jun 2017 RM'000	Current year- to-date ended 30 Jun 2017 RM'000
Estimated income tax expense:		
Current tax expense/(income)	229	229
Under/(over)-provision in prior quarter/ year	-	-
Deferred tax	287	287
	<u>516</u>	<u>516</u>

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The Group's current quarter and financial year to-date income tax reflects an effective tax rate which is lower than the statutory income tax rate mainly due to deferred tax liability and profit of a subsidiary which is not subject to corporate tax.

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

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

	As at 30 Jun 2017 RM'000	As at 31 Mar 2017 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries		
Realised	99,689	97,104
Unrealised	<u>(2,824)</u>	<u>(2,415)</u>
	<u>96,865</u>	<u>94,689</u>
Add: Consolidation adjustments	(37,291)	(37,756)
Total Group retained earnings/(accumulated losses) as per statement of financial position	<u>59,574</u>	<u>56,933</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 2017, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivables in US Dollar and Japanese Yen 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>1,000</u>	<u>4,265</u>	<u>29</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 30 June 2017.

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.

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	Current Quarter ended 30 Jun 2017	Current year- to-date ended 30 Jun 2017
Profit/(loss) for the period attributable to the owners of the Company (RM'000)	<u>2,641</u>	<u>2,641</u>
Weighted average number of ordinary shares in issue ('000)	<u>88,028</u>	<u>88,028</u>
Basic earnings/(loss) per share (sen)	<u>3.00</u>	<u>3.00</u>

b. Diluted earnings per share

The Group has no dilution in its earnings per ordinary share for the current quarter and year to-date under review as the Group has no potential ordinary shares in issue.

Date: 29 August 2017