

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2017**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current year quarter ended</b>	<b>Preceding year corresponding quarter ended</b>	<b>Current year to-date for 9 months ended</b>	<b>Preceding year corresponding period of 9 months ended</b>
	<b>31 December 2017 RM'000</b>	<b>31 December 2016 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Revenue	32,681	47,922	118,715	151,403
Investment revenue	245	294	744	704
Other gains and losses	(1,341)	2,194	(2,417)	3,073
Changes in inventories of finished goods and work-in-progress	(29)	2,339	(1,444)	4,384
Raw materials and consumables used	(11,496)	(19,310)	(44,708)	(58,735)
Purchase of trading goods	(2,773)	(3,876)	(14,001)	(15,562)
Employee benefits expense	(10,786)	(11,230)	(35,374)	(33,751)
Depreciation and amortisation of non-current assets	(1,223)	(1,306)	(3,754)	(4,020)
Other operating expenses	(6,804)	(6,483)	(16,831)	(19,890)
<b>Profit/(loss) before tax</b>	<b>(1,526)</b>	<b>10,544</b>	<b>930</b>	<b>27,606</b>
<b>Tax income/(expense)</b>	<b>452</b>	<b>(2,194)</b>	<b>393</b>	<b>(5,636)</b>
<b>Profit/(loss) for the period</b>	<b>(1,074)</b>	<b>8,350</b>	<b>1,323</b>	<b>21,970</b>
Profit/(loss) for the period attributable to:				
Owners of the Company	(1,074)	8,383	1,323	22,248
Non-controlling interests	-	(33)	-	(278)
	<b>(1,074)</b>	<b>8,350</b>	<b>1,323</b>	<b>21,970</b>
Earnings/(loss) per ordinary share attributable to owners of the Company (sen):				
Basic	(1.22)	9.52	1.50	25.27
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.*

**IQ GROUP HOLDINGS BERHAD****(Company No. 636944-U)**

(Incorporated in Malaysia under the Companies Act, 1965)

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2017**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current year quarter ended</b>	<b>Preceding year corresponding quarter ended</b>	<b>Current year to-date for 9 months ended</b>	<b>Preceding year corresponding period of 9 months ended</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit/(loss) for the period</b>	<b>(1,074)</b>	8,350	<b>1,323</b>	21,970
<b>Exchange differences on translating foreign operations</b>	<b>(1,992)</b>	2,184	<b>(3,964)</b>	5,280
<b>Total comprehensive income/(loss) for the period</b>	<b><u>(3,066)</u></b>	<b><u>10,534</u></b>	<b><u>(2,641)</u></b>	<b><u>27,250</u></b>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(3,066)	10,567	(2,641)	27,528
Non-controlling interests	-	(33)	-	(278)
	<b><u>(3,066)</u></b>	<b><u>10,534</u></b>	<b><u>(2,641)</u></b>	<b><u>27,250</u></b>

*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.*

**IQ GROUP HOLDINGS BERHAD**  
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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As at end of current quarter 31 December 2017 Unaudited RM'000</b>	<b>As at preceding financial year ended 31 March 2017 Audited RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	16,340	14,458
Prepaid lease payments on leasehold land	1,524	1,561
Product development costs	12,621	10,782
Deferred tax assets	482	577
<b>Total non-current assets</b>	<b>30,967</b>	<b>27,378</b>
<b>Current assets</b>		
Inventories	46,178	47,878
Trade and other receivables	48,115	59,654
Other financial assets	26	-
Current tax assets	4,333	2,040
Other assets	5,379	4,303
Short-term deposits with licensed banks	19,400	23,034
Cash and bank balances	30,131	33,767
<b>Total current assets</b>	<b>153,562</b>	<b>170,676</b>
<b>Total assets</b>	<b>184,529</b>	<b>198,054</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Issued capital	96,177	96,177
Reserves	4,008	7,972
Retained earnings/(accumulated losses)	52,974	56,933
<b>Total equity attributable to Owners of the Company</b>	<b>153,159</b>	<b>161,082</b>
Non-controlling interest	-	-
<b>Total equity</b>	<b>153,159</b>	<b>161,082</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,190	2,162
<b>Total non-current liabilities</b>	<b>1,190</b>	<b>2,162</b>
<b>Current liabilities</b>		
Trade and other payables	29,809	33,990
Other financial liabilities	-	386
Tax liabilities	371	434
<b>Total current liabilities</b>	<b>30,180</b>	<b>34,810</b>
<b>Total liabilities</b>	<b>31,370</b>	<b>36,972</b>
<b>Total equity and liabilities</b>	<b>184,529</b>	<b>198,054</b>
Net assets per share attributable to owners of the Company (RM)	1.74	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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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 31 DECEMBER 2017**

	-----Attributable to owners of the Company -----						
	<u>Non-Distributable</u>				<u>Distributable</u>		
	<b>Issued Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Translation Reserve RM'000</b>	<b>Legal Reserve RM'000</b>	<b>Retained Earnings RM'000</b>	<b>Non- controlling interest RM'000</b>	<b>Total RM'000</b>
Balance as of 1 April 2017	88,028	8,149	7,847	125	56,933	-	161,082
Profit/(Loss) for the year					1,323		1,323
Other comprehensive income/(loss) for the period			(3,964)				(3,964)
Total comprehensive income/(loss) for the period			<u>(3,964)</u>		<u>1,323</u>	<u>-</u>	<u>(2,641)</u>
Dividends paid					(5,282)		(5,282)
Balance as of 31 December 2017	<u>88,028</u>	<u>8,149</u>	<u>3,883</u>	<u>125</u>	<u>52,974</u>	<u>-</u>	<u>153,159</u>
Balance as of 1 April 2016	88,028	8,149	92	125	40,273	456	137,123
Profit/(Loss) for the year					22,248	(278)	21,970
Other comprehensive income/(loss) for the period			5,280				5,280
Total comprehensive income/(loss) for the period			<u>5,280</u>		<u>22,248</u>	<u>(278)</u>	<u>27,250</u>
Dividends paid					(5,282)		(5,282)
Decrease in non-controlling interests arising on the acquisition of remaining shares in a partially-owned subsidiary					279	(456)	(177)
Balance as of 31 December 2016	<u>88,028</u>	<u>8,149</u>	<u>5,372</u>	<u>125</u>	<u>57,518</u>	<u>(278)</u>	<u>158,914</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 2017 and the accompanying explanatory notes attached to this interim financial report.*

**IQ GROUP HOLDINGS BERHAD**  
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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE NINE MONTHS ENDED 31 DECEMBER 2017**

	<b>Individual Quarter</b>	
	<b>Current year quarter ended 31 December 2017 RM'000</b>	<b>Preceding year corresponding quarter ended 31 December 2016 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) for the year	1,323	21,970
Adjustments for :		
Tax expense recognised in profit or loss	(393)	5,636
Depreciation and amortisation of non-current assets	3,754	4,020
Unrealised (gain)/loss on foreign exchange	458	(1,286)
Net fair value (gain)/loss on other financial assets/ liabilities	(26)	572
(Gain)/Loss on disposal of property, plant and equipment	(35)	132
Impairment on goodwill	-	102
Interest income	(672)	(625)
Amortisation of government grant	-	(236)
Operating profit/(loss) before working capital changes	4,409	30,285
(Increase) / Decrease in:		
Inventories	1,700	(7,908)
Trade and other receivables	9,562	(3,694)
Other assets	(1,076)	(1,621)
Increase / (Decrease) in:		
Trade and other payables	(2,662)	5,281
Cash generated from operations	11,933	22,343
Tax refunded	104	-
Tax paid	(2,947)	(5,405)
<b>Net cash (used in)/generated from operating activities</b>	<b>9,090</b>	<b>16,938</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	212	346
Interest received	672	625
Purchase of property, plant and equipment	(4,208)	(1,885)
Addition to capitalised development costs	(3,575)	(3,868)
Share of pre acquisition loss with non-controlling interest	-	(177)
<b>Net cash (used in)/generated from investing activities</b>	<b>(6,899)</b>	<b>(4,959)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(5,282)	(5,282)
<b>Net cash (used in)/generated from financing activities</b>	<b>(5,282)</b>	<b>(5,282)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,091)</b>	<b>6,697</b>
Effect of foreign exchange rate changes	(4,179)	5,041
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>56,801</b>	<b>47,569</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>49,531</b>	<b>59,307</b>

*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.*

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**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 2017, the shareholders of the Company had granted a mandate for the Company to purchase its own ordinary shares 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 31 December 2017.

**8. DIVIDENDS PAID**

An interim single-tier dividend of RM0.05 per share in respect of the financial year ending 31 March 2018 has been paid on 26 January 2018 to shareholders registered in the Record of Depositors at the close of business on 29 December 2017.

**9. SEGMENT REPORTING**

**Cumulative quarter ended  
31 December 2017**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b><u>Revenue</u></b>					
External revenue	-	98,685	20,030		118,715
Inter-segment revenue	11,409	59,380	74,430	(145,219)	-
Total revenue	<u>11,409</u>	<u>158,065</u>	<u>94,460</u>	<u>(145,219)</u>	<u>118,715</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b><u>Results</u></b>					
Profit/(loss) from operations	5,530	(5,793)	4,333	(3,884)	186
Investment revenue	179	565			744
Finance cost					-
Profit/(loss) before tax					930
Income tax income/(expense)					393
Profit/(loss) after tax					<u>1,323</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 31 December 2017 up to the date of this report.

**IQ GROUP HOLDINGS BERHAD**  
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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**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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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2017**

**PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**1. PERFORMANCE REVIEW**

**Financial review for current quarter and financial year to date**

	Individual Quarter		Changes	Cumulative Quarter		Changes
	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 2017	31 December 2016		31 December 2017	31 December 2016	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	32,681	47,922	-32%	118,715	151,403	-22%
Operating Profit	(430)	8,056	-105%	2,603	23,829	-89%
Profit/(Loss) Before Interest and Tax	(1,526)	10,544	-114%	930	27,606	-97%
Profit/(Loss) Before Tax	(1,526)	10,544	-114%	930	27,606	-97%
Profit/(Loss) After Tax	(1,074)	8,350	-113%	1,323	21,970	-94%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(1,074)	8,383	-113%	1,323	22,248	-94%

For the current quarter under review, the Group's revenue decreased by RM15.24 million or 31.8% as compared to the third quarter ended 31 December 2016. The decrease was mainly due to delayed new product launches during this period with our existing ODM customers, as the Group's R&D resources are currently engaged on a wide raft of developments which will result in positive contributions to the business as related developments roll out in FY18/19.

The Group recorded a loss before taxation of RM1.53 million for the quarter under review, representing a decrease in profit by RM12.07 million as compared to that of the preceding year quarter.

The decrease in profit was mainly due to the following:

- a. Decrease in gross profit as a result of decrease in revenue and change in sales model mixes.
- b. Foreign exchange loss of RM1.45 million in the current year quarter as compared to foreign exchange gain of RM2.31 million in the preceding year quarter.

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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**Segmental Analysis**

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

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended 31 December 2017 RM'000	Preceding year corresponding quarter ended 31 December 2016 RM'000	Current year to-date for 9 months ended 31 December 2017 RM'000	Preceding year corresponding period of 9 months ended 31 December 2016 RM'000
<b>Revenue</b>				
Investment holding	8,144	7,966	11,409	11,019
Manufacturing	42,666	56,314	158,065	188,315
Trading	27,418	41,808	94,460	131,596
<b>Total</b>	<b>78,228</b>	<b>106,088</b>	<b>263,934</b>	<b>330,930</b>
Eliminations	(45,547)	(58,166)	(145,219)	(179,527)
<b>Revenue after eliminations</b>	<b>32,681</b>	<b>47,922</b>	<b>118,715</b>	<b>151,403</b>
<b><u>Profit/(loss) before tax</u></b>				
Investment holding	6,649	6,925	5,709	7,706
Manufacturing	(3,539)	4,827	(5,228)	15,590
Trading	280	5,259	4,334	11,397
<b>Total</b>	<b>3,390</b>	<b>17,011</b>	<b>4,815</b>	<b>34,693</b>
Eliminations	(4,916)	(6,467)	(3,885)	(7,087)
<b>Profit/(loss) before tax after eliminations</b>	<b>(1,526)</b>	<b>10,544</b>	<b>930</b>	<b>27,606</b>

**Investment Holdings**

**Q3 FY2018 vs. Q3 FY2017**

The investment holding segment profit decreased by RM0.28 million in the current quarter as compared to preceding year quarter, mainly due to foreign exchange loss of RM0.15 million in current year quarter as compared to foreign exchange gain of RM0.25 million in preceding year quarter.

**Q3 YTD FY2018 vs. Q3 YTD FY2017**

The investment holding segment YTD profit decreased by RM2.0 million in the current year as compared to preceding year, mainly due to one off expense amounting RM1.12 million for Employee Performance Reward related to financial year ended 31 March 2017 and foreign exchange loss of RM0.41 million in current year as compared to foreign exchange gain of RM0.58 million in preceding year.

**Manufacturing**

**Q3 FY2018 vs. Q3 FY2017**

The manufacturing segment profit decreased by RM8.37 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 RM1.26 million in current year quarter as compared to foreign exchange gain of RM0.79 million in preceding year quarter.

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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

Q3 YTD FY2018 vs. Q3 YTD FY2017

The manufacturing segment YTD profit decreased by RM20.82 million, mainly due to lower gross profit as a result of decrease in revenue, one off expense amounting RM1.3 million for Employee Performance Reward related to financial year ended 31 March 2017 and foreign exchange loss of RM2.46 million in current year as compared to foreign exchange gain of RM1.93 million in preceding year.

Trading

Q3 FY2018 vs. Q3 FY2017

The trading segment profit decreased by RM4.98 million in the current year quarter as compared to preceding year quarter, mainly due to lower gross profit as a result of lower revenue and change in sales model mixes and foreign exchange loss of RM0.03 million in current year quarter as compared to foreign exchange gain of RM1.27 million in preceding year quarter.

Q3 YTD FY2018 vs. Q3 YTD FY2017

The trading segment YTD profit decreased by RM7.06 million in the current year as compared to preceding year, mainly due to decrease in gross profit as a result of lower revenue and change in sales model mixes and foreign exchange loss of RM0.11 million in current year as compared to foreign exchange gain of RM0.52 million in preceding year.

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

**Financial review for current quarter compared to immediate preceding quarter**

	Current Year Quarter ended 31 December 2017 RM'000	Immediate Preceding Quarter ended 30 September 2017 RM'000	Changes  %
Revenue	32,681	40,791	-20%
Operating Profit	(430)	(968)	-56%
Profit/(Loss) Before Interest and Tax	(1,526)	(701)	118%
Profit/(Loss) Before Tax	(1,526)	(701)	118%
Profit/(Loss) After Tax	(1,074)	(244)	340%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(1,074)	(244)	340%

The Group's revenue for the current quarter was RM32.68 million, representing a decrease of RM8.11 million or 19.9% as compared to that of the immediate preceding quarter ended 30 September 2017.

The Group recorded a loss before taxation of RM1.53 million for the quarter under review, representing an increase in loss by RM0.83 million as compared to that of the immediate preceding quarter. The loss before tax increased mainly due to lower revenue as a result of delayed new product launches during this period with our existing ODM customers and higher foreign exchange loss of RM1.07 million in current quarter as compared to immediate preceding quarter.

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**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

**3. COMMENTARY ON PROSPECTS**

As explained in the previous quarter's Commentary on Prospects, we anticipate that similar performance conditions will remain throughout the remainder of this financial year, i.e. with reduced sales due to some delays in new product launches. However, as previously explained, going forward thereafter we anticipate positive performance as various new product launches roll out in FY18/19. Relationships with our global customer base remain very strong and we are blessed with considerable current and future opportunity from both established and new business relations.

As stated in our prior report, the current volume of product development requirements is good from a new business perspective, but challenging from a resource and timing standpoint. However, following the structural changes within IQ's R&D resources we are facilitating an acceleration of our new product development capabilities as we go forward.

This FY has proved to be very much a transitional year for IQ, but the future prospects and opportunities are positive from both an ODM and Own Brand perspective and we remain excited about the future.

**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 31 Dec 2017 RM'000	Current year- to-date ended 31 Dec 2017 RM'000
Interest income	(214)	(672)
Other income including investment income **	(135)	(634)
Interest expense	-	-
Depreciation and amortisation	1,223	3,754
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	1,447	2,979
(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 31 Dec 2017 RM'000	Current year- to-date ended 31 Dec 2017 RM'000
Estimated income tax expense:		
Current tax expense/(income)	366	559
Under/(over)-provision in prior quarter	-	-
Under/(over)-provision in prior year	74	(58)
Deferred tax	(892)	(894)
	<u>(452)</u>	<u>(393)</u>

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 reduction in deferred tax liability.

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 2017**

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

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

	As at 31 Dec 2017 RM'000	As at 30 Sep 2017 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries		
Realised	93,141	93,080
Unrealised	<u>(3,716)</u>	<u>(2,179)</u>
	<u>89,425</u>	<u>90,901</u>
 Add: Consolidation adjustments	 (36,451)	 (36,853)
 Total Group retained earnings/(accumulated losses) as per statement of financial position	 <u>52,974</u>	 <u>54,048</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 31 December 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 assets carried at fair value RM'000
Forward Foreign Currency Contracts			
Less than 1 year	<u>200</u>	<u>844</u>	<u>26</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 re-measurement 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 2017.

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

**THIRD QUARTER REPORT ENDED 31 DECEMBER 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.

	Current Quarter ended 31 Dec 2017	Current year- to-date ended 31 Dec 2017
Profit/(loss) for the period attributable to the owners of the Company (RM'000)	<u>(1,074)</u>	<u>1,323</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>(1.22)</u>	<u>1.50</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: 27 February 2018