

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

FOURTH QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 MARCH 2018**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 12 months ended	Preceding year corresponding period of 12 months ended
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Revenue	35,906	47,493	154,621	198,896
Investment revenue	252	316	996	1,020
Other gains and losses	(1,198)	(108)	(3,615)	2,965
Changes in inventories of finished goods and work-in-progress	(232)	1,883	(1,676)	6,267
Raw materials and consumables used	(14,128)	(11,325)	(58,836)	(70,060)
Purchase of trading goods	(3,946)	(3,663)	(17,947)	(19,225)
Employee benefits expense	(9,520)	(11,766)	(44,894)	(45,517)
Depreciation and amortisation of non-current assets	(1,217)	(1,278)	(4,971)	(5,298)
Other operating expenses	(7,625)	(16,463)	(24,456)	(36,353)
Profit/(loss) before tax	(1,708)	5,089	(778)	32,695
Tax income/(expense)	68	1,106	461	(4,530)
Profit/(loss) for the period	(1,640)	6,195	(317)	28,165
Profit/(loss) for the period attributable to:				
Owners of the Company	(1,640)	6,195	(317)	28,443
Non-controlling interests	-	-	-	(278)
	(1,640)	6,195	(317)	28,165
Earnings/(loss) per ordinary share attributable to owners of the Company (sen):				
Basic	(1.86)	7.04	(0.36)	32.31
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)

FOURTH QUARTER REPORT ENDED 31 MARCH 2018**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 MARCH 2018**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year to-date for 12 months ended	Preceding year corresponding period of 12 months ended
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Net profit/(loss) for the period	(1,640)	6,195	(317)	28,165
Exchange differences on translating foreign operations	(1,592)	374	(5,556)	5,654
Total comprehensive income/(loss) for the period	<u>(3,232)</u>	<u>6,569</u>	<u>(5,873)</u>	<u>33,819</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(3,232)	6,569	(5,873)	34,097
Non-controlling interests	-	-	-	(278)
	<u>(3,232)</u>	<u>6,569</u>	<u>(5,873)</u>	<u>33,819</u>

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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FOURTH QUARTER REPORT ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at end of current quarter 31 March 2018 Unaudited RM'000	As at preceding financial year ended 31 March 2017 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,181	14,458
Prepaid lease payments on leasehold land	1,512	1,561
Product development costs	13,581	10,782
Deferred tax assets	412	577
Total non-current assets	30,686	27,378
Current assets		
Inventories	45,565	47,878
Trade and other receivables	41,348	59,654
Other financial assets	52	-
Current tax assets	4,365	2,040
Other assets	4,156	4,303
Short-term deposits with licensed banks	23,904	23,034
Cash and bank balances	26,366	33,767
Total current assets	145,756	170,676
Total assets	176,442	198,054
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	96,177	96,177
Reserves	2,416	7,972
Retained earnings/(accumulated losses)	46,932	56,932
Total equity attributable to Owners of the Company	145,525	161,081
Non-controlling interest	-	-
Total equity	145,525	161,081
Non-current liabilities		
Deferred tax liabilities	976	2,163
Total non-current liabilities	976	2,163
Current liabilities		
Trade and other payables	28,919	33,990
Other financial liabilities	-	386
Tax liabilities	1,022	434
Total current liabilities	29,941	34,810
Total liabilities	30,917	36,973
Total equity and liabilities	176,442	198,054
Net assets per share attributable to owners of the Company (RM)	1.65	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 TWELVE MONTHS ENDED 31 MARCH 2018**

	-----Attributable to owners of the Company -----						
	<u>Non-Distributable</u>				<u>Distributable</u>		
	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	56,932	-	161,081
Profit/(Loss) for the year					(317)		(317)
Other comprehensive income/(loss) for the period			(5,556)				(5,556)
Total comprehensive income/(loss) for the period			<u>(5,556)</u>		<u>(317)</u>	<u>-</u>	<u>(5,873)</u>
Dividends paid					(9,683)		(9,683)
Balance as of 31 March 2018	<u>88,028</u>	<u>8,149</u>	<u>2,291</u>	<u>125</u>	<u>46,932</u>	<u>-</u>	<u>145,525</u>
Balance as of 1 April 2016	88,028	8,149	92	125	40,273	456	137,123
Profit/(Loss) for the year					28,443	(278)	28,165
Other comprehensive income/(loss) for the period			5,654				5,654
Total comprehensive income/(loss) for the period			<u>5,654</u>		<u>28,443</u>	<u>(278)</u>	<u>33,819</u>
Dividends paid					(9,683)		(9,683)
Decrease in non-controlling interests arising on the acquisition of remaining shares in a partially-owned subsidiary						(178)	(178)
Transfer from retained earnings			2,101		(2,101)		-
Balance as of 31 March 2017	<u>88,028</u>	<u>8,149</u>	<u>7,847</u>	<u>125</u>	<u>56,932</u>	<u>-</u>	<u>161,081</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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED 31 MARCH 2018**

	Individual Quarter	
	Current year quarter ended 31 March 2018 RM'000	Preceding year corresponding quarter ended 31 March 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	(317)	28,165
Adjustments for :		
Tax expense recognised in profit or loss	(461)	4,530
Depreciation and amortisation of non-current assets	4,971	5,298
Unrealised (gain)/loss on foreign exchange	9	(122)
Net fair value (gain)/loss on other financial assets/ liabilities	(52)	387
(Gain)/Loss on disposal of property, plant and equipment	(36)	3
Product development cost written off	149	1,504
Inventories written off		350
Property, plant and equipment written off		203
Impairment on goodwill on consolidation	-	102
Reversal of impairment loss on receivables	-	(21)
Interest income	(915)	(888)
Amortisation of deferred revenue on government grant	-	(236)
Operating profit/(loss) before working capital changes	3,348	39,275
(Increase) / Decrease in:		
Inventories	2,313	(8,746)
Trade and other receivables	16,300	(2,296)
Other assets	147	132
Increase / (Decrease) in:		
Trade and other payables	(3,075)	1,707
Cash generated from operations	19,033	30,072
Tax refunded	874	-
Tax paid	(3,159)	(6,548)
Net cash (used in)/generated from operating activities	16,748	23,524
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	915	895
Proceeds from disposal of property, plant and equipment	274	286
Purchase of property, plant and equipment	(3,813)	(1,836)
Addition to capitalised development costs	(5,224)	(4,555)
Net cash (used in)/generated from investing activities	(7,848)	(5,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(9,683)	(9,683)
Net cash (used in)/generated from financing activities	(9,683)	(9,683)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(783)	8,631
Effect of foreign exchange rate changes	(5,748)	601
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	56,801	47,569
CASH AND CASH EQUIVALENTS AT END OF PERIOD	50,270	56,801

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018

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

The directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these MFRSs will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 sets out requirements for the classification and measurement of financial assets, financial liabilities, impairment requirements for financial assets and hedge accounting.

FOURTH QUARTER REPORT ENDED 31 MARCH 2018

Classification of financial assets

For financial assets designated to be measured at FVTPL, all fair value gains and losses will be reported in profit or loss. For financial assets to be measured at FVTOCI, all fair value gains and losses will be reported in Other Comprehensive Income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for these financial assets.

Impairment

Financial assets measured at amortised cost will be subject to the impairment provisions of MFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by MFRS 9. In general, the directors anticipate that the application of the expected credit loss model of MFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- a. the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- b. the remaining amount of change in the fair value is presented in profit or loss.

The Group's and the Company's assessment did not indicate any material impact regarding the classification of financial liabilities.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The directors have preliminarily assessed that there is only a performance obligation, which is sales of manufactured goods and accordingly revenue, will be recognised when control over the corresponding goods is transferred to the customer. Furthermore, even though MFRS 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis, the directors do not expect that the allocation of revenue will be significantly different from that currently determined. The timing of revenue recognition of the performance obligations is also expected to be consistent with current practice.

The directors intend to use the full retrospective method of transition to MFRS 15.

Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/ or financial performance of the Group.

3. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements was not subject to any qualification.

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4. SEASONAL OR CYCLICAL FACTORS

The Group serves a wide customer base in Europe, Japan, Australasia and USA with localised seasonal and model mix requirements. Hence fluctuations in demand during the year are normal and expected.

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 March 2018.

8. DIVIDENDS PAID

- a. 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.
- b. An interim single-tier dividend of RM0.05 per share in respect of the financial year ended 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 March 2018**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Revenue</u>					
External revenue	-	123,811	30,810		154,621
Inter-segment revenue	19,107	81,642	99,000	(199,749)	-
Total revenue	<u>19,107</u>	<u>205,453</u>	<u>129,810</u>	<u>(199,749)</u>	<u>154,621</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Results</u>					
Profit/(loss) from operations	11,220	(8,816)	5,292	(9,470)	(1,774)
Investment revenue	282	714			996
Finance cost					-
Profit/(loss) before tax					(778)
Income tax income/(expense)					461
Profit/(loss) after tax					<u>(317)</u>

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10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. There was no revaluation of property, plant and equipment for the current quarter.

11. MATERIAL SUBSEQUENT EVENT

There were no material events subsequent to the current financial quarter ended 31 March 2018 up to the date of this report.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets as at date of issue of this interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018

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 12 months ended	Preceding year corresponding period of 12 months ended	
	31 March 2018	31 March 2017		31 March 2018	31 March 2017	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	35,906	47,493	-24%	154,621	198,896	-22%
Operating Profit	(762)	4,881	-116%	1,841	28,710	-94%
Profit/(Loss) Before Interest and Tax	(1,708)	5,089	-134%	(778)	32,695	-102%
Profit/(Loss) Before Tax	(1,708)	5,089	-134%	(778)	32,695	-102%
Profit/(Loss) After Tax	(1,640)	6,195	-126%	(317)	28,165	-101%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(1,640)	6,195	-126%	(317)	28,443	-101%

For the current quarter under review, the Group's revenue decreased by RM11.59 million or 24.4% as compared to the fourth quarter ended 31 March 2017. 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 is expected to deliver positive contributions to the business as related developments roll out in FY18/19.

The Group recorded a loss before taxation of RM1.71 million for the quarter under review, representing a decrease in profit by RM6.8 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. Higher foreign exchange loss of RM0.61 million in the current year quarter as compared to the preceding year quarter.

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Segmental Analysis

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 12 months ended	Preceding year corresponding period of 12 months ended
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment holding	7,699	6,169	19,107	17,187
Manufacturing	47,389	61,529	205,453	249,845
Trading	35,350	43,494	129,810	175,091
Total	90,438	111,192	354,370	442,123
Eliminations	(54,532)	(63,699)	(199,749)	(243,227)
Revenue after eliminations	35,906	47,493	154,621	198,896
Profit/(loss) before tax				
Investment holding	5,793	4,253	11,502	11,959
Manufacturing	(2,874)	969	(8,102)	16,559
Trading	958	4,680	5,292	16,078
Total	3,877	9,902	8,692	44,596
Eliminations	(5,585)	(4,813)	(9,470)	(11,901)
Profit/(loss) before tax after eliminations	(1,708)	5,089	(778)	32,695

Investment Holdings

Q4 FY2018 vs. Q4 FY2017

The investment holding segment profit increased by RM1.54 million in the current quarter as compared to preceding year quarter, mainly due to higher dividends received from wholly owned subsidiaries by RM1.42 million in current year quarter as compared to preceding year quarter.

Q4 YTD FY2018 vs. Q4 YTD FY2017

The investment holding segment YTD profit decreased by RM0.46 million in the current year as compared to preceding year, mainly due to foreign exchange loss of RM0.62 million in current year as compared to foreign exchange gain of RM0.53 million in preceding year.

However, this was offset by higher dividends received from wholly owned subsidiaries by RM0.66 million in current year as compared to preceding year.

Manufacturing

Q4 FY2018 vs. Q4 FY2017

The manufacturing segment profit decreased by RM3.84 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 higher foreign exchange loss by RM0.55 million in current year quarter as compared to preceding year quarter.

Q4 YTD FY2018 vs. Q4 YTD FY2017

The manufacturing segment YTD profit decreased by RM24.66 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 RM3.49 million in current year as compared to foreign exchange gain of RM1.45 million in preceding year.

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Trading

Q4 FY2018 vs. Q4 FY2017

The trading segment profit decreased by RM3.72 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.

Q4 YTD FY2018 vs. Q4 YTD FY2017

The trading segment YTD profit decreased by RM10.79 million in the current year as compared to preceding year, mainly due to decrease in gross profit as a result of lower revenue, change in sales model mixes and foreign exchange loss of RM0.18 million in current year as compared to foreign exchange gain of RM0.35 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 March 2018 RM'000	Immediate Preceding Quarter ended 31 December 2017 RM'000	Changes %
Revenue	35,906	32,681	10%
Operating Profit	(762)	(430)	77%
Profit/(Loss) Before Interest and Tax	(1,708)	(1,526)	12%
Profit/(Loss) Before Tax	(1,708)	(1,526)	12%
Profit/(Loss) After Tax	(1,640)	(1,074)	53%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(1,640)	(1,074)	53%

The Group's revenue for the current quarter was RM35.91 million, representing an increase of RM3.22 million or 9.9% as compared to that of the immediate preceding quarter ended 31 December 2017.

The Group recorded a loss before taxation of RM1.71 million for the quarter under review. Despite increase in revenue, the Group's loss before tax increase by RM0.18 million as compared to that of the immediate preceding quarter. This is mainly due to change in sales model mixes and product development cost written off of RM0.15 million in current quarter as compared to immediate preceding quarter.

3. COMMENTARY ON PROSPECTS

Our Group's performance for financial year ended 31 March 2018 has been below our expectations due to reduced sales as a result of some delays in new product launches. However, the relationships with our global customer base remain positive and we are fortunate to have considerable opportunities from both our new and existing customers with ongoing product development and related planned launches in the pipeline.

Following the structural changes within IQ's R&D resources to accelerate the product development capability, we remain motivated regarding the prospects ahead of us.

Furthermore, we have commenced an exercise to move the majority of IQ Malaysia's manufacturing to our facility in China, with this transition scheduled to complete within this financial year ending 31 March 2019. This consolidation drives significant savings which will enhance Group's bottom line performance from the next financial year ending 31 March 2020 onwards.

In addition to the above, in support of our product and technical roadmap, we have embarked on the path towards image based sensors where we perceive much opportunity in the field of "Internet of Things" and connected devices.

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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 Mar 2018 RM'000	Current year- to-date ended 31 Mar 2018 RM'000
Interest income	(243)	(915)
Other income including investment income **	(134)	(767)
Interest expense	-	-
Depreciation and amortisation	1,217	4,971
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 #	149	149
Foreign exchange (gain) or loss	1,323	4,302
(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 Mar 2018 RM'000	Current year- to-date ended 31 Mar 2018 RM'000
Estimated income tax expense:		
Current tax expense/(income)	262	821
Under/(over)-provision in prior year	(49)	(107)
Deferred tax	(281)	(1,175)
	<u>(68)</u>	<u>(461)</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 and over-provision of tax in prior year.

7. 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.

8. GROUP BORROWINGS AND DEBT SECURITIES

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

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

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9. FINANCIAL INSTRUMENTS

As at 31 March 2018, 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	Notional value	Financial assets carried at fair value
	USD'000	RM'000	RM'000
Forward Foreign Currency Contracts			
Less than 1 year	<u>1,000</u>	<u>3,925</u>	<u>52</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.

10. MATERIAL LITIGATION

There was no material litigation pending as at date of issue of this interim financial report.

11. DIVIDENDS DECLARED OR PAYABLE

As of the date of this announcement, the Board of Directors approved and declared an interim single-tier dividend of RM 0.05 per share in respect of the financial year ended 31 March 2018. The dividend will be paid on 27 July 2018 to shareholders whose names appear in the Record of Depositors on 29 June 2018.

12. 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 Mar 2018	Current year- to-date ended 31 Mar 2018
Profit/(loss) for the period attributable to the owners of the Company (RM'000)	<u>(1,640)</u>	<u>(317)</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>(1.86)</u>	<u>(0.36)</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: 30 May 2018