

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

FOURTH QUARTER REPORT ENDED 31 MARCH 2020

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 MARCH 2020**

	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 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Revenue	30,981	30,452	119,575	141,350
Investment revenue	98	114	374	679
Other gains and losses	1,246	(914)	2,185	919
Changes in inventories of finished goods and work-in-progress	(4,278)	58	(3,013)	5,453
Raw materials and consumables used	(10,561)	(12,008)	(36,304)	(54,500)
Purchase of trading goods	(2,652)	(2,702)	(19,096)	(21,625)
Employee benefits expense	(9,844)	(9,409)	(40,253)	(43,041)
Depreciation and amortisation of non-current assets	(1,771)	(1,707)	(6,737)	(5,155)
Finance costs	(96)	-	(259)	-
Other operating expenses	(10,227)	(5,931)	(33,735)	(25,851)
Profit/(loss) before tax	(7,104)	(2,047)	(17,263)	(1,771)
Tax income/(expense)	(87)	(585)	(1,678)	(405)
Profit/(loss) for the period	(7,191)	(2,632)	(18,941)	(2,176)
Profit/(loss) for the period attributable to:				
Owners of the Company	(7,191)	(2,632)	(18,941)	(2,176)
Non-controlling interests	-	-	-	-
	(7,191)	(2,632)	(18,941)	(2,176)
Earnings/(loss) per ordinary share attributable to owners of the Company (sen):				
Basic	(8.17)	(2.99)	(21.52)	(2.47)
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 2019 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 2020**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 MARCH 2020**

	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 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Net profit/(loss) for the period	(7,191)	(2,632)	(18,941)	(2,176)
Exchange differences on translating foreign operations	2,394	792	925	1,208
Total comprehensive income/(loss) for the period	<u>(4,797)</u>	<u>(1,840)</u>	<u>(18,016)</u>	<u>(968)</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(4,797)	(1,840)	(18,016)	(968)
Non-controlling interests	-	-	-	-
	<u>(4,797)</u>	<u>(1,840)</u>	<u>(18,016)</u>	<u>(968)</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2019 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 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at end of current quarter 31 March 2020 Unaudited RM'000	As at preceding financial year ended 31 March 2019 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,041	13,173
Prepaid lease payments on leasehold land	-	1,464
Investment properties	1,649	1,664
Product development costs	10,441	16,405
Right-of-use assets	6,338	-
Deferred tax assets	685	764
Total non-current assets	33,154	33,470
Current assets		
Inventories	48,873	51,819
Trade and other receivables	49,807	48,540
Current tax assets	1,314	4,779
Other assets	1,418	2,447
Short-term deposits with licensed banks	6,485	4,400
Cash and bank balances	15,586	19,793
Total current assets	123,483	131,778
Total assets	156,637	165,248
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	96,177	96,177
Reserves	4,549	3,624
Retained earnings/(accumulated losses)	21,414	40,355
Total equity attributable to Owners of the Company	122,140	140,156
Non-controlling interest	-	-
Total equity	122,140	140,156
Non-current liabilities		
Deferred tax liabilities	8	8
Lease liabilities	3,274	-
Total non-current liabilities	3,282	8
Current liabilities		
Trade and other payables	28,642	23,181
Lease liabilities	1,600	-
Other financial liabilities	63	-
Tax liabilities	910	1,903
Total current liabilities	31,215	25,084
Total liabilities	34,497	25,092
Total equity and liabilities	156,637	165,248
Net assets per share attributable to owners of the Company (RM)	1.39	1.59

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2019 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 2020**

	-----Attributable to owners of the Company -----				
	Non-Distributable			Distributable	
	Issued Capital RM'000	Translation Reserve RM'000	Legal Reserve RM'000	Retained Earnings RM'000	Total RM'000
Balance as of 1 April 2019	96,177	3,499	125	40,355	140,156
Effects of changes in accounting policies	96,177	3,499	125	-	-
Profit/(Loss) for the year				(18,941)	(18,941)
Other comprehensive income/(loss) for the period		925			925
Total comprehensive income/(loss) for the period		925		(18,941)	(18,016)
Dividends paid				-	-
Balance as of 31 March 2020	96,177	4,424	125	21,414	122,140
Balance as of 1 April 2018	96,177	2,291	125	46,932	145,525
Profit/(Loss) for the year				(2,176)	(2,176)
Other comprehensive income/(loss) for the period		1,208			1,208
Total comprehensive income/(loss) for the period		1,208		(2,176)	(968)
Dividends paid				(4,401)	(4,401)
Balance as of 31 March 2019	96,177	3,499	125	40,355	140,156

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2019 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 2020

	Individual Quarter	
	Current year quarter ended 31 March 2020 RM'000	Preceding year corresponding quarter ended 31 March 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	(18,941)	(2,176)
Adjustments for :		
Tax expense/ (income) recognised in profit or loss	1,678	405
Depreciation and amortisation of non-current assets	6,737	5,155
Unrealised (gain)/loss on foreign exchange	(991)	(46)
Net fair value (gain)/loss on other financial assets/ liabilities	63	-
(Gain)/Loss on disposal of property, plant and equipment	(19)	(35)
Product development cost written off	7,074	9
Inventories written off	2,068	-
Property, plant and equipment written off	116	11
Finance costs	259	-
Interest income	(249)	(555)
Other non-cash items	28	-
Operating profit/(loss) before working capital changes	(2,177)	2,768
(Increase) / Decrease in:		
Inventories	878	(6,583)
Trade and other receivables	542	(5,908)
Other assets	1,030	1,036
Increase / (Decrease) in:		
Trade and other payables	4,643	(5,690)
Cash generated from operations	4,916	(14,377)
Tax refunded	3,801	525
Tax paid	(2,914)	(1,779)
Net cash (used in)/generated from operating activities	5,803	(15,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	249	571
Proceeds from disposal of property, plant and equipment	20	452
Purchase of property, plant and equipment	(3,625)	(2,098)
Addition to capitalised development costs	(3,548)	(5,273)
Net cash (used in)/generated from investing activities	(6,904)	(6,348)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(4,401)
Repayment of lease liabilities	(1,543)	-
Interest on lease liabilities	(259)	-
Net cash (used in)/generated from financing activities	(1,802)	(4,401)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,903)	(26,380)
Effect of foreign exchange rate changes	781	303
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,193	50,270
CASH AND CASH EQUIVALENTS AT END OF PERIOD	22,071	24,193

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2019 and the accompanying explanatory notes attached to this interim financial report.

FOURTH QUARTER REPORT ENDED 31 MARCH 2020

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020

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 2019 except for the accounting policy changes that are expected to be reflected in financial statement for the year ended 31 March 2020.

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.

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 2019.

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
Amendments to MFRSs References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020

During the current financial year, the Group and the Company has adopted MFRS 16, Leases that is relevant and effective for an accounting period that begins on or after 1 January 2019 as follows:

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both leases. MFRS 16 supersedes the previous guidance including MFRS 117 *Leases* and the related interpretations.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed of lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under MFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

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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.

5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

The Covid-19 outbreak in China resulted in an extended CNY holiday and due to the lockdown in the affected areas, employees' resumption to work and material supply from our vendors were further delayed therefore causing unforeseen interruption to both production and shipment. This has impacted our fourth quarter performance of this financial year.

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 29 August 2019, 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 2020.

8. DIVIDENDS PAID

No dividend has been paid by the Company for the quarter ended 31 March 2020.

9. SEGMENT REPORTING

**Cumulative quarter ended
31 March 2020**

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<u>Revenue</u>					
External revenue	-	91,125	28,450		119,575
Inter-segment revenue	15,095	102,056	114,787	(231,938)	-
Total revenue	<u>15,095</u>	<u>193,181</u>	<u>143,237</u>	<u>(231,938)</u>	<u>119,575</u>
<u>Results</u>					
Profit/(loss) from operations	9,370	(14,467)	(4,681)	(7,859)	(17,637)
Investment revenue	301	69	4		374
Profit/(loss) before tax					(17,263)
Income tax income/(expense)					(1,678)
Profit/(loss) after tax					<u>(18,941)</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 2020 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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FOURTH QUARTER REPORT ENDED 31 MARCH 2020

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020

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 2020	31 March 2019		31 March 2020	31 March 2019	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	30,981	30,452	2%	119,575	141,350	-15%
Operating Profit/(Loss)	(8,352)	(1,247)	570%	(19,563)	(3,369)	481%
Profit/(Loss) Before Interest and Tax	(7,008)	(2,047)	242%	(17,004)	(1,771)	860%
Profit/(Loss) Before Tax	(7,104)	(2,047)	247%	(17,263)	(1,771)	875%
Profit/(Loss) After Tax	(7,191)	(2,632)	173%	(18,941)	(2,176)	770%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(7,191)	(2,632)	173%	(18,941)	(2,176)	770%

For the current quarter under review, the Group's revenue increased by RM0.53 million or 1.7% as compared to the fourth quarter ended 31 March 2019.

The Group recorded a loss before taxation of RM7.1 million for the quarter under review, representing an increase in loss before tax by RM5.06 million as compared to that of the preceding year quarter. The increase in loss before tax was mainly due to the following:

- a. Product development cost written off of RM5.81 million in current year quarter.
- b. Inventories written off of RM1.53 million and provision for stock obsolescence of RM0.54 million in current year quarter.
- c. Retrenchment compensations to employees in Malaysia amounting RM0.28 million in the current year quarter.
- d. However, the negative impact was offset by higher foreign exchange gain by RM1.8 million in current year quarter as compared to 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 2020	31 March 2019	31 March 2020	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment holding	9,806	7,305	15,095	12,791
Manufacturing	47,084	51,867	193,181	218,847
Trading	37,033	44,065	143,237	169,164
Total	93,923	103,237	351,513	400,802
Eliminations	(62,942)	(72,785)	(231,938)	(259,452)
Revenue after eliminations	<u>30,981</u>	<u>30,452</u>	<u>119,575</u>	<u>141,350</u>
Profit/(loss) before tax				
Investment holding	8,729	3,746	9,671	5,389
Manufacturing	(7,860)	1,961	(14,398)	2,917
Trading	224	(3,086)	(4,677)	(4,670)
Total	1,093	2,621	(9,404)	3,636
Eliminations	(8,197)	(4,668)	(7,859)	(5,407)
Profit/(Loss) before tax after eliminations	<u>(7,104)</u>	<u>(2,047)</u>	<u>(17,263)</u>	<u>(1,771)</u>

Investment Holdings

Q4 FY2020 vs. Q4 FY2019

The investment holding segment profit increased by RM4.98 million in the current quarter as compared to preceding year quarter, mainly due to the following:

- a. Higher revenue by RM2.5 million in current year quarter as compared to preceding year quarter, mainly due to higher dividends received from wholly owned subsidiary by RM2.22 million in current year quarter.
- b. Foreign exchange gain of RM0.45 million in current year quarter as compared to foreign exchange loss of RM0.1 million in preceding year quarter.
- c. Impairment loss on investment in subsidiary of RM1.9 million in the preceding year quarter.

Q4 YTD FY2020 vs. Q4 YTD FY2019

The investment holding segment YTD profit increased by RM4.28 million in the current year as compared to preceding year, mainly due to the following:

- a. Higher revenue by RM2.3 million in current year as compared to preceding year , mainly due to higher dividends received from wholly owned subsidiary by RM2.22 million in current year.
- b. Higher Foreign exchange gain by RM0.11 million in current year as compared to preceding year.
- c. Impairment loss on investment in subsidiary of RM1.9 million in the preceding year.

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Manufacturing

Q4 FY2020 vs. Q4 FY2019

The manufacturing segment profit decreased by RM9.82 million in the current year quarter as compared to preceding year quarter, mainly due to the following:

- a. Lower gross profit due to lower revenue in current year quarter as compared to preceding year quarter .
- b. Product development cost written off of RM5.06 million in current year quarter.
- c. Inventories written off of RM1.53 million and provision for stock obsolescence of RM0.54 million in current year quarter.
- d. Retrenchment compensations to employees in Malaysia amounting RM0.28 million in the current year quarter.

Q4 YTD FY2020 vs. Q4 YTD FY2019

The manufacturing segment YTD loss is higher by RM17.31 million, mainly due to the following:

- a. Lower gross profit due to lower revenue in current year as compared to preceding year.
- b. Product development cost written off of RM6.33 million in current year.
- c. Inventories written off of RM1.53 million and provision for stock obsolescence of RM0.54 million in current year.
- d. Retrenchment compensations to employees in Malaysia amounting RM0.28 million in the current year.
- e. Higher operating expenses in current year as compared to preceding year due to some duplication and one-off set up cost from moving manufacturing operations from Dongguan to Wuning.

Trading

Q4 FY2020 vs. Q4 FY2019

The trading segment profit increased by RM3.3 million in the current year quarter as compared to preceding year quarter, mainly due to the following:

- a. Foreign exchange gain of RM0.05 million in current year quarter as compared to foreign exchange loss of RM0.1 million in preceding year quarter.
- b. Despite lower in revenue in current year quarter, the profit increase due to higher gross profit as a result of change in sales model mixes.

Q4 YTD FY2020 vs. Q4 YTD FY2019

The trading segment YTD loss increased by RM7.9 thousand in the current year as compared to preceding year. Despite the decrease in revenue in current year, the loss increase is low due to higher gross profit as a result of change in sales model mixes.

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 2020 RM'000	Immediate Preceding Quarter ended 31 December 2019 RM'000	Changes %
Revenue	30,981	28,894	7%
Operating Profit/(Loss)	(8,352)	(4,775)	75%
Profit/(Loss) Before Interest and Tax	(7,008)	(5,323)	32%
Profit/(Loss) Before Tax	(7,104)	(5,382)	32%
Profit/(Loss) After Tax	(7,191)	(7,133)	1%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(7,191)	(7,133)	1%

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The Group's revenue for the current quarter was RM30.98 million, representing an increase of RM2.09 million or 7.2% as compared to that of the immediate preceding quarter ended 31 December 2019.

The Group recorded a loss before taxation of RM7.1 million for the quarter under review. The Group's loss before tax increased by RM1.72 million as compared to that of the immediate preceding quarter, mainly due to the following:

- a. Higher product development cost written off by RM4.53 million in current year quarter.
- b. Inventories written off of RM1.53 million and provision for stock obsolescence of RM0.54 million in current year quarter.
- c. However, the negative impact was offset by higher revenue and foreign exchange gain of RM1.56 million in current year quarter as compared to foreign exchange loss of RM0.68 million in immediate preceding quarter.

3. COMMENTARY ON PROSPECTS

It is fair to say that the business is currently having to navigate through a challenging period. IQ-group was already managing the reality of a slowdown in the lighting industry, as well as the implications of the US/China trade war and the ramifications of Brexit when the Covid-19 world-wide pandemic took hold. With global lockdowns in IQ-group's key markets having severely impacted our customers' business activities, IQ-group is thereby impacted due to the resulting order cancellations and postponements.

With the global pandemic situations now progressively coming under improved levels of control, IQ-group's customers are naturally doing all that they can to bring sales back to a more typical situation and we look forward to the more regular sales patterns being restored.

Whilst still at an early stage, one exception to the above mentioned negative consequences of the pandemic has been the more recent online sales activities in the USA. Whilst people have been in extended lockdowns online shopping has boomed. This bodes well for IQ-group's online ambitions as people's shopping habits will undoubtedly have been significantly influenced towards online purchases going forward.

Just a few years ago, IQ-group was enjoying record performance both in terms of sales and profitability, we did however recognise at that time that to secure IQ-group's future an ambitious commitment to own brand 'own destiny' business would be required. This commitment was made, the direction set and plans were subsequently resourced to deliver this objective. Therefore, despite the less positive results which have subsequently followed largely due to the reasons mentioned above, this commitment and determination has remained an active pursuit both from a technology and routes to market perspective. To compliment the historic ODM and Lumiqs business activities, IQ-group previously identified connected DC (battery) products as a significant area of potential opportunity. Recent market feedback is confirming our impressions to be correct and thus the advanced 'own destiny' preparations in this field which have been progressing towards market launch provide exciting possibilities which lend themselves to both Online and Global sales (as well as via the traditional big-box retailers). Brand establishment and greater influence over distribution are part of this initiative's ambition and we are making every effort to maximise the success of our leading product definitions in this area targeting successive related market introductions in the months and years ahead.

As previously mentioned, IQ-group is adopting a strategy of simplification to move the business progressively away from the historic high mix low volume business model towards a low mix high volume scenario where fixed costs can also be adjusted to reflect the simplified / more focused requirements. This ambition becomes all the more practical as we achieve breakthroughs in the 'own destiny' business described. To this end we continue to restructure the business to match this less complex requirement with the added benefit of also better matching the fixed costs against the current performance. This initiative is being progressed such that we can scale up in response to the targeted market successes and in readiness for improved external influences.

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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 2020 RM'000	Current year- to-date ended 31 Mar 2020 RM'000
Interest income	(68)	(249)
Other expense/ (income) including investment income **	284	69
Interest expense	96	259
Depreciation and amortisation	1,771	6,737
Provision for and written off of receivables *	-	-
Provision for and written off of inventories	2,068	2,068
(Gain)/Loss on disposal of quoted/unquoted investments *	-	-
(Gain)/Loss on disposal of properties *	-	-
Impairment of assets #	5,801	7,074
Foreign exchange (gain) or loss	(1,560)	(2,380)
(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 2020 RM'000	Current year- to-date ended 31 Mar 2020 RM'000
Estimated income tax expense:		
Current tax expense/(income)	602	1,705
Under/(over)-provision in prior year	(466)	(5)
Deferred tax	(49)	(22)
	<u>87</u>	<u>1,678</u>

The Group's current quarter income tax reflects an effective tax rate which is higher than the statutory income tax rate mainly due to losses of certain subsidiaries which cannot be offset against taxable profits made by other subsidiaries.

The Group's financial year to-date income tax reflects an effective tax rate which is higher than the statutory income tax rate mainly due to prior year tax paid by one of the subsidiary in relation to participation in the Special Voluntary Disclosure Program (SVDP).

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 2020, 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 liabilities carried at fair value
	USD'000	RM'000	RM'000
Forward Foreign Currency Contracts			
Less than 1 year	<u>500,000</u>	<u>2,108,190</u>	<u>63</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

No interim dividend has been declared by the Company for the quarter ended 31 March 2020.

12. EARNINGS PER SHARE

a. Basic earnings per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the period by the weighted average number of ordinary shares in issue during the period.

	Current Quarter ended 31 Mar 2020	Current year- to-date ended 31 Mar 2020
Profit/(loss) for the period attributable to the owners of the Company (RM'000)	<u>(7,191)</u>	<u>(18,941)</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>(8.17)</u>	<u>(21.52)</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: 26 Jun 2020