

IQ GROUP HOLDINGS BERHAD
(200301034523)(636944-U)
(Incorporated in Malaysia under the Companies Act, 1965)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER 2021**

| | Individual Quarter | | Cumulative Quarter | |
|--|---|---|--|--|
| | Current year quarter ended | Preceding year corresponding quarter ended | Current year to-date for 6 months ended | Preceding year corresponding period of 6 months ended |
| | 30 September 2021 RM'000 | 30 September 2020 RM'000 | 30 September 2021 RM'000 | 30 September 2020 RM'000 |
| Revenue | 27,591 | 30,112 | 67,785 | 68,973 |
| Investment revenue | 8 | 76 | 29 | 152 |
| Other gains and losses | 1,064 | (893) | 1,539 | (1,016) |
| Changes in inventories of finished goods and work-in-progress | 5,318 | (868) | 5,795 | (3,573) |
| Raw materials and consumables used | (15,199) | (11,081) | (34,323) | (24,748) |
| Purchase of trading goods | (15) | (147) | (141) | (3,994) |
| Employee benefits expense | (9,792) | (9,091) | (21,410) | (19,907) |
| Depreciation and amortisation of non-current assets | (1,380) | (1,501) | (2,677) | (3,097) |
| Finance costs | (68) | (86) | (140) | (139) |
| Other operating expenses | (8,428) | (5,557) | (14,413) | (9,618) |
| Profit/(loss) before tax | (901) | 964 | 2,044 | 3,033 |
| Tax income/(expense) | (568) | (617) | (1,680) | (909) |
| Profit/(loss) for the period | (1,469) | 347 | 364 | 2,124 |
| Profit/(loss) for the period attributable to: | | | | |
| Owners of the Company | (1,469) | 347 | 364 | 2,124 |
| Non-controlling interests | - | - | - | - |
| | (1,469) | 347 | 364 | 2,124 |
| Earnings/(loss) per ordinary share attributable to owners of the Company (sen): | | | | |
| Basic | (1.67) | 0.39 | 0.41 | 2.41 |
| 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 2021 and the accompanying explanatory notes attached to this interim financial report.

IQ GROUP HOLDINGS BERHAD**(200301034523)(636944-U)**

(Incorporated in Malaysia under the Companies Act, 1965)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER 2021**

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|--|--|
| | Current year quarter ended | Preceding year corresponding quarter ended | Current year to-date for 6 months ended | Preceding year corresponding period of 6 months ended |
| | 30 September 2021 | 30 September 2020 | 30 September 2021 | 30 September 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit/(loss) for the period | (1,469) | 347 | 364 | 2,124 |
| Exchange differences on translating foreign operations | 191 | 337 | 719 | (275) |
| Total comprehensive income/(loss) for the period | (1,278) | 684 | 1,083 | 1,849 |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the Company | (1,278) | 684 | 1,083 | 1,849 |
| Non-controlling interests | - | - | - | - |
| | (1,278) | 684 | 1,083 | 1,849 |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2021 and the accompanying explanatory notes attached to this interim financial report.

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SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at end of current quarter 30 September 2021 Unaudited RM'000 | As at preceding financial year ended 31 March 2021 Audited RM'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 12,908 | 12,709 |
| Right-of-use assets | 3,230 | 3,683 |
| Product development costs | 10,880 | 10,776 |
| Deferred tax assets | 1,086 | 851 |
| Total non-current assets | 28,104 | 28,019 |
| Current assets | | |
| Inventories | 62,384 | 52,510 |
| Trade and other receivables | 46,171 | 51,616 |
| Current tax assets | 1,989 | 2,428 |
| Other assets | 1,025 | 1,998 |
| Short-term deposits with licensed banks | 600 | 5,505 |
| Cash and bank balances | 21,488 | 22,187 |
| Assets classified as held for sale | - | 1,635 |
| Total current assets | 133,657 | 137,879 |
| Total assets | 161,761 | 165,898 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | | |
| Issued capital | 96,177 | 96,177 |
| Reserves | 7,228 | 5,111 |
| Retained earnings/(accumulated losses) | 23,373 | 24,407 |
| Total equity attributable to Owners of the Company | 126,778 | 125,695 |
| Non-controlling interest | - | - |
| Total equity | 126,778 | 125,695 |
| Non-current liabilities | | |
| Deferred tax liabilities | 8 | 8 |
| Lease liabilities | 986 | 1,419 |
| Bank Borrowings | 4,085 | 4,589 |
| Total non-current liabilities | 5,079 | 6,016 |
| Current liabilities | | |
| Trade and other payables | 27,270 | 31,179 |
| Lease liabilities | 988 | 976 |
| Bank Borrowings | 1,002 | 1,002 |
| Tax liabilities | 644 | 1,030 |
| Total current liabilities | 29,904 | 34,187 |
| Total liabilities | 34,983 | 40,203 |
| Total equity and liabilities | 161,761 | 165,898 |
| Net assets per share attributable to owners of the Company (RM) | 1.44 | 1.43 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2021 and the accompanying explanatory notes attached to this interim financial report.

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SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

| | -----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 2021 | 96,177 | 4,986 | 125 | 24,407 | 125,695 |
| Profit/(Loss) for the year | - | - | - | 364 | 364 |
| Other comprehensive income/(loss) for the period | - | 719 | - | - | 719 |
| Total comprehensive income/(loss) for the period | - | 719 | - | 364 | 1,083 |
| Transfer to legal reserve | - | - | 1,398 | (1,398) | - |
| Balance as of 30 September 2021 | 96,177 | 5,705 | 1,523 | 23,373 | 126,778 |
| Balance as of 1 April 2020 | 96,177 | 4,424 | 125 | 21,414 | 122,140 |
| Profit/(Loss) for the year | - | - | - | 2,124 | 2,124 |
| Other comprehensive income/(loss) for the period | - | (275) | - | - | (275) |
| Total comprehensive income/(loss) for the period | - | (275) | - | 2,124 | 1,849 |
| Dividends paid | - | - | - | - | - |
| Balance as of 30 September 2020 | 96,177 | 4,149 | 125 | 23,538 | 123,989 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2021 and the accompanying explanatory notes attached to this interim financial report.

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SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

| | Current year ended 30 September 2021 RM'000 | Preceding year ended 30 September 2020 RM'000 |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(loss) for the year | 364 | 2,124 |
| Adjustments for : | | |
| Tax expense/ (income) recognised in profit or loss | 1,680 | 909 |
| Depreciation and amortisation of non-current assets | 2,677 | 3,097 |
| Unrealised (gain)/loss on foreign exchange | 483 | 737 |
| (Gain)/Loss on disposal of property, plant and equipment | 13 | 77 |
| (Gain)/Loss on disposal of assets classified as held for sales | (457) | - |
| Property, plant and equipment written off | - | 22 |
| Finance costs | 140 | 139 |
| Interest income | (29) | (86) |
| Other non-cash items | 46 | - |
| Operating profit/(loss) before working capital changes | 4,917 | 7,019 |
| (Increase) / Decrease in: | | |
| Inventories | (9,874) | 6,373 |
| Trade and other receivables | 5,372 | (822) |
| Other assets | 974 | 325 |
| Increase / (Decrease) in: | | |
| Trade and other payables | (3,921) | (3,723) |
| Cash generated from operations | (2,532) | 9,172 |
| Tax refunded | 54 | - |
| Tax paid | (1,910) | (1,534) |
| Net cash (used in)/generated from operating activities | (4,388) | 7,638 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 29 | 86 |
| Proceeds from disposal of property, plant and equipment | - | 1 |
| Proceeds from disposal of assets classified as held for sales | 2,089 | - |
| Purchase of property, plant and equipment | (1,303) | (636) |
| Addition to capitalised development costs | (1,054) | (1,733) |
| Net cash (used in)/generated from investing activities | (239) | (2,282) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of lease liabilities | (497) | (914) |
| Interest on lease liabilities | (140) | (139) |
| Proceeds from bank borrowings | - | 6,180 |
| Repayment of borrowing | (504) | - |
| Net cash (used in)/generated from financing activities | (1,141) | 5,127 |
| NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS | (5,768) | 10,483 |
| Effect of foreign exchange rate changes | 164 | (693) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 27,692 | 22,071 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 22,088 | 31,861 |

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2021 and the accompanying explanatory notes attached to this interim financial report.

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2021

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 2021.

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 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 |
|---|---|
| Annual improvements to MFRS Standards 2018-2020 | 1 January 2022 |
| Amendments to MFRS 3 | 1 January 2022 |
| Amendments to MFRS 116 | 1 January 2022 |
| Amendments to MFRS 137 | 1 January 2022 |
| Amendments to MFRS 17 | 1 January 2023 |
| Amendments to MFRS 4 | 1 January 2023 |
| Amendments to MFRS 101 | 1 January 2023 |
| Amendments to MFRS 101 and MFRS Practice Statements 2 | 1 January 2023 |
| Amendments to MFRS 108 | 1 January 2023 |
| Amendments to MFRS 10 and MFRS 128 | Deferred to a date to be announced by MASB |

During the current financial year, the Group has adopted all the new and revised MFRSs that are relevant and effective for the current financial year. The adoption of the new and revised MFRSs 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 2021.

2. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS

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

3. 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.

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

4. UNUSUAL MATERIAL EVENTS

There was no unusual material event during the reporting quarter.

5. MATERIAL CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter results.

6. 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 20 August 2021, 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 30 September 2021.

7. DIVIDENDS PAID

No dividend has been paid by the Company for the quarter ended 30 September 2021.

8. SEGMENT REPORTING

**Cumulative quarter ended
30 September 2021**

| | Investment holding RM'000 | Manufacturing RM'000 | Trading RM'000 | Eliminations RM'000 | Total RM'000 |
|-----------------------|---------------------------------|-------------------------|-------------------|------------------------|-----------------|
| <u>Revenue</u> | | | | | |
| External revenue | - | 52,043 | 15,742 | - | 67,785 |
| Inter-segment revenue | 3,366 | 70,209 | - | (73,575) | - |
| Total revenue | <u>3,366</u> | <u>122,252</u> | <u>15,742</u> | <u>(73,575)</u> | <u>67,785</u> |

| | Investment holding RM'000 | Manufacturing RM'000 | Trading RM'000 | Eliminations RM'000 | Total RM'000 |
|-------------------------------|---------------------------------|-------------------------|-------------------|------------------------|-----------------|
| <u>Results</u> | | | | | |
| Profit/(loss) from operations | 480 | 1,472 | 225 | (162) | 2,015 |
| Investment revenue | 12 | 17 | - | - | 29 |
| Profit/(loss) before tax | | | | | 2,044 |
| Income tax income/(expense) | | | | | <u>(1,680)</u> |
| Profit/(loss) after tax | | | | | <u>364</u> |

9. 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.

10. MATERIAL SUBSEQUENT EVENT

There were no material events subsequent to the current financial quarter ended 30 September 2021 up to the date of this report.

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

11. CHANGES IN THE COMPOSITION OF THE GROUP

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

12. 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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SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2021

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 6 months ended | Preceding year corresponding period of 6 months ended | |
| | 30 September 2021 | 30 September 2020 | | 30 September 2021 | 30 September 2020 | |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Revenue | 27,591 | 30,112 | -8% | 67,785 | 68,973 | -2% |
| Operating Profit/(Loss) | (1,905) | 1,867 | -202% | 616 | 4,036 | -85% |
| Profit/(Loss) Before Interest and Tax | (833) | 1,050 | -179% | 2,184 | 3,172 | -31% |
| Profit/(Loss) Before Tax | (901) | 964 | 193% | 2,044 | 3,033 | -33% |
| Profit/(Loss) After Tax | (1,469) | 347 | 523% | 364 | 2,124 | -83% |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | (1,469) | 347 | 523% | 364 | 2,124 | -83% |

For the current quarter under review, the Group's revenue decreased by RM2.52 million or 8.4% as compared to the second quarter ended 30 September 2020. This is mainly due to delay in some sales as a result of shortage in chips supplies as well as logistics issue caused by container shortage.

The Group recorded a loss before taxation of RM0.9 million for the quarter under review, representing a decrease in profit before tax by RM1.87 million as compared to that of the preceding year quarter. The decrease in profit before tax was mainly due to lower revenue and lower gross profit margin. The lower gross profit margin is due to difference in sales model mixes and material cost increase.

However, the negative impact was offset by foreign exchange gain of RM0.36 million in current year quarter as compared to foreign exchange loss of RM1.92 million in preceding year quarter.

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SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

Segmental Analysis

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

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|--|--|
| | Current year quarter ended 30 September 2021 RM'000 | Preceding year corresponding quarter ended 30 September 2020 RM'000 | Current year to-date for 6 months ended 30 September 2021 RM'000 | Preceding year corresponding period of 6 months ended 30 September 2020 RM'000 |
| <u>Revenue</u> | | | | |
| Investment holding | 2,048 | 1,650 | 3,366 | 3,349 |
| Manufacturing | 50,836 | 58,289 | 122,252 | 123,440 |
| Trading | 6,074 | 10,989 | 15,742 | 53,843 |
| Total | 58,958 | 70,928 | 141,360 | 180,632 |
| Eliminations | (31,367) | (40,816) | (73,575) | (111,659) |
| Revenue after eliminations | <u>27,591</u> | <u>30,112</u> | <u>67,785</u> | <u>68,973</u> |
| <u>Profit/(loss) before tax</u> | | | | |
| Investment holding | 1,166 | 28 | 492 | 182 |
| Manufacturing | (1,510) | 368 | 1,489 | (627) |
| Trading | (341) | 209 | 225 | 3,445 |
| Total | (685) | 605 | 2,206 | 3,000 |
| Eliminations | (216) | 359 | (162) | 33 |
| Profit/(Loss) before tax after eliminations | <u>(901)</u> | <u>964</u> | <u>2,044</u> | <u>3,033</u> |

Investment Holdings

Q2 FY2022 vs. Q2 FY2021

The investment holding segment profit increased by RM1.14 million in the current quarter as compared to preceding year quarter, mainly due to the following:

- a. Higher revenue in current year quarter as compared to preceding year quarter.
- b. Foreign exchange gain of RM0.04 million in current year quarter as compared to foreign exchange loss of RM0.32 million in preceding year quarter.

Q2 YTD FY2022 vs. Q2 YTD FY2021

The investment holding segment YTD profit increased by RM0.31 million in the current year as compared to preceding year, mainly due to foreign exchange gain of RM0.19 million in current year as compared to foreign exchange loss of RM0.4 million in preceding year.

Manufacturing

Q2 FY2022 vs. Q2 FY2021

The manufacturing segment profit is lower by RM1.88 million in the current year quarter as compared to preceding year quarter, mainly due to lower gross profit as a result of lower revenue in current year quarter as compared to preceding year quarter.

However, the negative impact was offset by foreign exchange gain of RM0.34 million in current year quarter as compared to foreign exchange loss of RM1.65 million in preceding year quarter.

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Q2 YTD FY2022 vs. Q2 YTD FY2021

The manufacturing segment YTD profit is higher by RM2.12 million in the current year as compared to preceding year, mainly due to the following:

- a. Despite lower revenue in current year, the profit increase due to lower operating expenses in current year as compared to preceding year.
- b. Foreign exchange gain of RM0.05 million in current year as compared to foreign exchange loss of RM1.82 million in preceding year.

Trading

Q2 FY2022 vs. Q2 FY2021

The trading segment profit decreased by RM0.55 million in the current year quarter as compared to preceding year quarter due to decrease in revenue. The decrease in revenue is mainly due to the cessation of a trading subsidiary's operation.

Q2 YTD FY2022 vs. Q2 YTD FY2021

The trading segment YTD profit decreased by RM3.22 million in the current year as compared to preceding year. The profit decreased as a result of lower revenue mainly due to the cessation of a trading subsidiary's operation.

2. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

Financial review for current quarter compared to immediate preceding quarter

| | Current Year Quarter ended 30 September 2021 RM'000 | Immediate Preceding Quarter ended 30 June 2021 RM'000 | Changes % |
|---|--|--|------------------|
| Revenue | 27,591 | 40,194 | -31.4% |
| Operating Profit/(Loss) | (1,905) | 2,521 | -175.6% |
| Profit/(Loss) Before Interest and Tax | (833) | 3,017 | -127.6% |
| Profit/(Loss) Before Tax | (901) | 2,945 | -130.6% |
| Profit/(Loss) After Tax | (1,469) | 1,833 | -180.1% |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | (1,469) | 1,833 | -180.1% |

The Group's revenue for the current quarter was RM27.59 million, representing a decrease of RM12.6 million or 31.4% as compared to that of the immediate preceding quarter ended 30 June 2021. Lower revenue is due to sales from delayed delivery caused by container shortage in the shipping industry as a result of Covid-19 impact in the fourth quarter of last financial year were shipped in the first quarter ended 30 June 2021. There was also delay in some sales as a result of shortage in chips supplies as well as logistics issue caused by container shortage in this quarter.

The Group recorded a loss before taxation of RM0.9 million for the quarter under review. The Group's profit before tax decreased by RM3.85 million as compared to that of the immediate preceding quarter, mainly due to the lower gross profit due to lower revenue in the current year quarter as compared to immediate preceding quarter.

However, the negative impact was offset by foreign exchange gain of RM0.36 million in current quarter as compared to foreign exchange loss of RM0.12 million in immediate preceding quarter.

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3. COMMENTARY ON PROSPECTS

We returned to profitability during FY20/21 and maintained that positive position during the first quarter of this financial year...and whilst our first half year-to-date result remains positive, the second quarter does however demonstrate the continued global challenges that we and similar businesses face. With significant material cost increases, the reduced availability of key materials (particular with regard to chip supplies) and the inflated logistical costs and complications, a somewhat unprecedented set of circumstances has arisen which directly impact IQ's business and with obvious financial ramifications. In addition to the external challenges, cost of quality implications also pose an influence on the business performance.

The good news however is that none of these issues represent negative development with regard to opportunity or our customer relationships. Quite the opposite in fact. It is simply a challenging set of circumstances through which we (and others) must navigate.

The success of our prior cost reduction and business simplification initiatives has thankfully placed us upon a better footing from which to creatively handle the mentioned challenges and to continue our forward looking ventures both with regard to ODM and our own brand business models, with a maintained focus and ambition with regard to growth.

As previously mentioned, it is from this improved platform...and from the emboldened position of having navigated the external challenges of the prior financial year, that we approach the challenges and opportunities of today. Despite the present turbulence of circumstance, the fundamentals of perceived market opportunity and our valued customer relationships provides a panorama which sees beyond the choppy waters of today to the prospects of what we seek to accomplish. We therefore remain active in handling the realities of the moment, but enthusiastic in equal measure with regard to the future ahead of us.

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 Sep 2021 RM'000 | Current year- to-date ended 30 Sep 2021 RM'000 |
|--|--|---|
| Interest income | (8) | (29) |
| Other expense/ (income) including investment income ** | (702) | (1,300) |
| Interest expense | 68 | 140 |
| Depreciation and amortisation | 1,380 | 2,677 |
| 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 | (362) | (239) |
| (Gain) or loss on derivatives * | - | - |
| Exceptional item charged / (credited) * | - | - |

* Not applicable during the period

Product development cost written off

** Exclude interest income

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| | Quarter ended 30 Sep 2021 RM'000 | Current year- to-date ended 30 Sep 2021 RM'000 |
|--------------------------------------|--|---|
| Estimated income tax expense: | | |
| Current tax expense/(income) | 627 | 1,515 |
| Under/(over)-provision in prior year | - | - |
| Deferred tax | (59) | 165 |
| | <u>568</u> | <u>1,680</u> |

The Group's current quarter and financial year to-date income tax reflects an effective tax rate which is higher than the statutory income tax rate mainly due to withholding tax paid by the Company amounting RM0.48 million in current quarter and RM1.24 million in current year to-date on the dividend received from a manufacturing subsidiary in China.

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

Bank borrowings

| | As at 30 Sep 2021 RM'000 | As at 31 Mar 2021 RM'000 |
|-----------------------|--------------------------------|--------------------------------|
| <u>Short term</u> | | |
| Term loan (secured) | 1,002 | 1,002 |
| <u>Long term</u> | | |
| Term loan (secured) | 2,996 | 3,497 |
| Term loan (unsecured) | 1,089 | 1,092 |
| | <u>5,087</u> | <u>5,591</u> |

The currency profile of borrowings are as follows:

| | As at 30 Sep 2021 RM'000 | As at 31 Mar 2021 RM'000 |
|------------------|--------------------------------|--------------------------------|
| Ringgit Malaysia | 3,998 | 4,499 |
| Japanese Yen | 1,089 | 1,092 |
| | <u>5,087</u> | <u>5,591</u> |

9. FINANCIAL INSTRUMENTS

As at 30 September 2021, there is no foreign currency contract which have been entered into by the Group to hedge its foreign receivables.

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 30 September 2021.

IQ GROUP HOLDINGS BERHAD
(200301034523)(636944-U)
(Incorporated in Malaysia under the Companies Act, 1965)

SECOND QUARTER REPORT ENDED 30 SEPTEMBER 2021

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 30 Sep 2021 | Current year- to-date ended 30 Sep 2021 |
|---|---|---|
| Profit/(loss) for the period attributable to the owners of the Company (RM'000) | <u>(1,469)</u> | <u>364</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>(1.67)</u> | <u>0.41</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 November 2021