

IQ GROUP HOLDINGS BERHAD

(Company No. 636944-U)

(Incorporated in Malaysia)

Summary of key discussions at the Fourteenth Annual General Meeting of the Company held at the Training Room, IQ Group Holdings Berhad, 149 Jalan Sultan Azlan Shah, Taman Perindustrian Bayan Lepas, Fasa 1 (FTZ), Bayan Lepas, 11900 Penang on Wednesday, 30 August 2017 at 3.00 p.m.

Question	Answer
To elaborate on the objectives and strategies and business directions of the IQ Group ("IQ")	The Chairman replied that IQ started its business of ODM (Original Design Manufacturing) basis to design, develop, manufacture and brand the products according to the customers' business needs, and the customers will do their own distribution. However, due to the emerging of technology advancements and disruptive platforms, IQ does not want to miss the opportunities and solely relying on ODM business to get in touch with the market. Hence IQ has also ventured into IQ's Lumiqs branded products (Industrial intelligent high bay lighting solutions) for warehouses and other commercial applications. Initially, IQ had visited its ODM customers to ask them whether they are interested to work with IQ to market "Lumiqs". Through IQ's own initiatives, Lumiqs is now doing well in various countries, such as Singapore, Malaysia, European countries, and especially Japan which is more aggressive. Some ODM customers that had initially rejected the offer to work with IQ on Lumiqs have now come back for a second chance to join this business when they see the encouraging trend. Over a time they would potentially be able to build up a sizeable business. Hence, since 2 years ago, IQ had invested money in reaching the market to expand this business. The Managing Director, Mr Beasley further elaborated that Lumiqs is offering intelligent lighting solutions and Japan will be an exciting area for Lumiqs. IQ has established itself with high credibility to fulfil customers' expectations and is continually reaching out to the resellers to market Lumiqs. He added that the group is currently going through transitional period from traditional ODM business only to establish its own brand in addition to the ODM business and the outlook of IQ is very interesting.

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Question	Answer
<p>It is mentioned that in five to six years, IQ Group expects the Lumiqs business to achieve the business of the current scale of the Group. What is the current production of Lumiqs?</p>	<p>Mr Beasley clarified that the Management has set an internal target that by the year of 2020, Lumiqs could achieve 30% of IQ's present total production. He shared that the team in IQ Japan has set very aggressive target and has committed to achieve an average monthly target of 30,000 units by the middle of next year. IQ expects the sales of Lumiqs to reach RM60 million in 2020 and RM200 million in 2024. Currently since the launch of Lumiqs 2 years and 7 months ago, the sale is RM5 million. The second generation of Lumiqs is targeted to capture global possibilities.</p>
<p>What is the market position of IQ? Is IQ a leader in sensor product? Is IQ selling hardware or software? Are there competitors?</p>	<p>The Chairman explained that IQ is one of the pioneers in sensors and only a few companies are doing this. Since the nature of business is to supply ODM customers in the field of sensors, IQ has different recognition from different parties, such as some may view IQ as an expert in providing products while some customers in Germany, for instance, will view IQ as a solution provider. Mr Beasley added that for motion sensors, IQ is one of the leaders globally.</p>
<p>By establishing its own brand and reputation, will IQ be competing with its own ODM customers?</p>	<p>The Chairman replied that different company has different strength of its own. IQ is still maintaining a close relationship with its ODM customers. Most of the companies run their businesses professionally and each shall have their own interest to pursue. IQ always keep their ODM customers informed on the progress of its branded products and also welcome them to partner with IQ.</p>

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Question	Answer
Lumiqs products only targeted commercial space? IQ's strategy is to focus on new or existing warehouses?	The Chairman replied that Lumiqs do focus more on industrial application. He briefed that most of the warehouses are not as active as Fedex. Places with low activities like warehouses or car parks, could have their lights turned off or dimmed most of the time to save energy. As such, IQ targets those areas that make business sense from customers' point of view. However, their strategy does not only focus on warehouses but also areas that require IQ's expertise in their products' energy saving feature.
What is the reason for the sudden drop of profit in this quarter?	Mr Beasley explained that IQ definitely has a positive prospect but their challenge is to go through this transition period. The group is facing a lot of pressure in the Research and Development ("R&D") area. He stressed that IQ continues to invest in R&D and ultimately the profit would go up again.
How long is the transition period?	The Chairman replied that the positive transition period (to establish own brand business alongside the historical ODM business) had started two years ago and might last for five to six years before an equitable balance may be achieved. The Group will continue to seek resource / priority balance in both areas.
Note 25 – Share premium account of RM8.1 million. Can this be converted into share capital?	It can be distributed out as bonus shares within 24 months.
Whether IQ has enough capacity for production of Lumiqs to be increased until 2024?	Mr Beasley replied that currently IQ is working on one shift. When the need arises, it can work two or three shifts.