

# IQ-group



**IQ GROUP HOLDINGS BERHAD**

(200301034523) (636944-U)

annual report **2021**

# IQ-group

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

*Executive Chairman*  
**Chen, Wen-Chin**  
also known as **Kent Chen**

*Managing Director / Chief Executive Officer*  
**Daniel John Beasley**

*Senior Independent Non-Executive Director*  
**Charlie Ong Chye Lee**

*Independent Non-Executive Director*  
**Tan Boon Hoe**

*Independent Non-Executive Director*  
**Dato' Yoon Chon Leong**

## AUDIT COMMITTEE

*Chairman*  
**Tan Boon Hoe**

*Members*  
**Charlie Ong Chye Lee**  
**Dato' Yoon Chon Leong**

## REMUNERATION COMMITTEE

*Chairman*  
**Charlie Ong Chye Lee**

*Members*  
**Tan Boon Hoe**  
**Dato' Yoon Chon Leong**

## NOMINATION COMMITTEE

*Chairman*  
**Charlie Ong Chye Lee**

*Members*  
**Tan Boon Hoe**  
**Dato' Yoon Chon Leong**

## COMPANY SECRETARIES

Chew Siew Cheng (*MAICSA 7019191*)  
(*SSM PC No. 202008001179*)  
Lim Choo Tan (*LS 0008888*)  
(*SSM PC No. 202008000713*)

## REGISTERED OFFICE

Suite A, Level 9  
Wawasan Open University  
54 Jalan Sultan Ahmad Shah  
10050 Georgetown, Penang.  
Telephone : 604-229 6318  
Facsimile : 604-228 2118

## HEAD/MANAGEMENT OFFICE

Plot 149, Jalan Sultan Azlan Shah  
Taman Perindustrian Bayan Lepas  
Fasa 1 (FTZ), Bayan Lepas  
11900 Penang  
Telephone : 604-644 6677  
Facsimile : 604-644 9677  
Email : headoffice@iq-group.com  
Website : www.iq-group.com

## PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad  
1, Downing Street  
10300 Penang  
Telephone : 604-262 9441

Public Bank Berhad  
5,7,9 & 11, Lorong Kampung Jawa  
Bandar Bayan Baru  
11900 Bayan Lepas, Penang  
Telephone : 604-643 8200

## EXTERNAL AUDITOR

Deloitte PLT (*LLP0010145-LCA & AF 0080*)  
Level 12A, Hunza Tower  
163E Jalan Kelawei  
10250 Penang  
Telephone : 604-218 9888

## INTERNAL AUDITOR

KPMG Management & Risk Consulting Sdn.  
Bhd.  
Level 18, Hunza Tower  
163E, Jalan Kelawei  
10250 Penang  
Telephone : 604-238 2288

## SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn.  
Bhd.  
Unit 32-01, Level 32  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Telephone : 603-2783 9299  
Facsimile : 603-2783 9222

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities  
Berhad  
(Listed on 10 October 2005)  
Stock Name : IQGROUP  
Stock Code : 5107



# MANAGEMENT DISCUSSION AND ANALYSIS

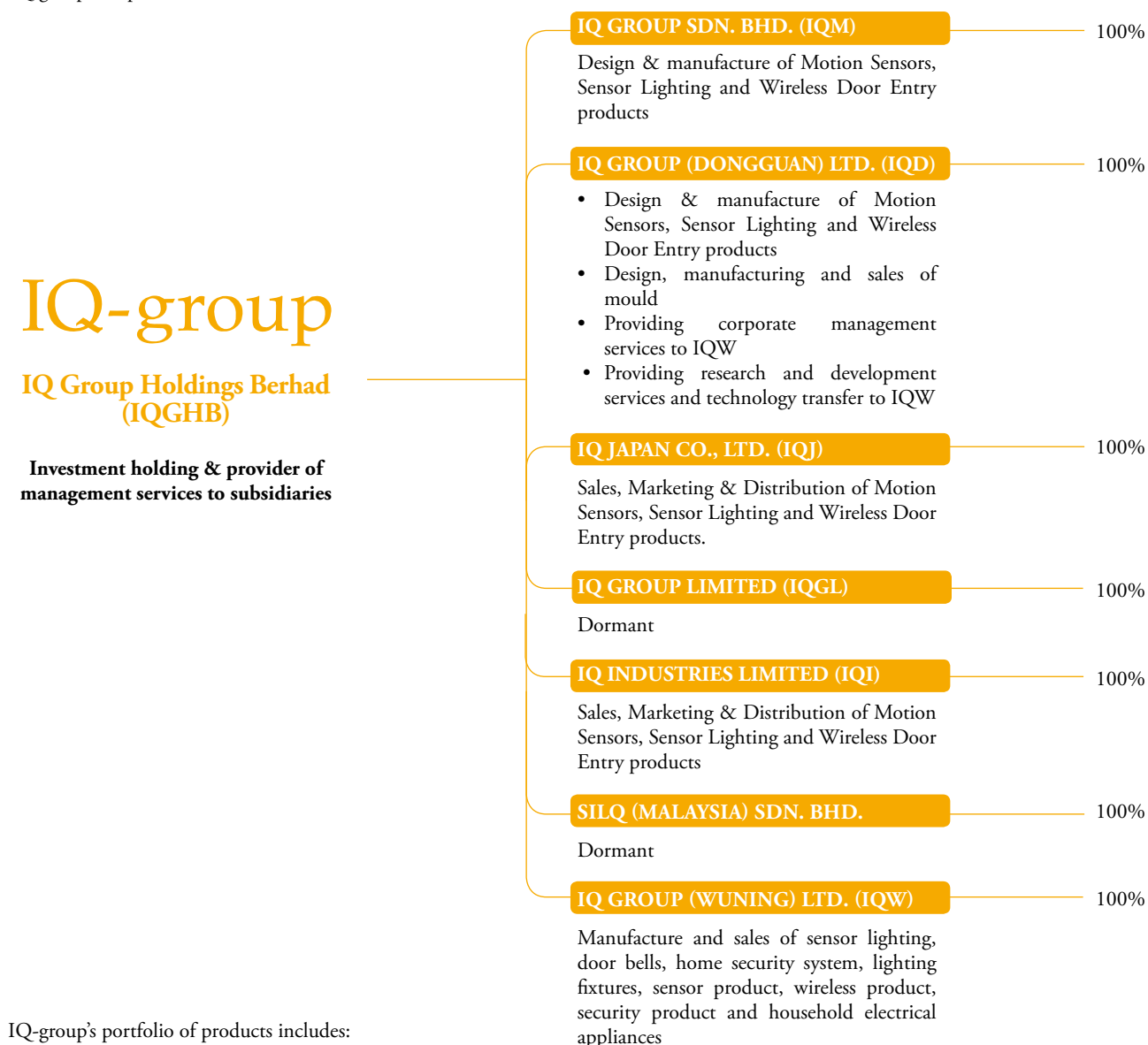
## OVERVIEW OF GROUP'S BUSINESS & OPERATIONS

IQ Group Holdings Berhad ("IQ-group" or "the Group") is an established global leader in the design and manufacture of lighting, security and convenience products. Working with some of the world's major retail and professional brands, we provide the technologies that *detect*, *illuminate* & *announce* your arrival.

Throughout our 30 years history, we have built up an enviable reputation for design, innovation and quality within our core technologies, encompassing motion sensors, sensor lighting and wireless door entry products where the application of intelligence and connectivity are increasingly the norm.

We employ approximately 800 people globally. We boast manufacturing operations in Malaysia and China, plus offices in Taiwan, Japan and the United Kingdom.

IQ-group's corporate structure is as follow:-



IQ-group's portfolio of products includes:

- Stand-alone PIR Sensors
- Sensor Controlled Security Lighting
- Sensor Controlled Industrial Lighting
- General Lighting (Uncontrolled)
- Wireless Door Entry Products

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

The breakdown of the Group's revenue by product category for the financial year ended 31 March 2021 is as follow:

Product Category	% of Total Gross Sales
Sensor Lighting	54
Standalone Motion Sensor	36
Wireless Door Entry products	10

The principal markets for the Group's products for the year ended 31 March 2021 are as follow:-

Country	% of Total Gross Sales
Continental Europe	37
United Kingdom	13
Japan	29
United States of America	17
Rest of the World	4

### FINANCIAL OVERVIEW

Highlights of the Group Financial Information for the past five (5) years

Financial Year Ended 31 March	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM
<b>Financial</b>					
Revenue	198,896,676	153,752,462	141,349,973	119,575,485	133,066,859
Profit/(Loss) before tax	32,695,804	(777,608)	(1,770,929)	(17,263,138)	3,365,479
Net profit/(loss) after tax	28,165,370	(317,188)	(2,175,988)	(18,940,800)	2,992,756
Profit/(Loss) attributable to Owners of the Company	28,443,434	(317,188)	(2,175,988)	(18,940,800)	2,992,756
Shareholders' equity	161,081,670	145,525,226	140,156,397	122,140,229	125,695,348
Total assets	198,054,122	176,442,272	165,248,355	156,637,866	165,898,560
Return on Equity	17%	-0.2%	-2%	-16%	2%
Basic Earnings/(Loss) per share (sen)	32.31	(0.36)	(2.47)	(21.52)	3.40
Net assets per share	1.83	1.65	1.59	1.39	1.43
Dividend per share	0.11	0.10	-	-	-

### Income Statement

For the financial year ended 31 March 2021, the Group recorded the revenue of RM133 million, an increase of 11% over the revenue of RM120 million in the preceding year.

The increase in Sales were mainly due to:

- Sales from delay delivery caused by Covid-19 outbreak in China during the fourth quarter of last financial year were shipped in this financial year.
- Launching of new DC or battery operated products during the financial year.

The Group registered a profit attributable to the Owners of the Company of RM2.99 million for FY20/21 as compared to loss of RM18.94 million in FY19/20. The improved performance is mainly due to improved revenue as well as our coordinated efforts in reducing costs via headcount reduction and business simplification during the financial year.

With research and development being a key pillar to the success of IQ's business, we continue to invest heavily in this area with an estimated expenses of RM8.7 million or equivalent to 6.5% of our Revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

As the Group operates its business internationally with exposure to foreign currency exchange risk, there is no assurance that significant changes in the exchange rate will not have material impact on future financial performance of the Group. To mitigate against the foreign currency exchange risk, the Group places a proportion of its export proceeds in foreign currency bank accounts to facilitate payments in the corresponding foreign currency. The Group will enter into foreign currency forward contracts to hedge against some foreign currency exposure when necessary.

### Statement of Financial Position

The Group always strives to maintain a prudent financial structure in ensuring adequate capital is made available to meet its short and mid-term business plan.

The Group continues to maintain a healthy statement of financial position. As at 31 March 2021, the net assets of the Group stood at RM126 million with a net cash and bank balance of RM27.7 million or RM0.31 per share.

The Group's capital expenditure for the financial year ended 31 March 2021 was RM0.98 million as disclosed in note 13 (page 104) of the financial statements in this Annual Report. The investment was fully financed by internally generated funds.

### OBJECTIVE AND STRATEGIES

We remain focused on our strategy to develop both the traditional ODM customer relationships, whilst also enthusiastically pursuing our 'own destiny' business objectives.

We have previously set the ambition of achieving recognised brand status, particularly within retail markets. This objective remains central to our ambition and plans with related development and market engagement in full momentum.

Much of our own destiny ambition lends itself to both online global sales, as well as via the traditional big box retailers and club stores. Due to the scale of potential opportunity, much of our efforts are focused at this point on the USA market where volumes can be considerable.

### CORPORATE DEVELOPMENT AND OPERATING REVIEW

Business simplification, achieved via targeted and enhanced focus on high volume and low mix business remains a primary objective, where fixed costs can also be adjusted to reflect the simplified and more focused requirements. This ambition becomes increasingly realistic as we achieve breakthroughs in 'own destiny' and own brand business.

The prior exercise of moving the majority of IQ Malaysia's manufacturing to our established facilities in China and the subsequent step of consolidating that manufacturing to our operation in Wuning (Jiangxi Province) has proved to be a great success. The latter of these two initiatives being concluded within FY20/21, further reducing costs and enhancing efficiency.

As previously stated, although IQ-group's manufacturing presence in Malaysia was largely transferred out during FY18/19, the maintained manufacturing foothold in Malaysia is seen as a clear advantage by our American customer base. Despite the change of US government, tariffs and the evolving political dynamic between the USA and China keep the need to avoid total reliance on China high on the agenda. It is evident that American based customers appreciate IQ-group's established and flexible capability in Malaysia and with IQ-group's 'own destiny' plans having a significant US focus, this maintained presence is beneficial with the growing opportunities and ambition relative to the American market.

### FORWARD-LOOKING STATEMENT

In the midst of turbulent conditions brought about as a result of both the Covid-19 pandemic and more recently the global semiconductor chip crisis, IQ-group finds itself needing to creatively respond to such situations in a manner which strengthens, rather than weakens, our position. Having returned to the black during FY20/21, in a year of immense world-wide challenge, we have demonstrated our ability to do just that and we are now having a firmer footing upon which to venture forth compared to the most recent years.

Even with lockdowns and travel restrictions, relations with our key customers have strengthened during this period and we are well positioned to capitalise on this basis.

With IQ-group's 'own destiny' activities rapidly progressing, we anticipate encouraging possibilities ahead and when these are combined with results of our continued commitment in the fields of Intelligent Industrial lighting and a strong ODM business, we remain highly motivated and determined to achieve the targeted success.

Despite the recent and current global challenges, we remain fully committed to building the foundations for long term sustainable growth and are confident that we are pursuing the paths to much greater prospects, riding on current circumstances, trends and emerging technologies which permit brand establishment, own distribution and the possibility of ramping sales in high volume categories.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### DIVIDENDS

The Group did not declare any dividend for the financial year ended 31 March 2021 and 31 March 2020.

No final dividend has been recommended for consideration at the forthcoming Annual General Meeting.

The company does not have a dividend policy. The dividend payment will depend on a number of factors, including amongst others, the earnings, capital commitment, general financial condition, distributable reserves and other factors to be considered by the Board.

### APPRECIATION

The Board of Directors wish to thank each and every member of IQ-group team for their hard work and dedication during the past year.

We would also like to express our sincere appreciation to our shareholders, customers, business associates and suppliers for their valuable support.



## DIRECTORS' PROFILE

**CHEN, WEN-CHIN**  
**ALSO KNOWN AS KENT CHEN**  
*Executive Chairman*

**Chen, Wen-Chin also known as Kent Chen**, aged 68, Taiwanese, male, is the Executive Chairman of IQ Group Holdings Berhad (IQGHB) and was appointed to the Board of Directors of IQGHB on 12 April 2005. He graduated with a degree in Business Administration from Soo-Chow University in Taiwan. He is the founder of IQ Group Sdn. Bhd (IQM) and is presently the Chairman of IQM. Prior to founding IQM, he was the Director/General Manager of Sun Radar Co. Ltd and Peyco Electronics (Taiwan) Ltd. which are also involved in the design and manufacture of PIR motion sensor devices. He is now regarded as one of the pioneers in the PIR motion and sensor devices business in Malaysia. He has more than 30 years of experience in the PIR motion sensors business, thus making him the driving force behind the Group's product design and development activities.

**DANIEL JOHN BEASLEY**  
*Managing Director /  
Chief Executive Officer*

**Daniel John Beasley**, aged 51, British, male, is the Managing Director/ Chief Executive Officer of IQ Group Holdings Berhad (IQGHB) and was appointed to the Board of Directors of IQGHB on 12 April 2005. Prior to his promotion to the Managing Director on 1 December 2006, he was the Executive Director of IQGHB. He joined IQ Group Sdn. Bhd. (IQM) in 1996 as Industrial Design Manager. During the period with the company, he has held a number of positions including Group R&D Manager, Director of Product Management and Group Business Development Director. He was appointed as a Director of IQM in April 2004 until taking up his current role. He graduated in 1991 from the University of Central England with a Bachelor of Arts (Honours) Degree in Industrial Design/Engineering. Prior to joining IQM, he worked as an Industrial Design Consultant for various companies including Friedland Limited, UK. He is now responsible for the IQGHB Group's overall operations, business development and strategic planning.

**CHARLIE ONG CHYE LEE**  
*Senior Independent  
Non-Executive Director*

**Charlie Ong Chye Lee**, aged 77, Malaysian, male, is the Senior Independent Non-Executive Director of IQ Group Holdings Berhad (IQGHB) and was appointed to the Board of Directors of IQGHB on 8 June 2007. He is the Chairman of the Remuneration Committee and Nomination Committee and a member of the Audit Committee. He obtained a Bachelor of Laws degree from the University of Singapore in 1969. He practised law in Penang after being called to the Bar in 1970 in Messrs. Mustaffa bin Hussain, later Messrs. Mustaffa, Jayaraman, Ong & Co. and Messrs. Jayaraman, Ong & Co. in which he became a partner in 1971 and retired in June 1988 when he set up his own legal practice in partnership with Mr. R.J. Manecksha under the name and style of Messrs. Ong & Manecksha. He was mainly involved in banking and corporate work and occasionally involved in litigation on maritime and other miscellaneous matters. In May 2004, he retired as a partner and was appointed as consultant in Messrs. Ong & Manecksha. Currently, he sits on the Board of Directors of Uchi Technologies Berhad.

**DATO' YOON CHON LEONG**  
*Independent Non-Executive Director*

**Dato' Yoon Chon Leong**, aged 72, Malaysian, male, is the Independent Non-Executive Director of IQ Group Holdings Berhad (IQGHB) and was appointed to the Board of Directors of IQGHB as Non-Independent Non-Executive Director on 29 May 2007. He was re-designated to Independent Non-Executive Director on 17 July 2012. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee. He obtained his degree in Electrical Engineering from Monash University, Melbourne in 1973. He then spent 30 years working with Hewlett-Packard and Agilent Technologies in various capacities, of which 20 years were in Research & Development. Over the years, he acquired a wide spectrum of experience including high technology manufacturing, R&D and Information Technology. He retired from Agilent Technologies in January 2006 and started a management consulting practice focusing on strategic business development, R&D management and entrepreneur incubation, with clients including major multinational companies. He is currently working with MIDA and Crest to create a business environment for the development of more local technology based small and medium sized companies. He is also a key member of the Penang Science Cluster to develop young engineering talent. Dato' Yoon currently serves as director and coach for a few entrepreneurial start-up companies.



## DIRECTORS' PROFILE (Cont'd)

### **TAN BOON HOE** *Independent Non-Executive Director*

**Tan Boon Hoe**, aged 65, Malaysian, male, is the Independent Non-Executive Director of IQ Group Holdings Berhad (IQGHB) and was appointed to the Board of Directors of IQGHB on 2 Nov 2020. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. He holds a professional degree from the Malaysian Institute of Certified Public Accountants. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He was a former partner of Deloitte Malaysia and has more than 35 years of experience in assurance and advisory engagement. He is currently a partner of an accounting practice providing auditing, due diligence, advisory and other related services. He also holds directorship in Uchi Technologies Berhad, MI Technovation Berhad and a private limited company.

### Further Information

- (i) **Family Relationship**  
None of the Directors have any family relationship with any director and/or major shareholder of IQ Group Holdings Berhad.
- (ii) **Conflict of Interest**  
None of the Directors have any conflict of interest with IQ Group Holdings Berhad.
- (iii) **Convictions for Offences**  
None of the Directors have had any convictions for Offences within the past 5 years other than traffic offences.
- (iv) **Details of Attendance at Board Meetings**  
There were six (6) Board of Directors' Meeting held during the financial year ended 31 March 2021. Details of attendance of the Directors are as follows:-

Directors	Number of Board Meetings	
	Attended	Held
Chen, Wen-Chin also known as Kent Chen	6	6
Daniel John Beasley	6	6
Charlie Ong Chye Lee	6	6
Dato' Yoon Chon Leong	6	6
Leow Mee Hong (retired on 22-9-2020)	3	3
Tan Boon Hoe (appointed on 2-11-2020)	2	2

- (v) **The Board currently comprises of five (5) Directors, of which three (3) are independent**



## KEY SENIOR MANAGEMENT'S PROFILE

### LOO WENG KEONG

#### Group Director Business Finance, HR & MIS

Nationality: Malaysian, Gender: Male, Age: 54

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**Date of appointment to present position**

: 8 June 2016

**Working experience**

: 1991 – 1994 – Senior Process Engineer, Penang Seagate Industries (M) Sdn. Bhd.  
1995 – 1996 – Senior Engineer, Hewlett-Packard (M) Sdn. Bhd.  
1996 – 1996 – Plant Manager, Local SMI - Manufacturing  
1996 – 1998 – Manufacturing Manager, IQ Group Sdn. Bhd.  
1998 – 2002 – Operations Manager, IQ Group Sdn. Bhd.  
2002 – 2004 – General Manager, IQ Group Sdn. Bhd.  
2004 – 2005 – Operations Director, IQ Group Sdn. Bhd.  
2005 – 2016 – Group General Manager, IQ Group Holdings Berhad.  
2016 – Present – Group Director Business Finance, HR & MIS, IQ Group Holdings Berhad.

**Qualification**

: 1990 – Diploma in Technology (Materials Engineering), Tunku Abdul Rahman College  
1991 – Master of Science (MSc) in Manufacturing Engineering, Queen's University of Belfast

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### CHEN, KUN LI

#### Group R&D Director

Nationality: Taiwan R.O.C., Gender: Male, Age: 55

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**Date of appointment to present position**

: 1 January 2015

**Working experience**

: 1990 – 1993 – Electronic Engineer, Interquartz Taiwan Limited  
1993 – 1997 – Assistant Electronic Section Head, Interquartz Taiwan Limited  
1998 – 2000 – Assistant Electronic Section Head, IQ Group Sdn. Bhd. (Taiwan Representative Office)  
2000 – 2008 – Assistant Electronic Manager, IQ Group Sdn. Bhd. (Taiwan Representative Office)  
2008 – 2012 – R&D Manager, IQ Group Sdn. Bhd. (Taiwan Representative Office)  
2012 – 2014 – Group R&D Director, IQ Group Sdn. Bhd. (Taiwan Representative Office)  
2015 – Present – Group R&D Director, IQ Group Holdings Berhad.

**Qualification**

: 1986 – Associate Degree of Electronic Engineering, Lunghwa University of Science and Technology (Taiwan).

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### CHEE TING TING

#### Group Financial Controller

Nationality: Malaysian, Gender: Female, Age: 51

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**Date of appointment to present position**

: 1 August 2005

**Working experience**

: 1993 – 1994 – Auditor, Arthur Anderson & Co.  
1995 – 1996 – Accountant, Bensonlaunch Sdn. Bhd.  
1996 – 2003 – Finance Manager, IQ Group Sdn. Bhd.  
2003 – 2005 – Group Finance Manager, IQ Group Holdings Berhad.  
2005 – Present – Group Financial Controller, IQ Group Holdings Berhad.

**Qualification**

: 1992 – Bachelor of Commerce (Accounting), The Flinders University of South Australia.  
1999 – Certified Practising Accountant, CPA Australia.  
2001 – Chartered Accountant, Malaysian Institute of Accountants.

## KEY SENIOR MANAGEMENT'S PROFILE (Cont'd)

### ALBERT LIM ENG KEAT

#### Group Factory Operations Director

Nationality: Malaysian, Gender: Male, Age: 51

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**Date of appointment to present position**

: 8 June 2016

**Working experience**

: 1990 – 1992 – QC Engineer, Sanyo Electric Penang  
1992 – 1993 – Process Engineer, Philip Audio Sdn Bhd.  
1993 – 1995 – PQA Engineer, FMS Audio Sdn Bhd  
1995 – 1999 – Sr. QA Engineer, Jabil Circuit Sdn Bhd  
1999 – 2000 – Workcell Manager, Jabil Circuit Sdn Bhd  
2000 – 2001 – QA Manager, LKT Automation Sdn Bhd  
2001 – 2002 – Production Manager, Siemens VDO Components Sdn Bhd  
2002 – 2003 – Manufacturing Manager, Siemens VDO Components Sdn Bhd  
2003 – 2006 – Sr. Plant Manager, Siemens VDO Components Sdn Bhd  
2006 – 2007 – Manufacturing Director, PLEXUS Mfg Sdn Bhd  
2007 – 2009 – Operation Business Applications Director, PLEXUS Manufacturing Sdn Bhd  
2009 – 2012 – General Manager, Amphenol MY Sdn Bhd  
2012 – 2013 – Principal Consultant, BOS Management Consultancy – Sole Proprietorship  
2013 – 2014 – Global Quality Director, FCI Connectors MY Sdn Bhd  
2015 – 2016 – Principal Consultant, BOS Management Consultancy – Sole Proprietorship  
2016 – Present – Group Factory Operations Director, IQ Group Sdn. Bhd

**Qualification**

: 1990 – Diploma in Electronics Engineering, Federal Institute of Technology  
2000 – Master in Business Administration, Honolulu University

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### CARSTEN STEPHAN EBERHARD SEDEMUND

#### Group New Product Introduction Director

Nationality: German, Gender: Male, Age: 59

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**Date of appointment to present position**

: 17 September 2015

**Working experience**

: 1987 – 2015 – Various positions in the Peter Kremser Group organisation for 28 years, Germany, like as Head of the sales back office, Head of Product Management and R&D, Head of Strategic Purchasing and within this whole period 16 years as a company officer with special statutory authority (Prokurist)  
2015 – Present – Group New Product Introduction Director, IQ Group Sdn. Bhd.

**Qualification**

: 1983 – Apprenticeship Diploma in Electronic Technician for Energy and Buildings Services  
1986 – Diploma in Warehouse Management  
1992 – Diploma in Business Administration

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### CHOONG BEE GNOH

#### Business Generation Unit Director

Nationality: Malaysian, Gender: Female, Age: 61

.....  
**Date of appointment to present position**

: 22 November 2011

**Working experience**

: 1984 – 1986 – Secretary to the Managing Director, Texchem Malaysia Sdn. Bhd.  
1986 – 1988 – Secretary, Petro-Pipe Sdn Bhd  
1990 – 1992 – R&D Secretary, IQ Group Sdn. Bhd.  
1992 – 1995 – Customer Service Officer, IQ Group Sdn. Bhd.  
1995 – 2005 – Customer Service Manager, IQ Group Sdn. Bhd.  
2005 – 2011 – Business Development Director, IQ Group Sdn. Bhd.  
2011 – Present – Business Generation Unit Director, IQ Group Sdn. Bhd.

**Qualification**

: 1982 – Private Secretary Certificate  
1985 – Advanced Diploma in Business Administration (ABE)



## KEY SENIOR MANAGEMENT'S PROFILE (Cont'd)

### WONG KWOK HON (TONY)

**Managing Director of IQ Group (Dongguan) Ltd.**

Nationality: Chinese, Gender: Male, Age: 56

**Date of appointment to present position**

: 15 September 2006

**Working experience**

: 1985 – 1987 – QC Technician, Dragoco (Far East) Ltd.  
1987 – 1988 – Project Engineer, Truly Electronics Manufacturing Ltd.  
1990 – 1994 – R&D Supervisor, Karrie Industrial Holding Co. Ltd.  
1994 – 1997 – Project Manager, Product Group Manager, VTech Computer Ltd.  
1997 – 1998 – Factory Manager, Hung Sam Industrial Manufactory Company Limited.  
1998 – 2002 – Development Manager, Assistant General Manager, Saitek Ltd.  
2002 – 2005 – General Manager, Panint Enterprise Ltd.  
2005 – 2006 – General Manager, Bonso Electronic Ltd.  
2006 – Present – Managing Director, IQ Group (Dongguan) Ltd.

**Qualification**

: 1985 – Diploma in Mechanical Engineering (Production), Kwai Chung Technical Institute.  
1988 – Higher certificate in Production and Industrial Engineering, Hong Kong Polytechnics.  
1990 – Bachelor in Mechanical Engineering, University of Glasgow.

### HISAYUKI TOMINAGA

**Managing Director of IQ Japan Co., Ltd.**

Nationality: Japanese, Gender: Male, Age: 59

**Date of appointment to present position**

: 16 June 2005

**Working experience**

: 1986 - 1990 – Sales, Domestic market, Optex Co., Ltd.  
1991 – 1995 – Sales Assistant Manager, Overseas market, Optex Co., Ltd.  
1996 – 1997 – Sales Manager, Overseas market, Optex Co., Ltd.  
1998 – 1999 – Deputy Sales Director, Overseas market, Optex Co., Ltd.  
2000 – 2003 – Sales Manager, Maxxam Co., Ltd.  
2004 – 2005 – Sales Manager, IQ Japan Co., Ltd.  
2005 – Present – Managing Director, IQ Japan Co., Ltd.

**Qualification**

: 1986 - Bachelor of Sociology, Ritsumeikan University, Kyoto Japan

None of the Senior Management staff above have:

- Directorship in public listed companies
- Directorship in public companies
- Family relationship with any director and/ or major shareholder of the Company
- Conflict of interests with the Company
- Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at <https://tiih.online> on Friday, 20 August 2021 at 2.30 p.m.

## AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 March 2021 together with the Reports of the Directors and Auditors thereon. Please refer to Note 2

### As Ordinary Business

2. To re-elect Mr Daniel John Beasley retiring under the provision of Clause 76(3) of the Constitution of the Company, and who, being eligible, has offered himself for re-election. Ordinary Resolution 1
3. To re-elect Mr Tan Boon Hoe retiring under the provision of Clause 78 of the Constitution of the Company, and who, being eligible, has offered himself for re-election. Ordinary Resolution 2
4. To approve the payment of Directors' fees of RM426,420.00 for the financial year ending 31 March 2022. Ordinary Resolution 3
5. To approve the payment of Directors' benefit in accordance with Section 230(1) of the Companies Act 2016 up to an amount of RM440,078.04 from 20 August 2021 until next AGM of the Company. Ordinary Resolution 4
6. To re-appoint Deloitte PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. Ordinary Resolution 5

### As Special Business

To consider and if thought fit, to pass with or without modifications the following resolutions: -

#### 7. Continuing in Office as Independent Non-Executive Directors

- (i) "THAT authority be and is hereby given to Mr Charlie Ong Chye Lee who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." Ordinary Resolution 6
- (ii) "THAT authority be and is hereby given to Dato' Yoon Chon Leong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." Ordinary Resolution 7

#### 8. Proposed Renewal of Share Buy-Back Authority

"THAT subject to the provisions under the Companies Act, 2016 ("the Act"), rules and regulation and orders made pursuant to the Act, the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and the approvals of all relevant authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares in the Company ("IQGHB Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase ("Proposed Renewal of Share Buy-Back Authority").

THAT the maximum amount of funds to be utilised for the purpose of the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's retained profits.

THAT authority be and is hereby given to the Directors of the Company to decide at their discretion as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any IQGHB Shares so purchased by the Company in the following manner:-

- (i) the IQGHB Shares so purchased could be cancelled; or
- (ii) the IQGHB Shares so purchased could be retained as treasury shares for distribution as share dividends to the shareholders of the Company and/or resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
- (iii) combination of (i) and (ii) above; or
- (iv) in accordance with the relevant prevailing statutory provisions and guidelines.



## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### 8. Proposed Renewal of Share Buy-Back Authority (Cont'd)

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution until:-

- (i) the conclusion of the next annual general meeting of the Company following the general meeting at which such resolution was passed, at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or
- (ii) the passing of the date on which the next annual general meeting of the Company is required by law to be held; or
- (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first.

And THAT the Directors of the Company be and are authorised to take such steps to give full effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company.”

Ordinary  
Resolution 8

### 9. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

“THAT subject always to the provisions of the Companies Act 2016 (“the Act”), the Constitution of the Company, Bursa Malaysia Securities Berhad Main Market Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions with the following corporations as set out in Sections 2.4 and 2.5 of the Circular to Shareholders dated 22 July 2021 (“the Circular”), which are necessary for the day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders as set out in the Circular (“Mandate”):-

- (a) Sensorlite Inc. (formerly known as Interquartz Taiwan Ltd.)
- (b) IQ (America) Inc.

THAT the Directors be empowered to do all such acts and things considered necessary or expedient to give full effect to the Mandate with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments as may be imposed by the relevant authorities.

THAT such Mandate shall commence upon passing this ordinary resolution and to be in force until:-

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the authority shall lapse unless the authority is renewed by a resolution passed at the meeting;
- (b) the expiration of the period within which the next AGM after that date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by ordinary resolution of the shareholders of the Company at a general meeting;

whichever is earlier.

And THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.”

Ordinary  
Resolution 9

### 10. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

**LIM CHOO TAN** (LS 0008888) (SSM PC No. 202008000713)  
**CHEW SIEW CHENG** (MAICSA 7019191) (SSM PC No. 202008001179)  
Secretaries

Date: 22 July 2021

Penang

## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### Notes:

#### 1. Proxy

- 1.1 The AGM will be conducted fully virtual through live streaming and online meeting platform provided by Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) in Malaysia via its TIIH Online website at <https://tjih.online>. Members are to attend, speak (including posing questions to the Board of Directors of IQGROUP via real time submission of typed texts) and vote (collectively, “Participate”) remotely at this AGM via Remote Participation and Voting (“RPV”) facilities provided by Tricor. Members are advised to follow the procedures of RPV as stated in the Administrative Guide.
- 1.2 According to the Revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 1 June 2021, an online meeting platform located in Malaysia is recognised as the meeting venue and all meeting participants of a fully virtual general meeting are required to participate in the meeting online.
- 1.3 For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 12 August 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
- 1.4 A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- 1.5 A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
- 1.6 Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- 1.7 Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (“Central Depositories Act”) which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- 1.8 Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- 1.9 The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at <https://tjih.online>. Please refer to the Administrative Guide for further information on electronic submission. All proxy forms submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding this General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.
- 1.10 Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- 1.11 Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
- 1.12 Last date and time for lodging this proxy form is 2.30 p.m., 18 August 2021 (Wednesday).



## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### Notes: (Cont'd)

#### 2. Audited Financial Statements for the financial year ended 31 March 2021

This Agenda item is meant for discussion only as the provision of Section 248(2) and 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence is not put forward for voting.

#### 3. Directors' Fees

This proposed Ordinary Resolution 3, if passed, will authorise the payment of Directors' fees amounting to RM426,420.00 for the financial year ending 31 March 2022.

#### 4. Directors' Benefit

This proposed Ordinary Resolution 4, if passed, will authorise the payment of Directors' benefits amounting up to RM440,078.04 from 20 August 2021 until next AGM of the Company.

### Explanatory Notes on Special Business

#### Continuing in Office as Independent Non-Executive Directors

The Nomination Committee with Mr Charlie Ong Chye Lee and Dato' Yoon Chon Leong abstaining from deliberation of their own assessments, had assessed the independence of Mr Charlie Ong Chye Lee and Dato' Yoon Chon Leong who have served on the Board as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. Mr Charlie Ong Chye Lee and Dato' Yoon Chon Leong have met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The length of their service does not interfere with Mr Charlie Ong Chye Lee's and Dato' Yoon Chon Leong's abilities and exercise of independent judgement as Independent Directors.

The Board will be seeking shareholders' approval through a two-tier voting process at the Eighteenth Annual General Meeting to retain Mr Charlie Ong Chye Lee as an Independent Non-Executive Director as his tenure has exceeded 12 years.

#### Proposed Renewal of Share Buy-Back Authority

This proposed Ordinary Resolution 8, if passed, will give the Directors of the Company the authority to purchase its own shares up to 10% of the total number of issued shares of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This Authority will, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

#### Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

This proposed Ordinary Resolution 9, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature. This Authority will, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 22 July 2021 for more information.



# ADMINISTRATIVE GUIDE FOR THE EIGHTEENTH ANNUAL GENERAL MEETING (“18<sup>TH</sup> AGM”)

Date : Friday, 20 August 2021  
 Time : 2.30 p.m.  
 Meeting Platform : Online Meeting Platform via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia

## MODE OF MEETING

In view of the COVID-19 outbreak and as part of the safety measures, the Company will conduct the 18<sup>th</sup> AGM on a **fully virtual basis through live streaming and online remote voting** via Remote Participation and Voting (“RPV”) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd’s (“Tricor”) **TIIH Online** website at <https://tiih.online> on **Friday, 20 August 2021 at 2.30 p.m.** This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 and subsequently revised on 1 June 2021 (including any amendment that may be made from time to time) (“SC Guidance”).

In accordance with the SC Guidance, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are required to participate in the meeting online. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of Companies Act 2016 provided that the online platform is located in Malaysia.

We strongly encourage you to attend the 18<sup>th</sup> AGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 18<sup>th</sup> AGM.

## REMOTE PARTICIPATION AND VOTING (“RPV”) FACILITIES

- The RPV facilities are available on Tricor’s **TIIH Online** website at <https://tiih.online>.
- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the 18<sup>th</sup> AGM using RPV facilities from Tricor.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

## PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 18<sup>th</sup> AGM using the RPV facilities:

### Before the 18<sup>th</sup> AGM Day

	Procedure	Action
i.	Register as a user with TIIH Online	<ul style="list-style-type: none"> <li>• Using your computer, access to website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the “e-Services” select “<b>Create Account by Individual Holder</b>”. Refer to the tutorial guide posted on the homepage for assistance.</li> <li>• Registration as a user will be approved within one (1) working day and you will be notified via e-mail.</li> <li>• If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.</li> </ul>
ii.	Submit your request to attend the 18 <sup>th</sup> AGM remotely	<ul style="list-style-type: none"> <li>• Registration is open from Thursday, 22 July 2021 until the day of 18<sup>th</sup> AGM on Friday, 20 August 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 18<sup>th</sup> AGM to ascertain their eligibility to participate the 18<sup>th</sup> AGM using the RPV.</li> <li>• Login with your user ID (i.e. e-mail address) and password and select the corporate event: “<b>(REGISTRATION) IQGROUP 18<sup>TH</sup> AGM</b>”</li> <li>• Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>• Select “Register for Remote Participation and Voting”.</li> <li>• Review your registration and proceed to register.</li> <li>• System will send an <b>e-mail to notify</b> that your registration for remote participation is received and will be verified.</li> <li>• After verification of your registration against the Record of Depositors as at 12 August 2021, the system will send you an <b>e-mail after 18 August 2021 to approve or reject</b> your registration for remote participation. <i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV)</i></li> </ul>



# ADMINISTRATIVE GUIDE FOR THE EIGHTEENTH ANNUAL GENERAL MEETING (“18<sup>TH</sup> AGM”) (Cont’d)

## PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES (Cont’d)

### On the 18<sup>th</sup> AGM Day

Procedure	Action
i. Login to TIIH Online	<ul style="list-style-type: none"> <li>Login with your user ID and password for remote participation at the 18<sup>th</sup> AGM at any time from 1.30 p.m. i.e. 1 hour before the commencement of meeting at 2.30 p.m. on Friday, 20 August 2021.</li> </ul>
ii. Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: “(LIVE STREAM MEETING) IQGROUP 18TH AGM” to engage in the proceedings of the 18<sup>th</sup> AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question when the Chairman open the floor for any questions. The Chairman/Board will try to respond to questions submitted by remote participants during the 18<sup>th</sup> AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</li> </ul>
iii. Online remote voting	<ul style="list-style-type: none"> <li>Voting session commences from 2.30 p.m. on Friday, 20 August 2021 until a time when the Chairman announces the end of the session.</li> <li>Select the corporate event: “(REMOTE VOTING) IQGROUP 18<sup>TH</sup> AGM” or if you are on the live stream meeting page, you can select “GO TO REMOTE VOTING PAGE” button below the Query Box.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
iv. End of remote participation	<ul style="list-style-type: none"> <li>Upon the announcement by the Chairman on the conclusion of the 18<sup>th</sup> AGM, the Live Streaming will end.</li> </ul>

### Note to users of the RPV facilities:

- (i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- (ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- (iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to [tiih\\_online@my.tricorglobal.com](mailto:tiih_online@my.tricorglobal.com) for assistance.

## ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY

- Only members whose names appear on the Record of Depositors as at 12 August 2021 shall be eligible to attend, speak and vote at the 18<sup>th</sup> AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the 18<sup>th</sup> AGM will be conducted on a fully virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
- If you wish to participate in the 18<sup>th</sup> AGM yourself, please do not submit any Form of Proxy for the 18<sup>th</sup> AGM. You will not be allowed to participate in the 18<sup>th</sup> AGM together with a proxy appointed by you.

# ADMINISTRATIVE GUIDE FOR THE EIGHTEENTH ANNUAL GENERAL MEETING (“18<sup>TH</sup> AGM”) (Cont’d)

## ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY (Cont’d)

- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 18<sup>th</sup> AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Wednesday, 18 August 2021 at 2.30 p.m.:**
  - (i) In Hard copy:  
In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang.
  - (ii) By electronic means  
In the case of an appointment made via online, the proxy form must be deposited via TIIH Online at <https://tiih.online> and the steps to submit are summarised below:

Procedure	Action
<b>i. Steps for Individual Shareholders</b>	
Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>● Using your computer, please access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the “e-Services”. Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>● If you are already a user with TIIH Online, you are not required to register again.</li> </ul>
Proceed with submission of proxy form	<ul style="list-style-type: none"> <li>● After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li> <li>● Select the corporate event: <b>“IQGROUP 18<sup>TH</sup> AGM - SUBMISSION OF PROXY FORM”</b>.</li> <li>● Read and agree to the Terms and Conditions and confirm the Declaration.</li> <li>● Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.</li> <li>● Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.</li> <li>● Review and confirm your proxy(s) appointment.</li> <li>● Print the form of proxy for your record.</li> </ul>
<b>ii. Steps for corporation or institutional shareholders</b>	
Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>● Access TIIH Online at <a href="https://tiih.online">https://tiih.online</a></li> <li>● Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects <b>“Create Account by Representative of Corporate Holder”</b>.</li> <li>● Complete the registration form and upload the required documents.</li> <li>● Registration will be verified, and you will be notified by email within one (1) to two (2) working days.</li> <li>● Proceed to activate your account with the temporary password given in the email and re-set your own password.</li> </ul> <p>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p>
Proceed with submission of proxy form	<ul style="list-style-type: none"> <li>● Login to TIIH Online at <a href="https://tiih.online">https://tiih.online</a></li> <li>● Select the corporate exercise name: <b>“IQGROUP 18<sup>TH</sup> AGM - SUBMISSION OF PROXY FORM”</b>.</li> <li>● Agree to the Terms &amp; Conditions and Declaration.</li> <li>● Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein.</li> <li>● Prepare the file for the appointment of proxies by inserting the required data.</li> <li>● Proceed to upload the duly completed proxy appointment file.</li> <li>● Select “Submit” to complete your submission.</li> <li>● Print the confirmation report of your submission for your record.</li> </ul>



# ADMINISTRATIVE GUIDE FOR THE EIGHTEENTH ANNUAL GENERAL MEETING (“18<sup>TH</sup> AGM”) (Cont’d)

## POLL VOTING

- The voting at the 18<sup>TH</sup> AGM will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).
- Members/proxies/corporate representatives/attorneys can proceed to vote on the resolutions at any time from 2.30 p.m. on Friday, 20 August 2021 but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to “Procedures to Remote Participation and Voting via RPV Facilities” provided above for guidance on how to vote remotely via TIIH Online.
- Upon completion of the voting session for the 18<sup>th</sup> AGM, the Scrutineers will verify the poll results followed by the Chairman’s declaration whether the resolutions are duly passed.

## NO RECORDING OR PHOTOGRAPHY

Unauthorised recording and photography are strictly prohibited at the 18<sup>th</sup> AGM.

## PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the AGM via Tricor’s TIIH Online website at <https://tiih.online> by selecting “e-Services” to login, pose questions and submit electronically no later than Wednesday, 18 August 2021 at 2:30 p.m. The Board will endeavor to answer the questions received at the AGM.

## NO DOOR GIFTS/FOOD VOUCHERS

- There will be no distribution of door gifts or food vouchers for the 18th AGM as the meeting will be conducted on a fully virtual basis.
- The Company would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

## ENQUIRIES

- If you need any assistance, kindly contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

### **Tricor Investor & Issuing House Services Sdn. Bhd.**

General Line : +603-2783 9299

Fax Number : +603-2783 9222

Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

Contact persons :

Amier Arief : +603-2783 9250 / email : [Amier.Arief@my.tricorglobal.com](mailto:Amier.Arief@my.tricorglobal.com)

Eric Low : +603-2783 9267 / email : [Eric.Low@my.tricorglobal.com](mailto:Eric.Low@my.tricorglobal.com)

## PERSONAL DATA PRIVACY

By lodging and subscribe for a user account with Tricor’s **TIIH Online Portal** to participate and vote remotely at the 18<sup>th</sup> AGM using the RPV Facilities, the shareholder/proxy holder/representative(s) accepts and agrees to the personal data privacy terms.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### Statement Accompanying Notice of Annual General Meeting pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements

There are no individuals who are standing for election as Directors (excluding Directors standing for re-election) at this forthcoming Annual General Meeting.



# STATEMENT IN RELATION TO PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

## Statement to shareholders in relation to the Proposed Renewal of Authority for the purchase by IQ Group Holdings Berhad (“the Company” or “IQGHB”) of its own shares

This Statement is important and requires your immediate attention. If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad (“Bursa Securities”) takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement. This Statement has not been perused by Bursa Securities before its issuance.

### 1. INTRODUCTION

On 30 June 2021, Tricor Corporate Services Sdn Bhd had, on behalf of IQGHB, announced to Bursa Malaysia Securities Berhad (“Bursa Securities”) that IQGHB is proposing to seek its shareholders’ approval at its Eighteenth Annual General Meeting (“AGM”) of IQGHB (“IQGHB Eighteenth AGM”) to be convened in 2021 for the renewal of the authority for the purchase by IQGHB of its own shares of up to ten percentage (10%) of the total number of issued shares of IQGHB (“the Proposed Renewal of Share Buy-Back Authority”).

The purpose of this Statement is to provide you with information on the Proposed Renewal of Share Buy-Back Authority together with your Directors’ recommendation on the Proposed Renewal of Share Buy-Back Authority, and to seek your approval of the ordinary resolution on the Proposed Renewal of Share Buy-Back Authority to be tabled at the forthcoming IQGHB Eighteenth AGM to be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd’s TIIH Online website at <https://tiih.online> on Friday, 20 August 2021 at 2.30 p.m.

The notice of IQGHB Eighteenth AGM and the Form of Proxy are enclosed with IQGHB 2021 Annual Report.

### 2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

At the Seventeenth Annual General Meeting of IQGHB held on 22 September 2020, shareholders had, inter alia, approved the existing authority for the purchase by IQGHB of its own shares of up to ten percent (10%) of the total number of issued shares of the Company (“Share Buy-Back Authority”). In compliance with Bursa Securities Main Market Listing Requirements (“Listing Requirements”) and the resolution passed by the shareholders on 22 September 2020, Share Buy-Back Authority will expire at the conclusion of IQGHB Eighteenth AGM to be held on 20 August 2021, unless renewed by an ordinary resolution passed by the shareholders.

The maximum number of shares that may be bought back of up to ten percent (10%) of the total number of issued shares of the Company would include all shares which have been previously bought back and cancelled or retained as treasury shares. The renewal of the authority from the shareholders for the purchase by IQGHB of its own shares will be effective immediately upon the passing of the ordinary resolution on the Proposed Renewal of Share Buy-Back Authority at IQGHB Eighteenth AGM, to be held on 20 August 2021 until:-

- (i) the conclusion of the next AGM of the Company at which time it will lapse unless by an ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

The Shares purchased by the Company may be dealt with by the Board in accordance with Section 127 of the Act, in the following manner :-

- (a) to cancel the Shares so purchased; or
- (b) to retain the Shares so purchased as treasury shares for distribution as share dividends to the shareholders of the Company and/or resell on the Bursa Securities in accordance with the relevant rules of the Bursa Securities and/or cancellation subsequently; or
- (c) to retain part of the Shares so purchased as treasury shares and cancel the remainder.

While the purchased Shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any other distributions or otherwise will be suspended. The treasury shares shall not be taken into account in calculating the number or percentage of Shares or of a class of Shares in the Company for any purposes including substantial shareholding, take-over, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on the resolution at a meeting.

# STATEMENT IN RELATION TO PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (Cont'd)

## 3. SOURCE OF FUNDS

The Listing Requirements stipulates that the proposed purchase by a listed company of its own shares must be made wholly out of retained profits of the listed company. IQGHB therefore proposes to allocate an amount not exceeding the audited retained profits of IQGHB for the purpose of the Proposed Renewal of Share Buy-Back Authority. Based on the latest audited financial statements of IQGHB as at 31 March 2021, the retained profits of IQGHB was amounted to RM35,477,879. The funding for the purchase by IQGHB of its own shares is expected to be internally generated.

The actual number of ordinary shares in IQGHB ("IQGHB Shares") to be purchased, the total amount of funds involved for each purchase and timing of the purchase would depend on market conditions and the amount of retained profits, if any, of IQGHB.

## 4. RATIONALE FOR THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

Proposed Renewal of Share Buy-Back Authority will provide IQGHB with another option to utilise its financial resources more efficiently. The Proposed Renewal of Share Buy-Back Authority is expected to stabilise the supply and demand of IQGHB Shares as well as the price of IQGHB Shares. All things being equal, the Proposed Renewal of Share Buy-Back Authority, irrespective of whether IQGHB Shares that have been previously bought-back pursuant to previous or the existing Share Buy-Back Authority ("Purchased IQGHB Shares") are held as treasury shares or cancelled, will result in a lower number of IQGHB Shares being taken into account for the purpose of computing the earnings per share ("EPS") of IQGHB Shares. The cost of the Purchased IQGHB Shares, whether held as treasury shares or cancelled, will be excluded from the shareholders' funds of IQGHB and its subsidiaries ("IQGHB Group") in the computation of return on equity ("ROE") of IQGHB, which in turn is expected to have a positive impact on the price of IQGHB Shares.

## 5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Proposed Renewal of Share Buy-Back Authority, if exercised, is expected to potentially benefit IQGHB and its shareholders as follows:-

- (i) the EPS of IQGHB Shares and the ROE of IQGHB (all other things being equal) would be enhanced. This is expected to have a positive impact on the market price of IQGHB Shares which will benefit shareholders of IQGHB; and
- (ii) if the Purchased IQGHB Shares are retained as treasury shares, it will provide the Directors with the option to sell the Purchased IQGHB Shares at a higher price and generate profits for IQGHB. Alternatively, the Purchased IQGHB Shares retained as treasury shares may be distributed as share dividend to shareholders.

The potential disadvantages of the Proposed Renewal of Share Buy-Back Authority, if exercised, will be the reduction in the financial resources of IQGHB or loss generated in the event that the price of IQGHB Shares is below the purchase price. This may result in IQGHB foregoing other investment opportunities that may emerge in the future. However, the financial resources of IQGHB will increase upon the resale of the Purchased IQGHB Shares which are held as treasury shares in the open market.

## 6. EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The effects of the Proposed Renewal of Share Buy-Back Authority on the share capital, net assets and working capital and earnings of IQGHB, shareholdings of the Directors and substantial shareholders of IQGHB, assuming IQGHB purchases IQGHB Shares up to the maximum ten percent (10%) of the issued and paid-up share capital of IQGHB, are set out as follows:-

### 6.1 Share Capital

In the event that all the Purchased IQGHB Shares are cancelled and on the assumption that the Proposed Renewal of Share Buy-Back Authority is exercised in full, the proforma effects of the Proposed Renewal of Share Buy-Back Authority on the total number of issued shares of IQGHB as at 30 June 2021, are as follows:-

	<b>Number of IQGHB Shares</b>
As at 30 June 2021	88,028,550
Cancellation of Purchased IQGHB Shares	8,802,855
After the Proposed Renewal of Share Buy-Back Authority	79,225,695

However, in the event that all IQGHB Shares bought-back are retained as treasury shares, the Proposed Renewal of Share Buy-Back Authority will not have any effect on the total number of issued shares of IQGHB.



## STATEMENT IN RELATION TO PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (Cont'd)

### 6. EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (Cont'd)

#### 6.2 Net Assets ("NA")

The Proposed Renewal of Share Buy-Back Authority may increase or decrease the NA per IQGHB Share depending on the purchase price(s) of IQGHB Shares bought-back pursuant to the Proposed Renewal of Share Buy-Back Authority. The NA per IQGHB Share will increase if the purchase price is less than the NA per IQGHB Share and will decrease if the purchase price exceeds the NA per IQGHB Share at the time when IQGHB Shares are purchased.

In the event the Purchased IQGHB Shares which are retained as treasury shares are resold, the NA of IQGHB Shares will increase or decrease depending on whether a gain or a loss is realised upon the resale. The quantum of the increase or decrease in NA will depend on the actual disposal price and the number of the Purchased IQGHB Shares, retained as treasury shares, which are resold.

#### 6.3 Working Capital

The Proposed Renewal of Share Buy-Back Authority will reduce the working capital of IQGHB Group, the quantum of which will depend on the number of IQGHB Shares purchased and the purchase price(s) of IQGHB Shares.

#### 6.4 Earnings

The effect of the Proposed Renewal Share Buy-Back Authority on the earnings of IQGHB will depend on, inter alia, the number of IQGHB Shares purchased and the purchase price(s) of IQGHB Shares.

#### 6.5 Shareholding of the Directors and Substantial Shareholders

##### (i) Shareholding of Directors

The proforma effects of the Proposed Renewal of Share Buy-Back Authority on the shareholding of the Directors of IQGHB based on the Record of Depositors as at 30 June 2021 are as follows:-

Directors	As at 30 June 2021				Assuming 10% of the Share Capital is Purchased and Cancelled			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chen, Wen-Chin also known as Kent Chen	16,895,701	19.19	41,171,451*	46.77	16,895,701	21.33	41,171,451*	51.97
Daniel John Beasley	90,000	0.10	-	-	90,000	0.11	-	-
Charlie Ong Chye Lee	7,000	0.01	-	-	7,000	0.01	-	-
Tan Boon Hoe	-	-	-	-	-	-	-	-
Dato' Yoon Chon Leong	-	-	-	-	-	-	-	-

\* By virtue of his substantial interest in Sensorlite Limited and Sensorlite Investments Limited and interest of spouse by virtue of Section 59(11)(c) of the Companies Act 2016



# STATEMENT IN RELATION TO PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (Cont'd)

## 6. EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (Cont'd)

### 6.5 Shareholding of the Directors and Substantial Shareholders

#### (ii) Shareholding of Substantial Shareholders

The proforma effects of the Proposed Renewal of Share Buy-Back Authority on the shareholding of the Substantial Shareholders of IQGHB based on the Register of Substantial Shareholders as at 30 June 2021 are as follows:-

Shareholder	As at 30 June 2021				Assuming 10% of the Share Capital is Purchased and Cancelled			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chen, Wen-Chin also known as Kent Chen	16,895,701	19.19	39,638,867**	45.03	16,895,701	21.33	39,638,867**	50.03
Sensorlite Limited	35,659,240	40.51	-	-	35,659,240	45.01	-	-

\*\* By virtue of his substantial interest in Sensorlite Limited and Sensorlite Investments Limited

## 7. HISTORICAL SHARE PRICE OF THE COMPANY

The monthly highest and lowest closing price of shares as traded on Bursa Securities for the past twelve (12) months are as follows:

Year 2020/2021	High (RM)	Low (RM)
<b>2020</b>		
July	0.405	0.38
August	0.75	0.37
September	1.26	0.73
October	1.34	0.79
November	1.39	1.03
December	1.12	0.87
<b>2021</b>		
January	1.29	0.95
February	1.23	0.995
March	1.05	0.905
April	1.16	0.935
May	1.16	0.96
June	0.99	0.90

(Source : KLSE I3investor)

The last transacted price of shares on 30 June 2021 being the latest practicable date prior to the printing of this Statement was RM0.93

## 8. PUBLIC SHAREHOLDING SPREAD

The Proposed Renewal of Share Buy-Back Authority shall be in compliance with Section 127 of the Companies Act 2016 and any prevailing laws, orders, requirements, guidelines, rules and regulations issued by the relevant authorities at the time of purchase including compliance with the twenty five percent (25%) public shareholding as required by Bursa Securities. Based on the public shareholding spread of IQGHB as at 30 June 2021 of 33.91%, assuming that the Proposed Renewal of Share Buy-Back Authority is implemented up to ten percent (10%) of the total number of issued shares of IQGHB and that the number of IQGHB Shares held directly and indirectly by the substantial shareholders and the Directors of IQGHB remain unchanged, the public shareholding spread of IQGHB is expected to be reduced to 26.57%.



## STATEMENT IN RELATION TO PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (Cont'd)

### 9. IMPLICATIONS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY IN RELATION TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 ("THE CODE")

The Proposed Renewal of Share Buy-Back, if carried out in full (whether shares are cancelled or treated as treasury shares), may result in a substantial shareholder and/or parties acting in concert with it incurring a mandatory general offer obligation. In this respect, the Board is mindful of the provisions under the Code.

### 10. PURCHASES AND RESALE OF IQGHB SHARES MADE IN THE PREVIOUS TWELVE (12) MONTHS

There were no shares being bought back during the financial year ended 31 March 2021 and as such, there were no resale or cancellation of any treasury shares in the previous twelve (12) months.

### 11. DIRECTORS', MAJOR SHAREHOLDERS', PERSONS CONNECTED WITH DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors, Major Shareholders, persons connected with Directors and Major Shareholders have any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Authority.

### 12. DIRECTORS' RECOMMENDATION

Your Board of Directors ("the Board"), having considered all aspects of the Proposed Renewal of Share Buy-Back Authority, is of the opinion that the Proposed Renewal of Share Buy-Back Authority is in the best interest of IQGHB.

Accordingly, your Board recommends that you vote in favour of the ordinary resolution on the Proposed Renewal of Share Buy-Back Authority to be tabled at IQGHB Eighteenth AGM to be held on 20 August 2021.

### 13. BURSA SECURITIES' DISCLAIMER LIABILITY

Bursa Securities has not perused this Statement prior to its issuance and takes no responsibility for the contents of this Statement, and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or reliance upon the whole or any part of the contents of this Statement.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of IQ Group Holdings Berhad (“the Board”) recognises the importance of maintaining a sound corporate governance structure to ensure sustainability as well as enhancing the long term value of the Group.

The Board is pleased to share hereunder an overview statement on how the Company has adopted the principles set out in the Malaysian Code of Corporate Governance (“MCCG”). The detailed application for each practice is disclosed in Corporate Governance Report of the company which is accessible via the Company’s official website at [www.iq-group.com](http://www.iq-group.com).

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is obligated to play an active role in directing management in an effective and responsible manner. The Directors, collectively and individually, has legal and fiduciary duty to act to the best interest of the Company and to effectively represent and promote the interests of the shareholders and stakeholders with a view to achieve its vision towards corporate sustainability.

The Board assumes, amongst others, the following duties and responsibilities:

- (a) Promote good corporate governance culture within the Group;
- (b) Reviewing, adopting and monitoring the implementation of a strategic plan for the Company and its subsidiaries (“Group”);
- (c) Overseeing and evaluating the conduct of the Group’s business;
- (d) Ensure there is a sound framework of internal controls and risk management;
- (e) Identifying principal risks and ensuring the implementation of the appropriate control and system to manage such risks;
- (f) Succession planning including appointing, training, fixing the remuneration of and where appropriate, replacing the Senior Management and the Board of the Group.
- (g) overseeing the development and implementation of a shareholder communication policy for the Company; and
- (h) reviewing the adequacy and the integrity of the management information and the internal control system of the Company, for ensuring compliance with applicable laws, regulations, rules, directives and guidelines.

The Company has established clear roles and responsibilities for the Board and its Management through a Board Charter. Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, the Management is responsible for instituting measures on compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group’s corporate objectives. The Board Charter is accessible to the public on the Company’s official website and any updates thereafter will be uploaded to the website accordingly.

There is a clear division of roles and responsibilities amongst the Executive Chairman and the Group Managing Director/ CEO. The Group Executive Chairman, Mr. Chen, Wen-Chin also known as Kent Chen is responsible for ensuring the governance process of the Board while Mr. Daniel John Beasley, the Group Managing Director/ CEO leads the executive management and is responsible for the implementation of Group’s policies and strategies besides overseeing and managing the day-to-day operations of the Group.

The Board acquires corporate secretarial services from a professional secretarial firm to assist the Board of Directors in discharging its duties and responsibilities. The Board Charter of the Company outlined the roles and responsibilities of Company Secretaries. The Directors are provided with access to the advice and services of the company’s secretaries who are qualified, experienced and competent on statutory and regulatory requirements. The Company Secretaries brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committee meetings to ensure that the meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

Board Meetings are structured with a pre-set agenda and Board papers are circulated to all Board members at least 5 business days in advance of each Board Meeting to enable the Directors to consider and deliberate knowledgeably on issues and to facilitate informed decision making. The deliberations and decisions of the Board and Board Committees are properly documented in the minutes and the draft minutes are circulated to all the Directors/ members of the Board Committee in a timely manner upon conclusion of the meeting for review.

The Board has formalised a Code of Conduct and Ethics for the Company. The code of Conduct and Ethics is published on the Company official website.

The Board has also formalised an Anti-bribery and Corruption policy as well as a Whistle Blowing policy which are available in the Company official website. As outlined in the Whistle Blowing policy, whistleblower is required to raise the concerns to Group Managing Director/ CEO of the Company for matters related the Head of Department. Otherwise, the whistleblower shall report to Senior Independent Non-Executive Director, Mr. Charlie Ong Chye Lee via e-mail [charles.ong6288@gmail.com](mailto:charles.ong6288@gmail.com) for any issues related to Management.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition

The Board currently comprises five (5) Directors, of which three (3) are Independent Non-Executive Directors. The composition is in line with Paragraph 15.02(1) and (2) of the Main Market Listing Requirements, which requires at least one third of the Board members to be independent.

Collectively, the Board members have diverse background in business, finance, technology and general management, sufficient to ensure that there is a considerable depth of knowledge, expertise and experience on the Board of IQ Group Holdings Berhad.

The Board through its Board Charter has outlined that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. The Independent Director may continue to serve on the Board beyond the 9-years tenure in the capacity of a Non-Independent Director. Nonetheless, the Board reserves the right to retain the Director as Independent Directors by seeking annual shareholders' approval.

Presently, two out of three Independent Directors have exceeded the cumulative term of nine years. During the financial year 2021, the Board committee assessed the independence of the Independent Directors with reference to the extract of Practice Note 13 of the Main Market Listing Requirements. Independent Directors were abstained from deliberation on their own assessments. The Board Committee was satisfied with independent status of Independent Directors.

As stipulated in the Board Charter, annual shareholders' approval shall be seek through a two tier voting process should the Board intends to retain an Independent Director who has served for more than 12 years.

The Board has delegated certain responsibilities to Board Committees, which operate within clearly defined terms of references as follows:

#### i. The Audit Committee

The Audit Committee was established to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls.

The composition and summary of the terms of reference together with its report are presented in pages 51 to 54 of this Annual Report.

#### ii. The Nomination Committee

The Nomination Committee is chaired by the Senior Independent Non-Executive Director, Mr. Charlie Ong Chye Lee. The Nomination Committee comprises exclusively Independent Non-Executive Directors and is tasked with the primary responsibility of assessing and recommending to the Board the candidature of Directors and to put in place Board succession plans.

Details of the members and terms of reference of the Nomination Committee are presented in pages 55 to 57 of this Annual Report.

#### Appointment, Induction and Assessment of Directors

The suitability of candidates for the Board shall be based on the candidates' competency, character, time commitment, integrity, experience, contribution and performance in meeting the needs of the Company. Where board diversity is concerned, the Board does not have a specific policy and setting targets for women candidates. The Board does not have a specific policy on ethnicity.

During the financial year under review, the Nomination Committee reviewed the effectiveness of the Board as a whole, the Board Committees as well as the contribution by each of the individual directors. The Board is satisfied with the existing board structure, effectiveness and level of commitment given by the Directors towards fulfilling their roles and responsibilities as Director of the Company.

New Directors, upon appointment, are briefed by the Executive Directors and Management on the Company's history, business and plant visit to enable them to have in-depth understanding of the Company's operation.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### iii. The Remuneration Committee

The Remuneration Committee was established to assist the Board in the review of the remuneration framework and packages for Directors and Senior Executives of the Group.

The composition, terms of reference and summary of activities of this committee for the financial year under review are presented in pages 58 to 60 of this Annual Report.

### III. Remuneration

As stipulated in the Terms of Reference of Remuneration Committee, the Board Committee is responsible to review the remuneration framework and packages of Executive and Non-Executive Directors in order to make recommendation to the Board. Nevertheless, the recommendation of Remuneration Committee is not limited to any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection herewith.

The remuneration package and increment for IQ Group's Executive Directors and Senior Executives are dependent on the operating results of the Company after taking into account the individual's contribution, commitment and performance in achieving targets set.

The Remuneration Committee also reviews the remuneration for Non-Executive Directors and Independent Directors to ensure that the remuneration is linked to the level of responsibilities undertaken and contribution to the effective functioning of the Board.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit Committee

The Audit Committee comprises solely of Independent Non-Executive Directors. The positions of Chairman of Audit Committee and the Board are held by different individuals. The Chairman of the Audit Committee is Mr. Tan Boon Hoe, who is the Independent Non-Executive Director. On the other hand, Mr. Chen, Wen-Chin also known as Kent Chen is the Executive Chairman of the Board.

As stipulated in the Term of Reference of Audit Committee, a former key audit partner is to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness while taking into account the independence and objectivity of the Company's external auditors. The Company ensures that the Company's external auditors do not supply a substantial volume of non-audit services to the Company such that it would impair the external auditors' independence. The Board has formalised the policy of non-audit services as to ensure the independence of the external auditor and this policy is accessible on the corporate website. Additionally, the Audit Committee has obtained a written confirmation from the external auditors with regards to their independence in accordance with the by-laws on professional ethics, conduct and practice of the Malaysian Institute of Accountants.

### II. Risk Management and Internal Control Framework

The Board has established and adopted an Enterprise Risk Management ("ERM") framework to provide reasonable assurance that potential risks within the Group are properly identified, evaluated and treated to minimise unforeseen adverse impact to the Group.

The Group has carried out a formal and structured ERM update during the financial year under review, to identify, evaluate and manage significant risks faced by the Group to safeguard Group's assets and stakeholders' interest.

The key features of the Enterprise Risk Management framework, including the internal control system to address risks identified are set out in the Risk Management and Internal Control Statement on pages 31 to 33 of this Annual Report.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

The Board recognises that timely and high quality disclosure of material information to the public is an integral part of the corporate governance framework. The Board has formalised a corporate disclosure policy which sets out the written procedures and authorised person to approve and disclose material information to shareholders and stakeholders.

At present, shareholders and stakeholders are communicated with informative, accurate and timely material information concerning the Company primarily through the corporate website and announcements made through Bursa Malaysia.

The Board values dialogue with investors and shall hold dialogue sessions with investors, fund managers and analysts upon request. The Group Executive Chairman and Chief Executive Officer are identified as official spokespersons of the Company to members of the public including journalists, analysts, fund managers and institutional investors.

The Board has identified Mr. Charlie Ong Chye Lee as the Senior Independent Non-Executive Director to whom concerns from other member of the Board, Senior Management and the public may be conveyed. Mr. Charlie Ong Chye Lee can be contacted via e-mail charles.ong6288@gmail.com.

### II. Conduct of General Meetings

The Board recognises that the Annual General Meeting (“AGM”) is a platform for shareholders to meet and exchange views with the Board.

The AGM of the company provides shareholders with the opportunity to raise questions on various matters relating to the Group’s business and affairs.

The company will ensure that the notice of AGM will be given to its shareholders at least 28 days prior to the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group’s operations in general.

All the resolutions set out in the Notice of the 17th AGM were approved by way of voting on poll. The result of the poll were validated by Messrs. Asia Securities Sdn Bhd, the Scrutineer appointed by the Company and the outcome of the AGM was announced to Bursa on the same meeting day.

The Board has yet to consider electronic voting at the current juncture due to poor shareholders’ attendances at the Annual General Meeting for the past 5 financial years.

## DIRECTOR’S TRAINING

The training needs of the Directors will be reviewed by the Nomination Committee on a regular basis to ensure that Directors are acquainted with the latest development and changing environment within which the Company operates.

Directors are encouraged to attend talks, seminars, workshops, conferences and other training programs to update themselves on developments in the business community as well as changes in laws and regulations.

All Directors have completed the Mandatory Accreditation Programme (MAP) as required by Bursa Malaysia Securities Berhad.

The training programmes and seminars attended by the members of the Board during the financial year ended 31 March 2021 are summarised below:

#### **Daniel John Beasley**

- Future of LED Lighting in ASEAN Region- Opportunities Ahead

#### **Dato’ Yoon Chon Leong**

- ISA - EPIC/PIDA Online Technology Meeting on Mini/Micro LED

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### DIRECTOR'S TRAINING (Cont'd)

#### Charlie Ong Chye Lee

- National Budget 2020

#### Tan Boon Hoe

- National Budget 2020
- Guidelines on the Conduct of Directors of Listed Corporations and their subsidiaries
- COVID-19 : Impact on Financial Instruments
- Technical update on IFRS (MFRS) 2020

Mr. Chen, Wen-Chin also known as Kent Chen was unable to attend any training during the financial year due to tight business schedule and commitment.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flow of the Group and the Company for the financial year.

The Directors are satisfied that in preparing the financial statement of the Group and the Company for the financial year ended 31 March 2021, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the opinion that the financial statements are prepared in accordance with the approved accounting standards, the provisions of the Companies Act, 2016 and the Listing Requirements of the Bursa Securities.

This Corporate Governance Overview statement is made at the Board of Directors' Meeting held on 30 June 2021.



# RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

## INTRODUCTION

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) requires the board of directors of listed issuers to include in its annual report a “statement about the state of risk management and internal control of the listed issuer as a group”. The Board of Directors (the “Board”) of IQ Group Holdings Berhad (the “Company”) is committed to maintaining an effective system of risk management and internal control in IQ Group Holdings Berhad and its subsidiaries (collectively referred to as the “Group”) and is pleased to provide the following Statement on Risk Management and Internal Control (this “Statement”), which outlines the nature and scope of the risk management and internal control system of the Group during the financial year ended 31 March 2021.

For the purpose of disclosure, the Board has taken into consideration the enumerations encapsulated in the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (the “Guidelines”), a publication endorsed by Bursa Malaysia Securities Berhad pursuant to Paragraph 15.26(b) of the Listing Requirements.

## BOARD’S RESPONSIBILITY

The Board acknowledges its responsibility for maintaining as well as reviewing the adequacy and integrity of the risk management and internal control system to safeguard its shareholders’ investment and other stakeholders’ interests. The system of internal control covers not only financial controls but also non-financial controls such as operational and compliance controls and risk management procedures.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage risks within tolerable and knowledgeable limits, rather than to eliminate, the risk of failure to achieve the Group’s business and corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance, against material misstatement or loss.

In evaluating the adequacy of the Group’s system of risk management and internal control, the Board is assisted by the Audit Committee which comprises solely of Independent Directors. Notwithstanding the delegated responsibilities, the Board acknowledges its overall responsibility in the establishment and oversight of the Group’s risk management and internal control system.

The Board affirms that there is an on-going process for identifying, evaluating, managing, monitoring and reporting significant risks faced by the Group. The Board, through its Audit Committee, regularly reviews the results of this process, including mitigation measures taken by Management, to address areas of key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

## RISK MANAGEMENT

The Board is guided by Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance which calls for the establishment of an effective risk management and internal control framework to be implemented across the Group.

The Board has established and adopted an Enterprise Risk Management (“ERM”) framework to provide reasonable assurance that potential risks within the Group are properly identified, evaluated and treated to minimise unforeseen adverse impact to the Group.

The adopted ERM framework includes an on-going risk management process carried out by the Management. Risks may be associated with internal or external factors including turnover of key personnel, changes in the economic and political environment, competition, introduction of new rules and regulations, technological advancement and other matters relevant to the Group. For each of the key risks identified, the respective divisional head or manager is responsible to continuously monitor the implementation of risk mitigation action plans and to update the Board via Audit Committee. Risk tolerance limits are set to align the risk appetite, with the consideration of likelihood of occurrence and severity of consequences, are subject to review periodically. Existing controls to mitigate and manage these risks are then re-assessed and strengthened.

The Group has carried out a formal and structured ERM update during the financial year under review, to identify, evaluate and manage significant risks faced by the Group to safeguard Group’s assets and stakeholders’ interest.

This ERM exercise includes:-

- Identification of the specific risks faced by the Group via interviews with relevant key personnel;
- Identify the causes and consequences of the risks;
- Assess the likelihood and impact of the risks concerned materializing;
- Determine the controls in place or to be implemented to minimize or mitigate the risks;
- Evaluate and determine the risk rating after considering the control effectiveness; and
- Review the result of this process with Management annually which includes the effectiveness of mitigating measures taken to address areas of key risks as identified in the abovementioned ERM review and any changes to the risk rating due to recent developments.



## RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT (Cont'd)

### RISK MANAGEMENT (Cont'd)

Whilst the Board considers the risk management framework to be robust, the framework is still subject to periodic testing and continuous improvement, taking into consideration better practices and the changing business environment.

### KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESS

The key elements of the Group's internal control system are described below:

- The Group has in place an organisation structure with clearly defined reporting lines aligned with business and operational requirements. The Group has set out clear roles and responsibilities, appropriate authority limits and approval procedure in order to enhance the decision making process and the internal control system of the Group.
- The Board is kept updated on Group's activities, operations and significant changes to the business and external environment, if any, which may result in significant risks.
- The Audit Committee chaired by an Independent Non-Executive Director reviews the internal controls system and findings of the internal and external auditors.
- Policies and procedures for key processes are documented and communicated to employees for application across the Group. These are supplemented by operating procedures set by individual companies, as required for the type of business or geographical location of each company.
- A detailed budgeting process is established requiring all operating companies in the Group to prepare a budget annually. Actual performance as compared with the Budget is reviewed monthly and a detailed explanation of any major variances is documented.
- Regular review of the Annual Budget is undertaken by Management to identify, and where appropriate, to address significant variance from the Budget.
- Effective reporting system, which ensures the timely generation of financial information for Management's review has been put in place. Financial Results are reviewed quarterly by the Board and the Audit Committee to ensure the effectiveness and adequacy of the Group's internal control system in safeguarding the shareholders' investment and the Group's assets.
- Specific responsibilities have been delegated to the relevant Board Committees, which include the Audit Committee, Remuneration Committee and Nomination Committee. These committees have authority to examine all matters within their scope and report to the Board with their recommendations.
- Whistle Blowing Policy which outlines the Group's commitment towards enabling the employees and/ or stakeholders to raise concerns in confidence and disclose any malpractices or misconduct of which they become aware.
- Anti-Bribery and Corruption Policy which outlines the Group's zero-tolerance policy against all forms of bribery and corruption.
- Insurance and physical safeguards over major assets are in place to ensure that the assets of the Group are covered against any mishap that might result in material losses to the Group.
- The Group has in place continuous quality improvement initiatives to ensure accreditation such as ISO 9001:2015.

### INTERNAL AUDIT FUNCTION

During the financial year under review, the Internal Audit function performed a cycle of internal audit on Sales & Collection and Outgoing Quality Assurance and reported to the Audit Committee in June 2021.

The internal audit engagement by KPMG is headed by an Executive Director, namely, Dato' Ooi Kok Seng. Dato' Ooi is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Dato' Ooi has accumulated over 30 years of experience in a wide range of audit, risk and internal audit work.

All the personnel deployed by KPMG are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work.

There was a total of 6 personnel who were deployed by KPMG for the internal audit work during the financial year ended 31 March 2021. All the personnel possess tertiary qualifications and the level of expertise and professionalism is as follows:



## RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT (Cont'd)

### INTERNAL AUDIT FUNCTION (Cont'd)

Expertise category	Percentage of total auditors
Bachelor's degree	33%
Professional	67%

The internal audit work was carried out in accordance with a framework set by a recognised professional body i.e. IPPF issued by IIA, of which final communication of internal audit plan, processes and results of the internal audit assessment are supported by sufficient, reliable and relevant information which signifies a satisfactory conclusion of the internal audit work.

During the financial year ended 31 March 2021, the total fee paid to KPMG is RM48,000 (2020: RM40,000) excluding service tax and out of pocket expenses.

The internal audit function adopted the risk-based methodology in its review of key processes of the identified operating units in the Group and provided independent and objective reports on the state of internal control of the selected operating units within the Group direct to the Audit Committee. An internal audit plan setting out the proposed scope, extent and timing of internal audit work was developed and submitted to the Audit Committee for consideration and approval prior to commencement of the internal audit work.

The Internal Audit function also monitors and reports on the status of Management follow-up on the implementation of the Management action plans to improve areas where control deficiencies were noted during internal audit.

The Directors are aware of the fact that an independent audit function is essential to assist in obtaining reasonable assurance with regard to the adequacy, integrity and effectiveness of the internal control systems in place to manage the selected processes.

The Audit Committee reviews the adequacy of the scope, function, resources and competency of the internal auditors and assess their effectiveness in discharging their responsibilities. The Audit Committee and Management will continue to work closely with the outsourced internal audit function to review the internal control issues to ensure that significant issues are brought to the attention of the Board.

### COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has received assurance from the Chief Executive Officer and Group Financial Controller that the Group's risk management and internal control system has been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Based on this assurance, the input from external and internal auditors, as well as the Board's review, the Board is of the view that the risk management and internal control system is adequate to meet the needs of the Group in addressing financial, operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. Notwithstanding this, the Board and Senior Management remain committed to strengthening the Group's control environment and processes. Ongoing measures and appropriate action plans will be put in place to enhance the Group's system of internal control as and when necessary.

Pursuant to Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 March 2021 and reported to the Board that nothing has come to their attention which caused them to believe that the Statement intended to be included in the Annual Report of the Company was not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate. The review of this Statement by external auditors was performed in accordance with the scope set out in Audit and Assurance Practice Guide 3, "Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report", issued by the Malaysia Institute of Accountants.

This statement was made at the Board of Directors' Meeting held on 30 June 2021.

# SUSTAINABILITY STATEMENT

## ABOUT THE SUSTAINABILITY STATEMENT

With 32 years in the industry, we further enhance our new milestone in our sustainability reporting journey with the release of a more in-depth Sustainability Statement (the “Statement”) focusing on our overall sustainability performance in the business and operations. We hope to build on the culture of sustainability that is already embedded within the daily operations of our employees, and strengthen the existing governance structure to ensure continuous compliance of regulations. This Statement is a reflection of our commitment in ensuring business sustainability whilst being a responsible corporate citizen.

During the second half of year 2020 was a very challenging year for business resumption as the world economy starting to resume, global supply chains were affected due to the factories shut down while logistic were on a stand still at one time causing massive shortages of containers as containers of shipment were stalled at Logistic centers, piers, on the ship due to countries borders were shutdowns to control the spread of COVID-19 virus.

This Statement discloses our progress on our sustainability initiatives, performance and achievements for the financial year ended 31 March 2021 (FY20/21). In this reporting year, the Group have maintained our sustainability initiatives covering the performance of IQ Group Holdings Berhad and IQ Group Sdn. Bhd. (collectively referred to as the “IQ-group” or the “Group”) while the Group intends to establish a structured sustainability reporting by expanding its scope to other operations outside Malaysia in near future. Our Statement and reporting approach are guided by Practice Note 9 of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements together with the Sustainability Reporting Guidelines and Toolkits issued by Bursa Malaysia. Where applicable, comparable data from previous years has been included.

## OUR SUSTAINABILITY APPROACH

As an established global leader in the design and manufacture of lighting, security and convenience products, we have contributed to the progress and quality of life of our customers for 32 years through our products offering. The ban of conventional halogen lamps in Europe has resulted in an increasing demand of LED bulbs, a safer and much more cost effective alternative to conventional light bulbs. The phasing out of conventional bulbs will come as a benefit to our business. It is also estimated that a global shift towards LED bulbs could avoid 800 million metric tons of carbon dioxide emissions a year.

In a post-COVID-19 world, supply chain stress tests will become a new norm demanding for new priorities and optimization. Logistic issues and non-availability of containers for shipment have recently been huge challenges to all, as well as steep hike in shipping costs while containers’ line the drop yards at destination and not coming back to Asia quickly. As we progressively move ahead on our journey in the context of our operating environment, we recognise that our success thus far has been contributed from both our financial and non-financial performance; and our next step forward is to further sustain embed sustainability into our business taken into greater consideration the economic, environment and social (“EES”) factors into our daily operations and aligned ourselves with the United Nations Sustainable Development Goals (“SDGs”).

To mitigate the impact, IQ-group’s management business resumptions plan is to prioritized customer deliveries hence for this FY20/21 our focus is in sustaining last year’s sustainability matters.

Our effort and strategy are envisioned through our value creation model, as illustrated in the diagram below. This model, which sits at the heart of our approach to sustainability, describes and guides the way in which we create value for our stakeholders, as we understand that value is not created within the organisation alone.

Our sustainability approach ensures that we observe and comply with all relevant legislation, regulations and code of practice while considering sustainability issues and impacts in our business decisions.

<sup>1</sup> Nelsen, 23 Aug 2018. Europe to ban halogen light bulbs. The Guardian. <https://www.theguardian.com>.

<sup>2</sup> Department of Energy, 7 December 2015. Rise and Shine: Lighting the World with 10 Billion LED Bulbs. <https://www.energy.gov/>



# SUSTAINABILITY STATEMENT (Cont'd)

## OUR SUSTAINABILITY APPROACH (Cont'd)



# SUSTAINABILITY STATEMENT (Cont'd)

## GOVERNANCE STRUCTURE

In our journey towards enhancing our sustainability practices, we have undertaken various measures to gradually embed more sustainable practices into our daily operations.

As shown in the diagram below, the Board of Directors (the “Board”) is accountable for setting up sustainability strategies by taking into consideration the EES matters arising from the business operations and strategic decisions. The Board is also responsible to review and monitor the implementation of the Group’s overall strategic plan, with the support from the Chief Executive Officer (“CEO”) or Managing Director (“MD”) who oversees the implementation of sustainability strategies and monitors the management of the Group’s sustainability performance. The CEO/MD also acts as an intermediary between the Board and the SWG to provide progress status updates and present sustainability-related disclosures to the Board for approval.

Our Sustainability Working Group (“SWG”) is chaired by our Sustainability Officer, and supported by the Head of Department from various business functions such as Research & Development (R&D), Facility, Manufacturing (MFG) Operations, Business Development, Project Management, Quality, Human Resource, Management Information System (MIS) and Finance of IQ-group’s key operating entities located in Malaysia. They are responsible to implement and monitor sustainability initiatives across the Group’s day-to-day operations, whilst also lead the Group’s sustainability reporting process as prescribed by the local stock exchange.



## SUSTAINABILITY STATEMENT (Cont'd)

### STAKEHOLDER ENGAGEMENT

At present, we engage our internal and external stakeholders through multiple engagement channels. These engagement sessions are imperative in understanding our stakeholders' views and addressing their expectations. We acknowledge that our stakeholders have varying levels of influence and dependence on our operations. Having said that, we have put in place various engagement channels to ensure effective communication with our stakeholders.

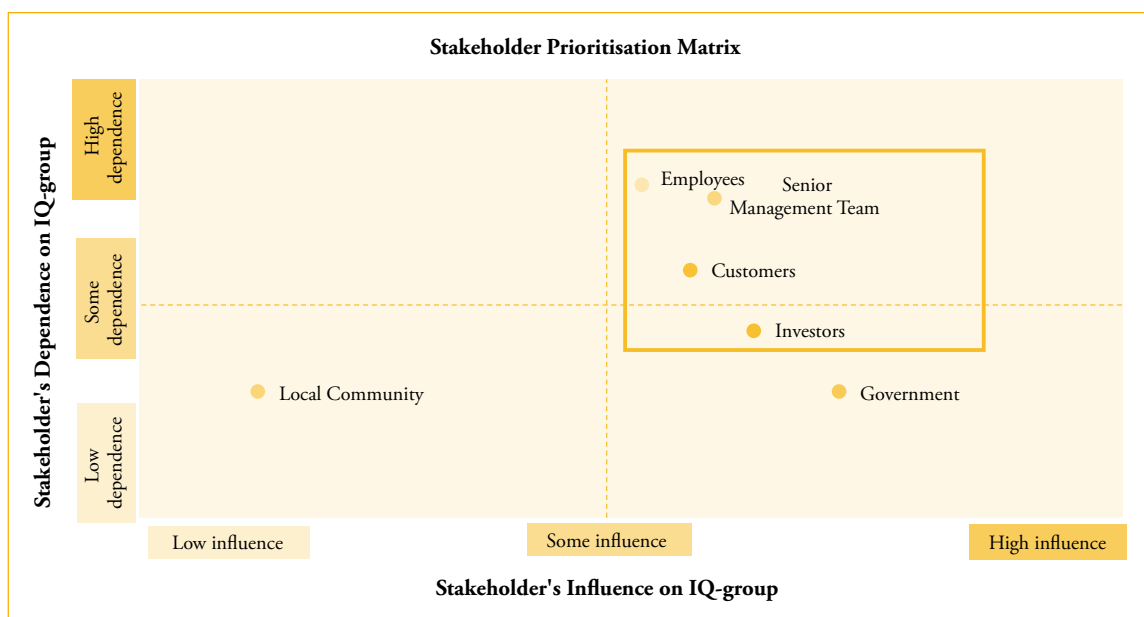
The table below summarises our key stakeholders, their key concerns, platforms we use to engage with them and how we are responding to their concerns.

Stakeholder Group	Key Concerns	Engagement Channels	How We Respond
<b>Senior Management Team</b>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Financial performance</li> <li>Technology and innovation</li> <li>Human capital management</li> <li>Data security</li> <li>Product and service quality</li> </ul>	<ul style="list-style-type: none"> <li>Management meetings</li> <li>On-going interactions</li> <li>Company-related events</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>Regulatory Compliance</li> <li>Sustainable Manufacturing</li> <li>Data Security &amp; Protection</li> <li>Employee Learning &amp; Development</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Learning &amp; development</li> <li>Occupational safety and health</li> <li>Employee health and wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>Employee Handbook</li> <li>Daily communication via Intranet and emails</li> <li>Meetings &amp; trainings</li> <li>Career development programme</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>Employee Learning &amp; Development</li> <li>Occupational Safety &amp; Health</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Product quality</li> <li>Technical support services</li> <li>Manufacturing capacity and on-time delivery</li> <li>Data security</li> <li>Competitive pricing</li> <li>Customer service</li> </ul>	<ul style="list-style-type: none"> <li>On-going interactions</li> <li>On-site visit</li> <li>Customer survey</li> <li>Corporate website</li> <li>Events and activities (trainings, trade shows, exhibitions, workshops, etc.)</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>Sustainable Manufacturing</li> <li>Customer Satisfaction</li> <li>Data Security &amp; Protection</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Financial performance</li> <li>Business strategy</li> </ul>	<ul style="list-style-type: none"> <li>Annual General meetings</li> <li>Quarterly financial reports and Annual Report</li> <li>Corporate website</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>Regulatory Compliance</li> </ul>
<b>Government/ Local authorities</b>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Corporate governance</li> <li>Occupational safety and health</li> <li>Environmental management</li> </ul>	<ul style="list-style-type: none"> <li>On-going interactions via email and calls</li> <li>On-site visit</li> <li>Online portal</li> <li>Company-related events</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>Regulatory Compliance</li> <li>Occupational Safety and Health</li> <li>Energy &amp; Waste Management</li> </ul>
<b>Local Community</b>	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Community involvement</li> <li>Environmental management</li> </ul>	<ul style="list-style-type: none"> <li>Community-related events</li> <li>Corporate website</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>Regulatory Compliance</li> <li>Community Development</li> <li>Energy &amp; Waste Management</li> </ul>

## SUSTAINABILITY STATEMENT (Cont'd)

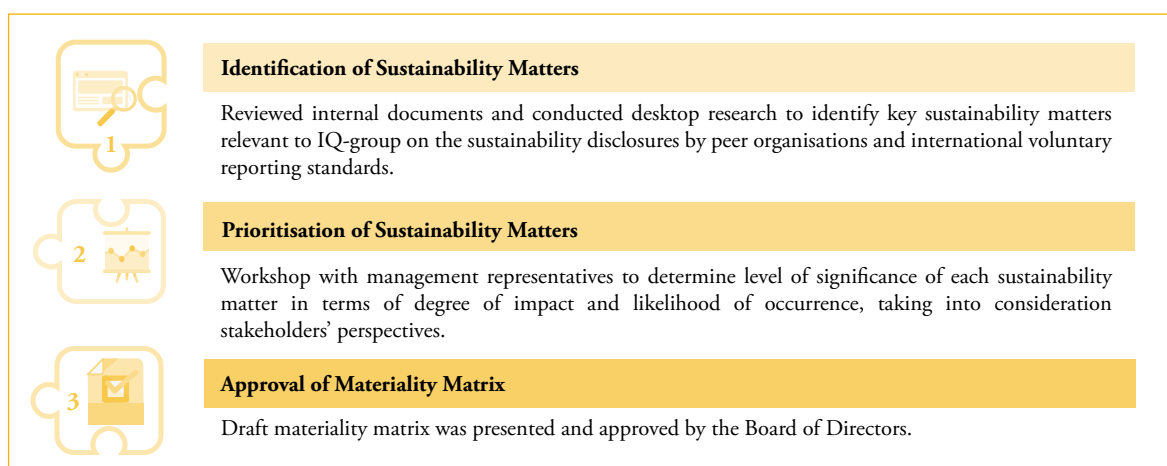
### STAKEHOLDER ENGAGEMENT (Cont'd)

During this reporting year, as part of our efforts to enhance our sustainability management, we have undertaken a structured exercise to prioritise our stakeholder groups. The Stakeholder Prioritisation Exercise was conducted by assessing the level of influence and dependence of each stakeholder group on IQ-group. As illustrated in the diagram below, the senior management team, employees, customers and investors were perceived as key stakeholder groups with a high level of influence and dependence on IQ-group.



### MATERIALITY ASSESSMENT

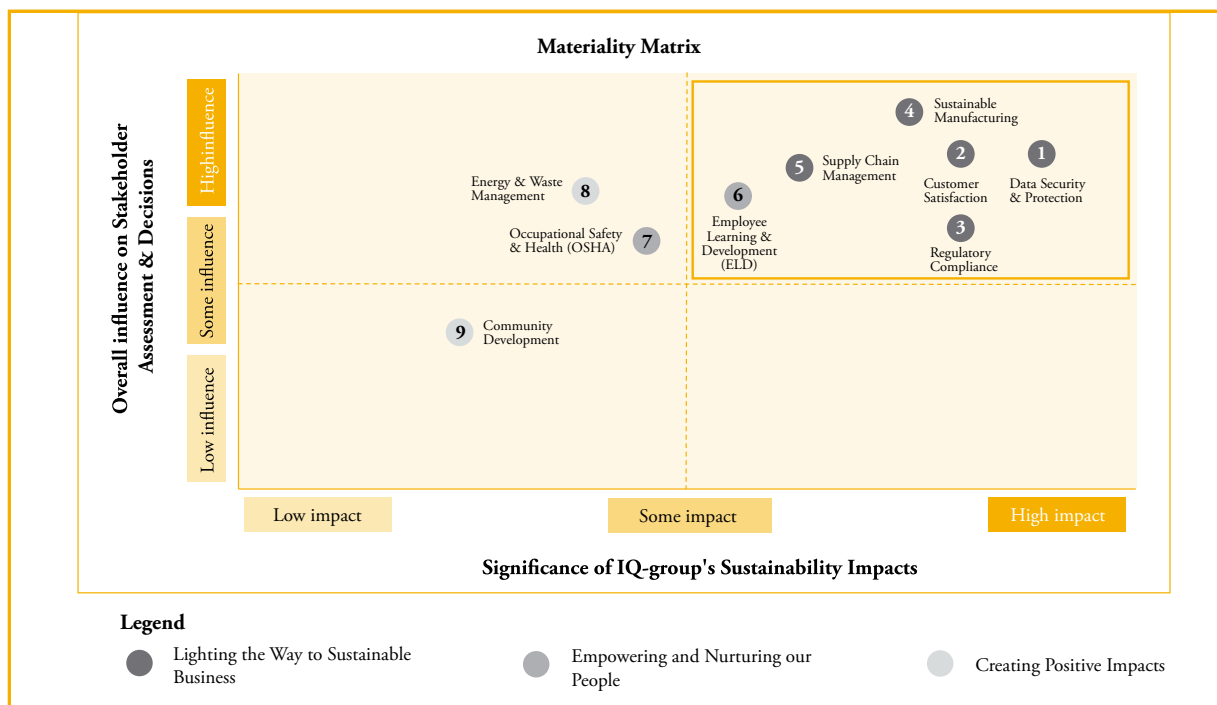
As recommended by the Bursa Malaysia Sustainability Reporting Guidelines and Toolkits, we conducted a structured materiality assessment process to understand what is important for both our business and our stakeholders, and to understand how to harmonise our business needs and stakeholder interests through a three-step approach in the diagram below.



As we maintained our sustainability matters from financial year FY18/19, the indirect stakeholder engagement approach is a reviewed of the inputs obtained from the management representatives that have engaged and obtained stakeholders' perspectives via various engagement channels (e.g. past customer survey, on-going interactions, discussion, meetings, etc.) in the prioritisation of our sustainability matters. The results of materiality assessment, which is the Materiality Matrix, is illustrated in the diagram below. Our sustainability matters are categorised into three themes which are "Lighting the Way to Sustainable Business", "Empowering and Nurturing our People" and "Creating Positive Impacts".

# SUSTAINABILITY STATEMENT (Cont'd)

## MATERIALITY ASSESSMENT (Cont'd)



Data security and protection, customer satisfaction, regulatory compliance, sustainable manufacturing, supply chain management and employee learning and development have identified top 6 material matters which are of high importance to our business and stakeholders. Table below shows the classification of all identified matters into themes, and the contribution of the management of our sustainability matters towards the advancement of SDGs. The management have discussed and layout these sustainability matters to manage and monitor the IQ-group's performance in the following sections of our Statement.

Themes	Mapping against EES aspects	Our Sustainability Matters	Contribution towards United Nation's SDGs
<b>THEME 1: LIGHTING THE WAY TO SUSTAINABLE BUSINESS</b>	Economic	1 Data Security and Protection	7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
		2 Customer Satisfaction	
	Economic, Environment	4 Sustainable Manufacturing	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Economic	3 Regulatory Compliance, 5 Supply Chain Management	
<b>THEME 2: EMPOWERING AND NURTURING OUR PEOPLE</b>	Social	6 Employee Learning & Development	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH
		7 Occupational Safety & Health	
<b>THEME 3: CREATING POSITIVE IMPACTS</b>	Environment	8 Energy & Waste Management	1 NO POVERTY, 3 GOOD HEALTH AND WELL-BEING, 13 CLIMATE ACTION
	Social	9 Community Development	



# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS

### Theme 1: Lighting the Way to Sustainable Business

*“As a global leader in the design and manufacturing operation of lighting, security and convenience products, we strive to create long-term value for our stakeholders by operating our business ethically and professionally, whilst continuously improving our business through innovation and process efficiency to deliver innovative and high-quality products.”*

#### Data Security & Protection

With the world progressively adapting to the Industrial revolution 4.0 and many industries may have fallen back behind in the highly digitalized world today has warrant high security protection of the data and threat to the organization. The unprecedented risks in the protection of privacy and security of our stakeholders where Information Security Management Systems (ISMS) remains secure by mitigating the risks, we have taken preventive measures and put in place internal controls to ensure they remain protected.

At IQ-group our Management Information System (“MIS”) department is responsible for monitoring and managing data and IT-related issues. Our ISMS implementation includes policies, processes, procedures, organizational structures and software and hardware functions.

 <b>IQ-group general data security &amp; Protection</b> <ul style="list-style-type: none"><li>• IT policy and access control policy</li><li>• Backup &amp; password policy (MIS) in line with ISO 9001:2015</li><li>• Document Data Control</li><li>• Group Data Privacy Guideline</li></ul>	 <b>Data security &amp; protection initiatives</b> <ul style="list-style-type: none"><li>• MIS support request</li><li>• Annual system maintenance</li><li>• Symantec antivirus 3 level</li><li>• User access control/Restrictions</li><li>• Data Privacy Management System (DPMS)</li><li>• Acronis Backup System</li></ul>
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In addition to the policies that we adhere by, we have also put in place processes such as multilevel antivirus protection, system security patches update and network and user access control to manage our data security and protection. To prevent data loss and to keep our information secure, we use RAID (Redundant Array of Independent Disks) technology – a data storage virtualization technology for the purposes of data redundancy and performance improvement. We have the mechanism to back up our data and restore in the event of a loss or corruption and keeping our data safe from unauthorized access and distribution. We also conduct regular server hardware maintenance to keep a server functioning and preventing unplanned server outages.

Through our secured operations, we have been able to build the trust of our stakeholders and have not experienced any data breaches or losses for the past 5 years. We will continue to remain vigilant through virtualization program to enhance our system, backup and disaster recovery; and regularly update our processes and policies according to the data and IT needs of IQ-group.

#### Customer Satisfaction

With IQ Wuning manufacturing operations up and running along with stable workforce established, we have been able to continue offering satisfactory services to our customers on cost, quality and delivery. The quick return of COVID-19 quarantined staffs and workers to our Wuning factory and Dongguan R&D center have been a great relief to all.

Year 2020, like what everyone has experienced, IQ-group had also emerged into COVID secured arena with some serious disruptions in certain areas. Months before the COVID-19 crisis, trade tensions have been mounting due to escalation of tariff war between US and China, we are affected by that too. With all challenges in the air, business demand became much more volatile and supply situation have been most unreliable. We are thankful that during this difficult period the staff and management team of IQ-group have been able to work closely together - to formulate a crisis response program - such as quickly and effectively moved some productions for US markets back from China to Malaysia. Human capital has been one of the key assets of IQ-group. It had helped to make adaptation successful and allowed us to stay agile.

Our key ODM customers are very much the gateway to the technology and innovative solutions that we are able to provide them - for the wholesalers, installers, retailers and most recently e-commerce marketing. Historically our customers have been very eager and ever ready to invest into new, high value and added value products to adapt the changing market needs. We have to draw our customers into creative partnership where we work together for inventive solutions; sometimes with compromises in price, terms and deliverables that represent the least that each party can accept. It is for this reason that our year 2020 customer satisfaction scoring on New Project/Product Development cost had derailed slightly comparing to year 2019.



# SUSTAINABILITY STATEMENT (Cont'd)

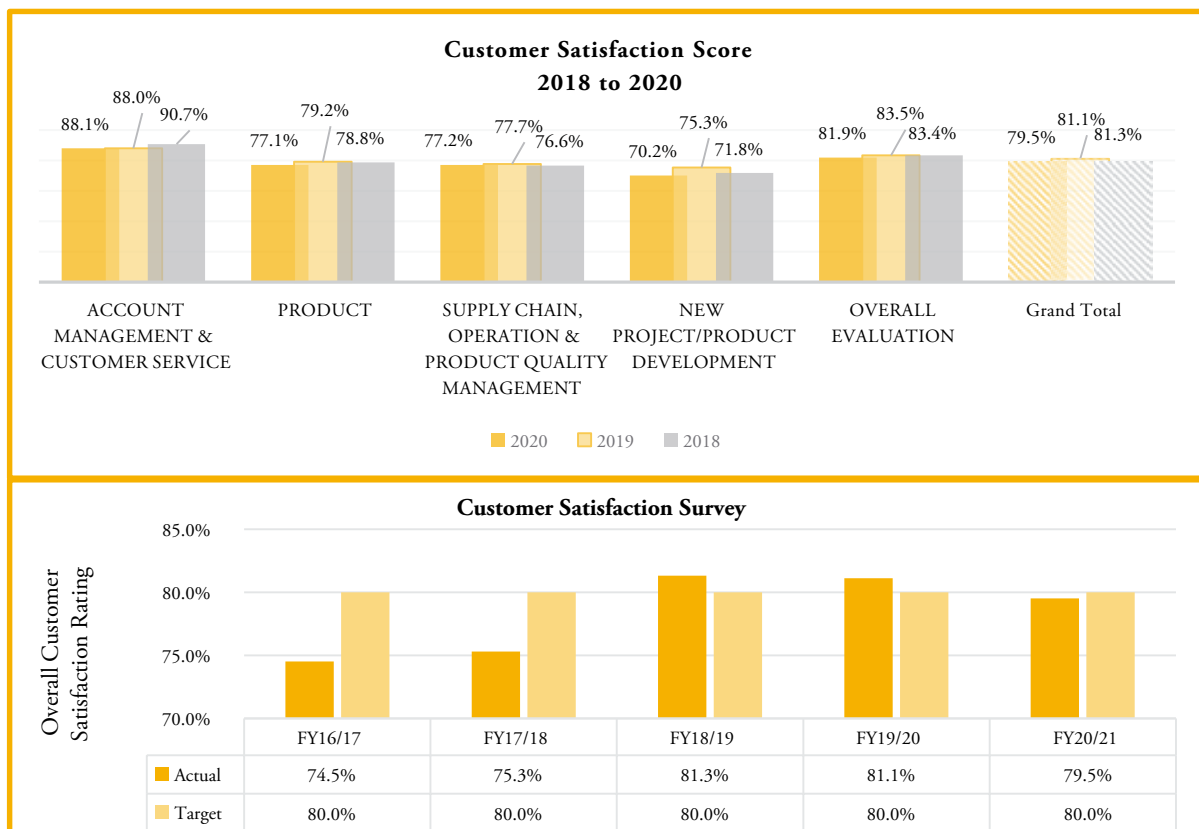
## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)

### Theme 1: Lighting the Way to Sustainable Business (Cont'd)

#### Customer Satisfaction (Cont'd)

We have to speed up our pace quickly and effectively explore together with our customers on new technologies and innovative ways of working. We are certain that we will be able to successfully develop future focus solutions for our customers, our partners and all those who believe in progress. We shall continue inventing ourselves in order to determine the road ahead. We are aware of the challenges in front of us. IQ-group as a predictable organization, we want all of us, including our customers to live safer, more comfortably and above all, have a more sustainable business and lives. For the changes that lie ahead, we may have to say goodbye to certain things that have been helpful in the past, we have to adapt and be agile to the changing world.

Table below are summaries of result from our customer satisfaction survey, comparing result of 2020 with earlier days.













# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)

### Theme 1: Lighting the Way to Sustainable Business (Cont'd)

#### Sustainable Manufacturing

Our goal at IQ-group is to ensure a sustainable business growth – not only to our company but also to our stakeholders and the environment that we operate in. To achieve this, our business needs to remain at the forefront of innovation and change through effective and robust research and development. Our forward-looking vision combined with our R&D capabilities have produced energy efficient products, improved our production efficiency and reduced overall cost. Internally, we are guided by our Printed Circuit Board (PCB) Design Guideline of the Association Connecting Electronics Industries Standards, Mechanical and Moulding Design Guidelines, Optical and Thermal Expertise with Simulation software, Packaging Guidelines and other manufacturing guidelines involving electronics and softwares. Below are some of our initiatives in the area of sustainable manufacturing.

Innovative Product Design and R&D projects		Initiatives to Promote Innovations	
 <p>Light sensors detect movement with human body temperature. This has both a higher degree of sensitivity and reduces false triggering.</p>	 <p>In the past three years, we have filed 5 patent applications on our innovative products.</p>	 <p>Energy saving sensor lighting products with 80% to 90% reduction of energy consumption due to its intelligent sensor design.</p>	 <p>Introduction of Patent Reward Program since November 2018 to award engineers who have come out with creative ideas and inventions that the company can patent.</p>
<p><b>≤ 0.5W</b></p> <p>Since FY16/17, we have a total of 129 variations of energy efficient sensor lighting product with a standby power of equal or less than 0.5 W consuming less power in totality.</p>	 <p>Safety and environmental factors in terms of size and recyclability in manufacturing operation, product design and packaging.</p>	 <p>Motivating engineer to be innovative in design and improve existing product, services and process are through upgrading of skill and knowledge through Internal and external.</p>	
Process Improvement			
 <p>Design Failure Mode Effects Analysis (FMEA) as a part of our risk management to ensure quality, reliability and safety of our products.</p>	 <p>Wave soldering technology and robotic soldering reduces solder dross waste and increases energy-savings based on timing control.</p>	 <p>Our products are design in mixed PCBs technology, such as Pin Through-Hole and Surface Mount Technology, are used to produce innovative products.</p>	 <p>Within our material processing, sealing technology and over-molding technology to produce high-quality products.</p>

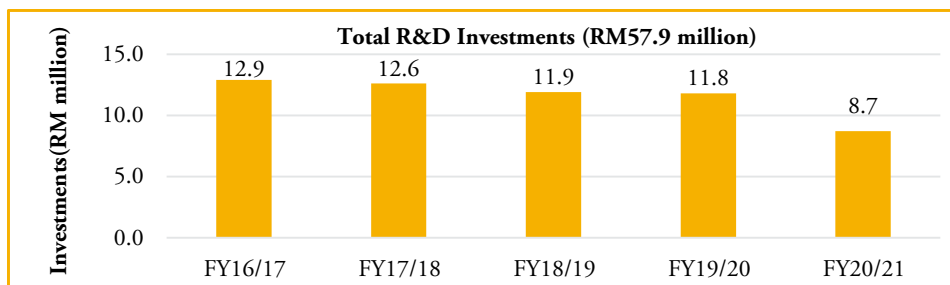
# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)

### Theme 1: Lighting the Way to Sustainable Business (Cont'd)

#### Sustainable Manufacturing (Cont'd)

Over the past 5 years IQ-group has continue to invest in R&D to compete in the stiff competitive market where technology of the product is one of the key factors which has been one of our core activities since our inception and we are committed to ensure that it continues to drive our business in the long-term. Our commitment is reflected in the RM57.9 million investments we made over the past five years in R&D.







Through such initiatives, we have been able to extend the benefits of sustainable manufacturing to our customers and to the environment as we have been able to increase cost savings and reduce energy consumption. Our employees have also benefitted from the increased efficiency and enhanced technical knowledge and competencies.

For the sustainability in manufacturing over the next few years, R&D would set a new target on products with reducing the GHG emission during the product life and with parts that are easy to recycle also to reduce the GHG emissions during the recycling process.

On lighting products with higher wattage for the industrial environment or warehouse usage, we aim to set a target with system efficacy of more than 170lm/W an enhancement to existing products with a range below 145lm/W. For the low wattage lighting with field application outdoor or indoor, target being to set on system efficacy above 120lm/W and with parts that are easy to recycle. This is one subject goal for IQ-group to fulfill Europe latest ErP requirement even the products are for different territory.

#### Regulatory Compliance

This financial year of FY20/21, IQ-group endure the recognition of ethics and compliance are crucial in conducting and sustaining business, and are committed in ensuring that our reputation for integrity, professionalism and fairness are maintained. All our employees are expected to uphold the Group's standards of integrity, accountability and conduct themselves with rectitude. As illustrated in the diagram below, we have put in place internal policies and procedures to ensure all our business activities and relationships with all stakeholders reflect this standard. Further information and documents on our policies can be found on our corporate website at <http://iq-group.com/corporate-governance/>.

 <p><b>Code of Business Conduct and Ethics (the "Code")</b></p> <p>The Code covers a range of business policies and procedures such as prevention of the power abuse, insider trading, anti-corruption and bribe, equal opportunity and non-discrimination. All employees at all levels are expected to uphold these standards in their day-to-day operations. In FY20/21, we maintain with zero cases of ethical breaches reported.</p>	 <p><b>Anti-Bribery and Corruption Policy</b></p> <p>IQ-group has adopted zero-tolerance policy against all forms of bribery and corruption.</p> <p>The objective of this policy is to set out the responsibilities in observing and upholding the Group's position on bribery and corruption. It also provides information and guidance to employees on how to recognise and deal with potential bribery and corruption issues.</p>
 <p><b>Sustainability Policy</b></p> <p>With the increasing concern on sustainability, IQ-group has formulated a sustainability policy with the approval by the Board which guides our action in promoting sustainability in our business practices and business culture. Our policy includes our position on environmental, social (including health and safety) and governance aspects and ensures we comply with all the relevant regulations, integrate sustainability into our business and develop the appreciation of sustainability in our employees. Through this policy, we are able to improve our sustainability performance.</p>	 <p><b>Whistle Blowing Policy</b></p> <p>The objective of the policy is to encourage employees and/or stakeholders to raise concerns in confidence, disclose any malpractice or misconduct; and ensure that the reporter is protected from retaliation and discrimination. It describes in detail the steps to take and procedures that follow of reporting a malpractice misconduct. In FY20/21, there has been no whistleblowing cases being reported.</p>

# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)

### Theme 1: Lighting the Way to Sustainable Business (Cont'd)

#### Regulatory Compliance (Cont'd)

IQ-group operates in a highly innovative and competitive industry. As such, we hold classified information of our customers and of product details and requirements. As stipulated in our Code of Business Conduct and Ethics, all employees are required to sign a non-disclosure agreement so as to ensure confidentiality at all levels and to safeguard our stakeholders.

In view of the Corporate Liability provision introduced in the form of section 17A to the MACC Act which came into effect from 1 June 2020, IQ -group have reviewed and performed gap analysis on the risk management of adequate controls on corporate liability.

IQ-group have established the necessary policies and procedure, risk assessment in respect to the new provision in MACC Act on the relevant policies and procedure/ anti-corruption measures which are intended to ensure that we have the mechanism established and well prepared in against legal liability on the ground to prevent the promotion of corruption behaviors.

Enhancement has been made to our current procurement procedures in ensuring compliance to ISO9001:2015 and MACC Act which directly addresses Article 26 of the United Nations Conventions against Corruption with the following procedures.



Our other internal procedures to ensure regulatory compliance includes on-going monitoring of existing practices such as internal audits and awareness trainings on new regulations and standards which we are expected to adhere to. We also keep ourselves abreast with regulatory developments to ensure complete compliance through the external advice and trainings. This includes staying up to date with the accounting standards and ISO certification.

Our well-governed organisation with ethical and effective leadership has allowed us to foster a transparent and open culture, minimising IQ-group's compliance risks and potential financial losses. It is noteworthy that there have been no cases of non-compliance or breaches in laws and regulations in the past three years. We are committed to maintaining our high standards towards regulatory compliance.

#### Supply Chain Management

In a highly competitive and demanding market for a higher Quality and Reliability products, IQ-group is contemplating in enhancing its Quality Management System to ensure that we comply with all regulations and laws in our operations and we are compelled to extend this commitment to those beyond our direct operations.

Managing our supply chain in a responsible and sustainable manner requires a structured and guided approach. At IQ-group, the management of our supply chain is in compliance with our internal ISO 9001:2015 quality management system procedures.

As part of continuous improvement in strengthening the supply chain, the management perjure to make enhancement in its Quality Management System by introducing the following new procedures.



# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)

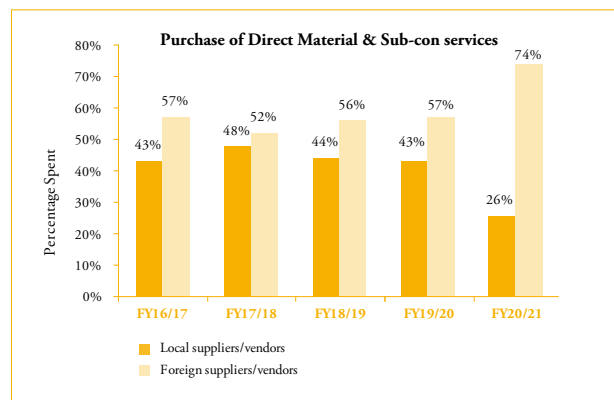
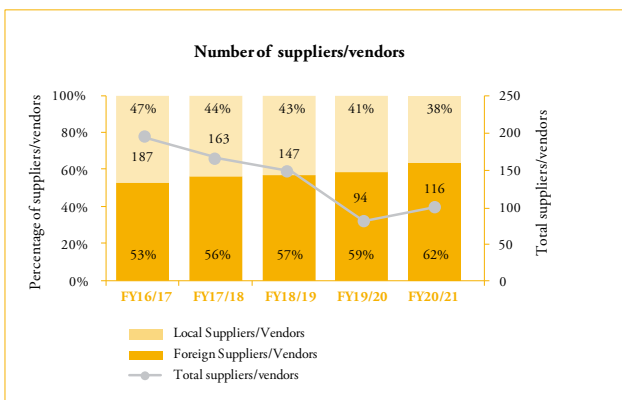
### Theme 1: Lighting the Way to Sustainable Business (Cont'd)

#### Supply Chain Management (Cont'd)



As part of our commitment in maintaining and supporting the local economy and businesses through our focus on sourcing materials, outsourcing process and services from our local vendors, 62% of our active suppliers are local businesses and we spent up to 26% of our total supplier expenditure in the year on local suppliers. The increase of Foreign Material to 74% mainly due to Modular Kit bought from IQ Wuning.

We overtly inform our supplier of the stringent requirements of customers' requirement as IQ-group strive to deliver high performance products. Hence only those that achieves above our minimum acceptance scoring system through our Vendor Selection Questionnaire and Assessment will selectively be selected in terms of compliance, reputation, quality and finance i.e. customer satisfaction assessment included shorter delivery lead time, project/product development timeline and accuracy of specification. We also conduct new supplier audit for local suppliers.



In addition, to the day-to-day communications through various media, we treat our suppliers as a business partners to bridge the gap in responding to the needs of our customers. IQ-group conduct annual vendor performance appraisal on key vendors to ensure that they are meeting the standards we adhere by. Our evaluation criteria include response time, fair quotation and cost and machine capability.

All our suppliers must meet the requirements of the Restriction of Hazardous Substances Directive (RoHS) and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) compliance.

In our design development stage, we promote Early Supplier Involvement (ESI) by engaging and collaborating with our suppliers during our product design concept stage to create the awareness and obtain inputs from suppliers which are crucial to our process to achieve shorter design to market with a smoother production run.

### Theme 2: Empowering and Nurturing Our People

*“To be an employer of choice, we are committed to providing and maintaining a safe and healthy workplace, and enhancing our employees' skills and competencies through provision of conducive learning environment and platform.”*

Our people are our assets in driving the continuous growth of our business. They are like our blood vessel in our body where the continuous flow of blood which drives the knowledge and abilities to innovate ideas, promote improvements and constructive processes. Thus, we believe that IQ-group must support and develop their leadership skills, talents and career path through provision of trainings, feedbacks and guidance.

# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)

### Theme 2: Empowering and Nurturing Our People (Cont'd)

#### Employee Learning & Development (ELD)

We continue to enhance our ISO 9001:2015 quality systems procedures and policies to ensure that our employees receive a comprehensive and holistic training opportunities here at IQ-group. This includes procedures on in-house training, operational training, training needs procedure and a performance management framework.

To help our employees gain a wider and broader experience within the business, we have also established an employee transfer procedure. In addition to our procedures, we also have in place mechanisms to ensure that our employees are continuously accompanied and guided through their career paths at IQ-group. These include:

	Career mapping and succession planning for selected departments to develop the employee capability and to facilitate employee career growth.		Competency assessment to assess employee needs of training.
	Annual performance evaluation for all employees at all levels.		Annual training calendar and budget set for both in-house and external trainings for all departments

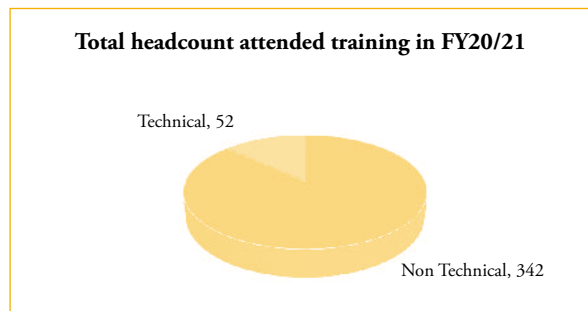
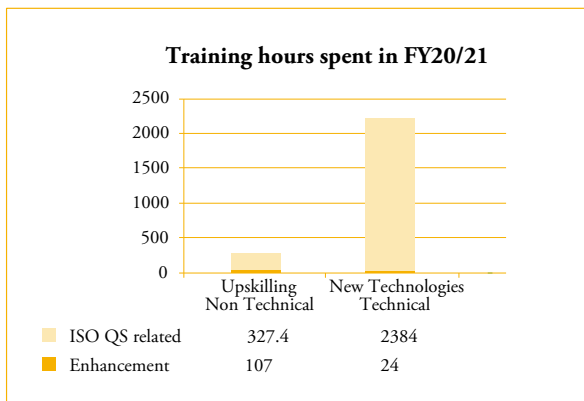
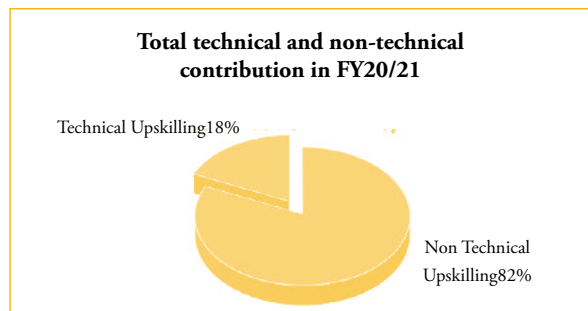
We continue to encourage our people to keep abreast and remain vigilant to new technology development in the fast growing competitive market and well-informed, we encourage them to attend seminars for regulatory updates and technical-related matters, as well as exhibitions, conferences, association and meetings to benchmark ourselves with other players within this industry and for the exposure.

During the global pandemic, Employee Learning & Development (ELD) is heavily impacted. Although some of the physical group trainings have been cancelled or postponed to next financial year, but IQ never push the pause button on the critical workplace learning. We implemented e-learning and virtual training measure in response to the pandemic. A Covid-19 protocol based on MITI SOP is established. Some of the on-job-training / operational training have been conducted with proper social distancing and strictly follow Covid-19 SOP.

During this reporting year, a total of 2842 training hours were invested in our training and development programmes for our employees. We conducted a total of 20 technical and non-technical trainings where 5 are technical and 15 are non-technical. Out of these training programmes' hours, 82% came from non-technical upskilling, 18% accounted for technical upskilling of our employees.

As we continue our effort in optimisation of our operations, a total of 2325 hours or 82% from total training hours were invested in our production operators' multi-skill training programmes.

We will continue to support our workforce through their career path with us. We have started to roll out in stages our career mapping initiative to all other departments as we understand that this initiative will be of significant use to our employees.



# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)







### Theme 3: Creating Positive Impacts

*“As a socially responsible corporate citizen, we acknowledge our responsibility to minimise the environmental impacts arising from our business operations, and the care of the community around us.”*

#### Occupational Safety & Health (OSHA)

At IQ-group, we take health and safety of our employees seriously as we believe our people are our responsibility and we have a duty to ensure that they return home in safety. We are proactive in our approach to safety by focusing on the preventive measures and thus establish a robust safety management system in place. Our Safety and Health Policy and safety and work instructions demonstrate our commitment to ensure a zero accident's work environment. We are happy to report that through our initiatives, IQ-group has not experienced any accidents, dangerous occurrences, occupational poisoning and/or occupational disease reported for the past 5 reporting years.

Below are some of our measures, initiatives and achievements in managing health and safety at IQ-group:

<b>Regulations</b> 	Over the 5 reporting years we have complied with the air emissions level for Local Exhaust Ventilation (LEV) – soldering purposes to remove fumes from system - under DOSH with air emission monitoring as per Environmental Quality (Clean Air) Regulations 2014 (DOE guidelines) and hygiene technology as per Occupational Safety and Health (Use and Standard of Exposure Chemical Hazardous to Health) Regulations 2000 to ensure that our employees work within an environment with clean air and free from hazardous chemicals.
<b>Organisational Arrangements</b> 	<ul style="list-style-type: none"><li>Established Health and Safety Committee and appoint safety representatives who are accountable in the development of OSHA-related risk mitigation strategies, develop and deploy standards, programmes, and procedures to reduce health and safety-related risks.</li><li>Our Emergency Response Team (ERT) &amp; First Aid Team are the ground in our operations and are trained to be the first response to any emergencies.</li></ul>
<b>Inspections and Audits</b> 	<ul style="list-style-type: none"><li>Annually, our operations are audited by the Department of Occupational Health and Safety (DOSH) to ensure compliance with as per their OSHA standards.</li><li>We regularly carry out internal and external audits, machine inspections, monthly equipment servicing and risks assessments, including soldering machine inspection and Chemical Health Risk Assessment (CHRA).</li><li>During the reporting year, we successfully passed both the internal audit on the maintenance service and examination for the local exhaust ventilation (LEV) system, liquefied petroleum gas (LPG) system and fire-fighting and detection equipment; and external audit by DOSH for general plan inspection and machinery plant renewal.</li></ul>
<b>OSHA initiatives</b> 	<ul style="list-style-type: none"><li>Personal protective equipment (PPE) such as safety goggles, face shields and gloves, are provided to employees who work in high-risk environment, i.e. soldering process. We optimise our PPE to reduce injury downtime and maximise operational efficiency.</li><li>Our new health and safety initiatives for this reporting year covers the upgrade of safety systems i.e. fire-fighting (iSCADA SPKA system), SPKA – Sistem Pengawasan Kebakaran Automatik (Direct link of the fire alarm system to 3rd party service provider and Bomba at Batu Kawan), establishment of Emergency Response Team (ERT) inclusive the First Aid Support, Pandemic Preparedness procedure and optimisation of personal safety equipment</li></ul>
<b>Trainings and Communications</b> 	<ul style="list-style-type: none"><li>All new employees are given an induction on health and safety training to ensure they understand the health and safety standards that IQ-group adheres to.</li><li>We regularly communicate with all our employees with updates on health and safety via notice boards and regular management briefings.</li><li>Provide training/competence programme (annual, orientation) including operation of eye wash station.</li></ul>
<b>Covid-19</b> 	<ul style="list-style-type: none"><li>We establish Covid-19 Response Team (CRT) to set up standard operating procedure and guidelines to ensure the health and safety precautionary measures are taken to protect our employees.</li><li>Hand Sanitizers are being placed at entrances for employee to use during entrance and exiting the building</li><li>Each employee is given 2 masks per day to wear at company premises while temperature is taken and recorded during entering into company premises</li><li>Re-layout were done at office workstation, production workstation, cafeteria to ensure compliance to social distancing guidelines</li><li>As preventive and hygienic measures, toilets and door knobs are being sanitise 3 times a day</li><li>Cafeteria hygiene measure taken – No buffet food style, only pre-packed or serve food allowed, one side facing sitting position with social distancing</li><li>Precaution measure by placing employee in Isolation room whom may have directly / indirectly came into close contact with positive case reported by KKM</li></ul>
<b>Health &amp; Precautionary Measures</b>	



# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)

### Theme 3: Creating Positive Impacts (Cont'd)

Health and safety have always been a fundamental part of our identity and we will remain ever vigilant of safety hazards and risks. To achieve higher levels of occupational health and safety within IQ-group, emergency response training was conducted in April 2019 to all employees as refresher course on health and safety.

### Energy & Waste Management

Many perceived manufacturers to have a short-term view with regards to the environment and climate change however IQ-group as manufacturing plant are well aware of the extra responsibility towards mitigating negative impacts which we may create to our operating environments and stakeholders. Here at IQ-group, we continue to take pride in upkeeping energy and waste management practices.

#### Energy Management

IQ-group continue to strive in the commitment to the reduction of energy consumption and the reduction of pollution. Thus, we have acted to reduce our impacts and strengthen our environmental performance, guided by our Environmental Policy that demonstrates our commitment to:

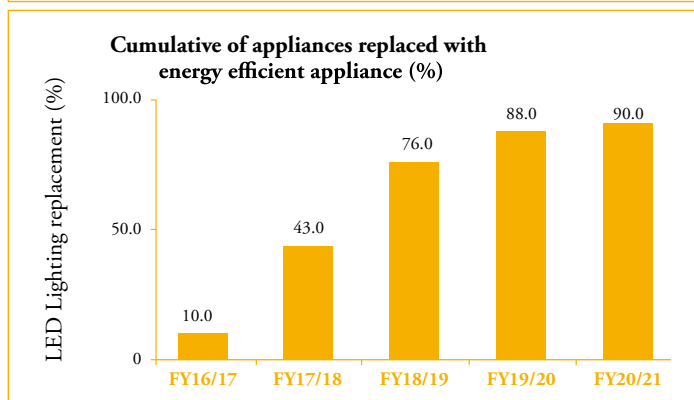
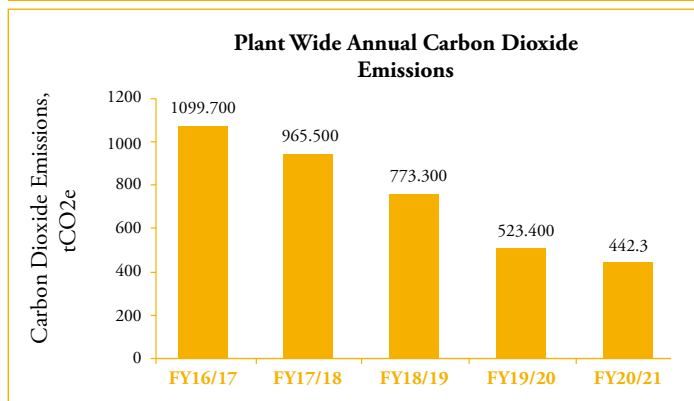
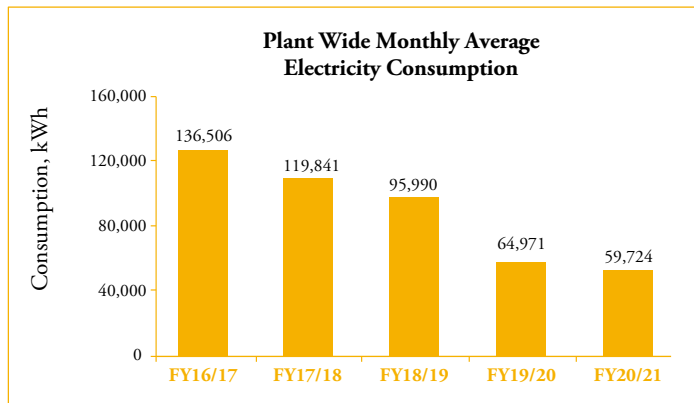
- Consider safety and environmental factors in all operating decisions;
- Explore feasible opportunities to minimise adverse impacts from our operations; and
- Evaluate our performance and compliance through regular assessments.

We pursue these commitments through our regular assessments based on ISO 14001:2015 Standards practises, internal procedures and external regulations. Our regular engagement with the Department of Environment (DOE) provides us with up to date of new regulations/standards and/or requirements.

In sustaining our performance, our progressive tracking and analysis of data obtained act as a mechanism in monitoring energy consumption. The graphs below show our electricity consumption and our carbon emissions from our plant operations over three years. The current reporting year has recorded a reduction in energy consumption and carbon emissions. This can be attributed to our desire to reduce our carbon footprint by replacing 88% of our high energy consumptions lightings with LED lighting since 2016 which consumes 80-90% less energy than the conventional lightings couples with the optimization of our operations and maximised utilisation our manufacturing operations to the ground floor. This not only reduces our carbon footprint, but increases overall efficiency and productivity.

Further enhancement to the energy savings initiative even with the replacement of higher power factor lightings which has already consumed 80-90% less energy, IQ-group utilizes its core product technology by installing IQ-group PIR motion sensor lighting and PIR motion sensor control devices at various areas within the plants. This installation further promotes additional energy savings as the lightings automatically turns on only when movements are detected.

Our focus on energy savings LED lighting replacement project have achieved 90% near completion with the replacement of inefficient energy consumptions and low power factor lightings with high power factor energy savings LED lightings.



# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)

### Theme 3: Creating Positive Impacts (Cont'd)

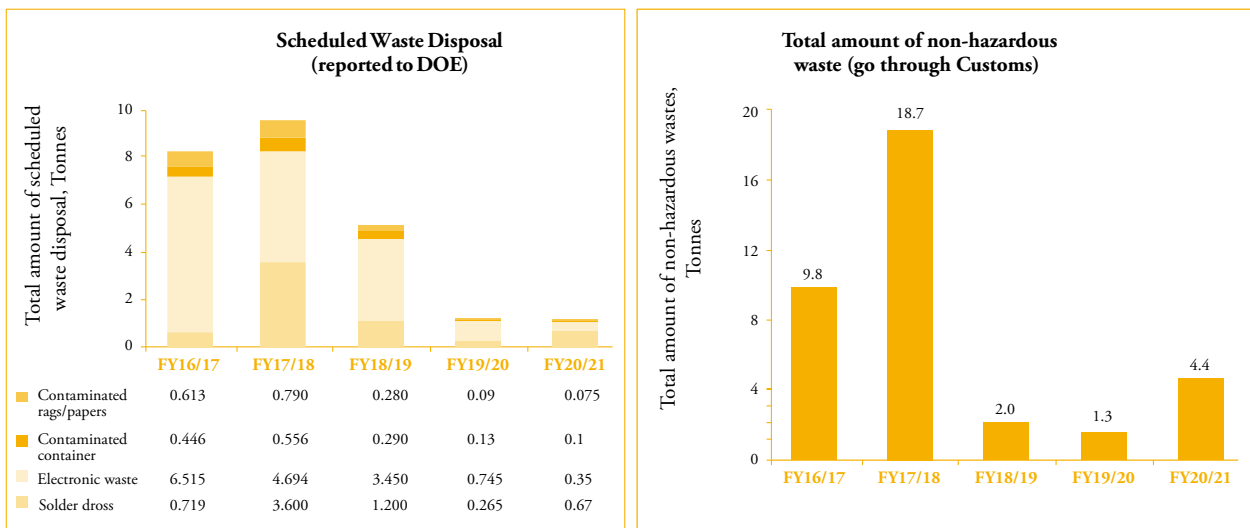
#### Energy & Waste Management (Cont'd)

##### Waste Management

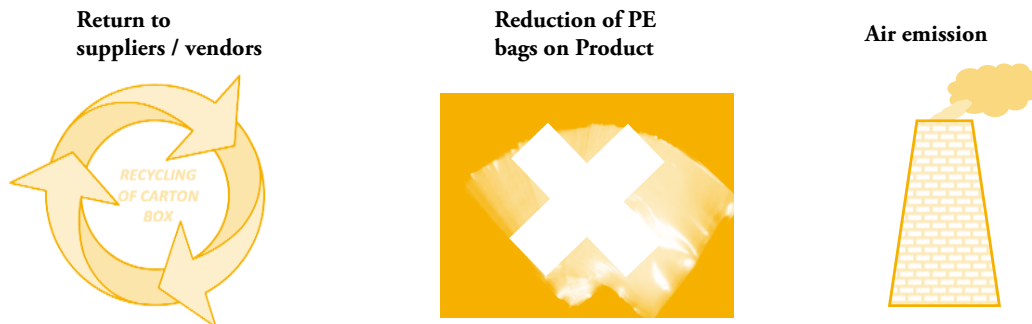
Considering that we use chemicals within our operations, these inputs could be released into the environment via the air, water, or as solid waste if not handled appropriately. Therefore, we have put in place our Work Procedure and Waste Handling, Emergency Preparedness and Response and Scheduled Waste/Chemical Handling Work Instruction to ensure responsible and proper waste disposal.

We have zero tolerance in non-compliance, hence, we always ensure our compliance with DOE requirements on scheduled waste management which includes on-time waste disposal and a limit of 20 tonnes per disposal. We have also put in place a designated area for scheduled waste storage.

It is also the practice of IQ-group to recycle our hazardous and non-hazardous wastes, and ensure these are carried out through a proper channel. The recycling initiatives are under the purview of our Scrap Committee which carries out only tender and scrapping activities. As we understand the detrimental effects of hazardous waste pollution to the environment, the scheduled waste such as solder dross and electronic waste is principally sold to a licensed contractor for recycling.



It is noteworthy that we have a culture of reducing wastage even within the vicinity of our non-operations (i.e. management and administration). This includes maintaining the optimum office temperature of 24 degree Celsius, as per recommendation by the Malaysian government, turning off lights during lunchtime or when not in use, using recycled paper and printing only when necessary. We seek to continue to manage our waste in a responsible manner and encourage a culture of recycling through the placement of recycling bins throughout our operations. Below are few initiatives we have initiated and have seen tremendous reduction of the wastage through recycling, reduction of waste and reuse process.



# SUSTAINABILITY STATEMENT (Cont'd)

## THE VALUE WE CREATE FOR BUSINESS AND STAKEHOLDERS (Cont'd)




### Theme 3: Creating Positive Impacts (Cont'd)

#### Energy & Waste Management (Cont'd)

#### Community Development

As a concerned corporate citizen, we understand the importance of assuming responsibility for the community. Our efforts in this area has the ability to create positive impacts and builds the trust of our people and the community. We acknowledge the two-fold responsibility of caring for our own employees and for the community through different forms of community engagement.

This reporting year will be 3 years since late 2018 the establishment of our Community Service & Sports & Recreational (CSSR) Club to promote social responsibilities and work-life balance amongst employees. All employees are members of the CSSR Club and since its inception, they have been actively engaged in deciding what activities and programmes would bring the most benefit to IQ-group and to the community. Diagram below details our community engagement in FY20/21.

	<b>Community Service</b> This reporting year IQ-group has successfully raised the Fundraising Campaign – Love and Support for Kuzairi with the participation of the employees to support and help one of the employees who is fighting with Hodgkin Lymphoma Cancer.
	<b>Sports Activity</b> To promote healthy life style and work-life balance amongst employees while fighting with the coronavirus, IQ-group continue badminton sessions as sport activity for the employees with tight Covid-19 SOP.
	<b>Recreational Activity</b> Due to Covid-19 pandemic and Movement Control Order by Government in FY20/21, The Group has stopped all the group events and implemented work from home policy in order to contain the spread of virus in the premises. Distribution of Birthday gifts as appreciation to the employees is the only recreational activity allowed in FY20/21.

For FY21/22, it will be more challenging year for our Community Service & Sports & Recreational (CSSR) Club in organizing recreational activities for our employees while we are adapting to the changing times due to the global pandemic. Beside the social distancing SOP, undoubtedly, recreational activities via technology and virtual platforms set to rise in next challenging year.



# AUDIT COMMITTEE REPORT

The Board of Directors of IQ Group Holdings Berhad (“the Board”) is pleased to present the report on Audit Committee for the financial year ended 31 March 2021.

## INTRODUCTION

The Audit Committee was established on 26 July 2005, prior to the listing of IQ Group Holdings Berhad on the Main Board of Bursa Malaysia on 10 October 2005.

The purpose of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls.

## COMPOSITION OF THE COMMITTEE AND MEETINGS

The Audit Committee comprises of the following members:-

- Chairman** : Tan Boon Hoe  
(Independent Non-Executive Director)
- Members** : Charlie Ong Chye Lee  
(Senior Independent Non-Executive Director)
- Dato’ Yoon Chon Leong  
(Independent Non-Executive Director)

During the financial year ended 31 March 2021, a total of seven (7) meetings were held. The details of attendance of each member at the committee meetings held during the financial year are as follows:

Directors	Number of Audit Committee Meetings	
	Attended	Held
Leow Mee Hong (retired on 22-9-2020)	4	4
Tan Boon Hoe (appointed on 2-11-2020)	3	3
Charlie Ong Chye Lee	7	7
Dato’ Yoon Chon Leong	7	7

## SUMMARY TERMS OF REFERENCE OF THE COMMITTEE

### 1. Objectives of Audit Committee

- To assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group;
- Evaluate the quality of the audit conducted by the internal and external auditors;
- Oversee the financial information presented by management to ensure it is factual, reliable and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct which is in accordance with Code of Business Conduct and Ethics; and
- Determine the adequacy of the Group’s control environment.

### 2. Members

- The Audit Committee shall consist not less than three members, comprising Non-Executive Directors, with a majority being Independent Directors.
- At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, must have at least three years working experience and either have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

# AUDIT COMMITTEE REPORT (Cont'd)

## SUMMARY TERMS OF REFERENCE OF THE COMMITTEE (Cont'd)

### 2. Members (Cont'd)

- A former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.
- The Chairman shall be an Independent Non-Executive Director and must not be a Chairman of the Board.
- No alternate Director shall be appointed as a member of the Committee.
- If a member of the Audit Committee, for whatever reason, ceases to be a member with the result that the number of members is reduced below three, the Board of Directors shall, within three months of the event, appoints such number of new members as may be required to make up the minimum number of three members.

### 3. Authority

- The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to the employees of the Group.
- The Committee shall also be able to convene meetings with the external Auditors, the internal Auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.
- The Committee shall have the authority to obtain independent legal or other professional advice, as it considers necessary.
- The Committee has the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner, as the Committee shall deem fit and necessary.

### 4. Meetings

- The Committee is at liberty to determine the frequency of its meetings, which in any event shall not be less than four (4) times a year.
- The quorum shall consist of two (2) members, majority of the members present must be Independent Directors.

### 5. Attendance at meetings

- The Group Financial Controller and a representative of the external and internal Auditors are invited to attend the meeting as and when necessary. Other Board members may attend meetings upon the invitation of the Committee.
- The Committee should meet with the external Auditors without executive Board members present at least twice a year. The Committee may invite any person to be in attendance to assist in its deliberations.
- The Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supported by explanatory documentation to committee members prior to each meeting.

### 6. Duties

The duties of the Audit Committee include the followings:

- to consider and recommend the appointment and re-appointment of the external Auditors, the audit fee and any questions of resignation or dismissal, if any;
- to assess the suitability, objectivity and independent of the auditor annually.
- to discuss with the external Auditors on their audit plan including the assistance given by the employees of the Company to the external Auditors;
- to review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements; and
  - any significant and unusual events.



# AUDIT COMMITTEE REPORT (Cont'd)

## SUMMARY TERMS OF REFERENCE OF THE COMMITTEE (Cont'd)

### 6. Duties (Cont'd)

- to review the financial reporting process, detect financial irregularities and to ascertain that the financial statements are consistent with operational information.
- to consider any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- to review the major risk area of the Group;
- to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- to review evaluation by the External Auditors on the System of Internal Controls, the external Auditors' management letter and management's response;
- to do the following where an internal audit function exists:
  - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - review the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function;
  - review the resignation of internal audit staff members and provide the staff member the opportunity to submit his reasons for resigning;
- to maintain and keep under review the whistle-blowing mechanism of the Group;
- to consider the major findings of internal investigations and management's response;
- to consider other topics as defined by the Board.

### 7. Reporting

- The Committee is authorised to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.
- The minutes of meetings shall be circulated by the Secretary of the Committee to the Committee members and all the other Board members.

## SUMMARY OF WORK PERFORMED DURING THE FINANCIAL YEAR

During the financial year under review, the Audit Committee in the discharge of its functions and duties had carried out the following activities to meet its responsibilities:-

### Financial Reporting

- Reviewed the unaudited quarterly financial results before recommend the same to members of the Board for approval prior to the announcement to Bursa Malaysia Securities Berhad. The Audit Committee review is to ensure that the report presented a true and fair view of the Group's financial performance.
- Reviewed the annual audited financial statement of the Company and the Group with the external auditors prior to submission to the Board of Directors for approval. The review was to ensure that the financial reporting and disclosures are in compliance with relevant rules, regulations and approved accounting standards.

# AUDIT COMMITTEE REPORT (Cont'd)

## SUMMARY OF WORK PERFORMED DURING THE FINANCIAL YEAR (Cont'd)

### External Audit

- Reviewed the re-appointment of the external auditors and their remuneration. This is to ensure competency and effectiveness of the external auditor.
- Reviewed the external auditor's audit plan to ensure adequacy of the scope of work for the year.
- Reviewed and discussed the findings arising from the audit carried out by the external auditors and follow up actions with the management if necessary.
- Reviewed and approved the non-audit services by the external auditors. This is to ensure that independence and objectivity of the External Auditor are not compromised.
- Had private meetings with the External Auditor on two (2) occasions to ensure that there is no restrictions on the scope of their audit and to discuss on significant matters highlighted including financial reporting issues, significant judgements, unusual transactions that arose during the course of audit.

### Internal Audit

- Reviewed the adequacy of the scope, functions, resources and competency of the internal audit function of the group.
- Reviewed the performance of the internal auditors. This is to ensure competency and effectiveness of the internal auditor before their reappointment.
- Reviewed the Internal Audit Plan tabled by the outsourced internal auditors. This is to ensure the adequacy of audit scope and coverage on auditable entities with significant high risks.
- Reviewed and deliberated the Internal Audit Report tabled during the year, the audit recommendations made and the management response to those recommendations. Significant issues were discussed with the management to ensure satisfactory response to address identified risks.

### Related Party Transactions

- Reviewed the quarterly updates on the related party transactions entered into by the Group as to ensure that there is no conflict of interest situations and related party transactions were at arm's length.
- Reviewed the circular to shareholders relating to the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature prior to recommending it for Board's approval.

### Risk Management

- Reviewed the Enterprise Risk Management (ERM) or Principle Business Risks of the Group and provide guidance on the action plans to address the identified risks.
- Evaluated the overall adequacy and effectiveness of the system of internal controls through review the work performed by both internal and external auditors and discussions with the management.

### Annual Reporting

- Reviewed the Audit Committee Report, Corporate Governance Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control prior to recommendation to the Board for inclusion into the Company's Annual Report.

## STATEMENT ON EMPLOYEE SHARE OPTION SCHEME BY THE COMMITTEE ("ESOS")

IQ Group Holdings Berhad Employee Share Option Scheme ("ESOS") was established on 9 September 2005. On 27 May 2010, the company has extended the ESOS for a period of 5 years commencing from 9 September 2010 on the same terms and conditions as mentioned in the By-Laws. The ESOS has expired on 8 September 2015. There is no new establishment ESOS scheme after the expiration.



## NOMINATION COMMITTEE REPORT

The Nomination Committee was established on 26 July 2005, prior to the listing of IQ Group Holdings Berhad (“IQGHB”) on the Main Board of Bursa Malaysia on 10 October 2005. The Committee comprised the following members:

- Chairman** : Charlie Ong Chye Lee  
(Senior Independent Non-Executive Director)
- Members** : Tan Boon Hoe  
(Independent Non-Executive Director)
- Dato’ Yoon Chon Leong  
(Independent Non-Executive Director)

Two (2) meetings was held during the financial year ended 31 March 2021. The details of attendance of each member at the committee meeting held during the financial year are as follows:

Directors	Number of Nomination Committee Meetings	
	Attended	Held
Charlie Ong Chye Lee	2	2
Dato’ Yoon Chon Leong	2	2
Leow Mee Hong (retired on 22-9-2020)	1	1
Tan Boon Hoe (appointed on 2-11-2020)	0	0

### TERMS OF REFERENCE OF NOMINATION COMMITTEE

#### 1. Members

The Nomination Committee (“NC”) of IQGHB (“the Company”) shall consist of not less than 3 Directors appointed by IQGHB Board of Directors (“IQGHB Board”), all of whom should be Non-Executive Directors.

No Alternate Director shall be appointed as a Member of the Committee unless he/she is an Alternate to the NC Member.

The Chairman shall be elected by the members of the NC and shall be the Senior Independent Director. In the absence of the Committee Chairman, the remaining members present shall elect one of their members to chair the meeting.

If a member, for any reason, ceases to be a member, IQGHB Board shall, within three (3) months of the event, appoint a new member so that the number of members does not fall below three.

The office of a member shall become vacant upon the member’s resignation/retirement/removal or disqualification as a Director of the Company.

A Secretary shall be nominated by the NC.

#### 2. Duties

The NC shall make recommendations to IQGHB Board on the appointment of new executive and non-executive Directors, including making recommendations to the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board.

The NC shall ensure that the positions of the Chairman and CEO are held by different individuals.

The NC shall regularly review the Board structure, size, gender diversity and composition and make recommendations to the Board with regards to any adjustment that are deemed necessary.



# NOMINATION COMMITTEE REPORT (Cont'd)

## TERMS OF REFERENCE OF NOMINATION COMMITTEE (Cont'd)

### 2. Duties (Cont'd)

The NC shall review the suitability and eligibility of nominated candidates for the approval of the Board, to fill Board and Senior Management vacancies as and when they arise as well as put in place plans for succession including considering the following independent sources to identify suitable qualified candidates.

- Directors' registry
- Industry and professional associations
- Open advertisements
- Independent search firms

The NC shall make recommendation to IQGHB Board to fill the seats on the Board Committee.

The NC shall put in place the Board and Senior Management Succession Plan.

The NC shall recommend Directors who are retiring by rotation under the Articles of Association to be put forward for re-election.

The NC shall decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director, particularly when he/she has multiple board representatives.

The NC shall have due regard to the principles of governance and code of best practice.

The NC shall liaise with IQGHB Board in relation to the preparation of the NC's report to shareholders (in the annual report) as required.

The NC shall keep under review the leadership needs of the organization with a view of ensuring the continued ability to compete effectively in the organization's marketplace.

The NC shall conduct annual performance assessments on individual directors, Board Committees and the Board as a whole based on the following criteria:

- (a) Competence
- (b) Time commitment
- (c) Integrity
- (d) Character
- (e) Experience
- (f) Contribution; and
- (g) Performance

The NC shall recommend training programmes for Directors with considerations on the results from the annual assessment of Directors conducted. The NC shall ensure training in relation to anti-corruption management are developed for Directors for continuous improvement.

The NC shall undertake an annual assessment of the independence of its Independent Non-Executive Directors based on the criteria set in the Bursa Securities Main Market Listing Requirements and Malaysia Code on Corporate Governance, taking into consideration of their probity with law and adherence to governance practices including anti-corruption policies and procedures.

The NC shall ensure all Directors comply to the Code of Business Conduct and Ethics, where declaration of personal business interest are being performed on annual basis to avoid conflict of interest.

The NC shall review own performance annually and recommend changes to the Term of Reference.

The NC shall review the Term of Office and performance of the Audit Committee and each of its members annually and to determine whether the Audit Committee has carried out their duties in accordance to its Term of reference.

### 3. Meetings

The meetings of the NC may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means and the minutes of such a meeting signed by the Chairman shall be conclusive of any meeting conducted as aforesaid.



## NOMINATION COMMITTEE REPORT (Cont'd)

### TERMS OF REFERENCE OF NOMINATION COMMITTEE (Cont'd)

#### 3. Meetings (Cont'd)

A resolution in writing signed or approved by letter or facsimile by a majority of members (of whom at least one must be an independent Director) shall be effective for all purposes as if it were a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may consist of a single document or several documents all in like form each signed by one or more members.

Meetings of the NC will be held as the NC deems to be appropriate; however, the NC should meet at least once each year. Meetings should be organized so that attendance is maximized. A meeting may be called, at any other time, by the Chairman of the NC or any member of the NC. Any Director or management may be invited to the meetings.

The notice of each meeting of the NC, confirming the venue, time and date and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the NC not fewer than five (5) business days prior to the date of the meeting.

The quorum for decisions of the NC shall be any two members, including at least one independent Director, present and voting on the matter for decision.

Each member present shall have one vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution are equal, the Chairman of the meeting shall have a casting vote.

The Chairman (or in his absence, an alternate to the member of the NC) of the NC shall attend the Annual General Meeting and be prepared to answer questions concerning the appointment of executive and non-executive Directors.

Minutes of meetings shall be taken by the NC Secretary. Minutes of all meetings shall be confirmed by the Chairman of the meeting and circulated to all the members of the NC.

If the Chairman of the NC so decides the minutes shall be circulated to other members of IQGHB Board, any Director may, provided that there is no conflict of interest and with the agreement of the Chairman, obtain copies of the NC's minutes.

#### 4. General

The NC in carrying out its tasks under these terms of reference, may obtain such external or other independent professional advice as it considers necessary to carry out its duties.

IQGHB Board will ensure that the NC will have access to professional advice both internally and externally at the Company's expense in order for it to perform its duties.

These terms of reference may from time to time be amended as required, subject to the approval of IQGHB Board.

#### 5. Reporting

The NC is authorised to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

The minutes of meetings shall be circulated by the Secretary of the Committee to the Committee members and all the other Board members.

### SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, the activities of the Nomination Committee include the following:

- a) Discussed and recommended the re-election of Directors retiring in accordance with the Company's Constitution.
- b) Recommended the re-appointment of Independent Directors who have reached the nine years term limit.
- c) Assessed the independence of Independent Directors.
- d) Reviewed the required mix of skills, experience and other qualities including core competencies of Non-Executive Directors.
- e) Assessed the effectiveness of the Board as a whole and the Committee of the Board as well as contribution by each Director.
- f) Reviewed and assessed the character, experience, integrity and competency of the Group Financial Controller.
- g) Reviewed the term of office and performance of the Audit Committee and each of its members.
- h) Reviewed the terms and reference of the Nomination Committee and to recommend any necessary changes.
- i) Discussed the types of training the Directors have to undergo.
- j) Recommended to the Board the appointment of Director.

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee was established on 26 July 2005, prior to the listing of IQ Group Holdings Berhad (“IQGHB”) on the Main Board of Bursa Malaysia on 10 October 2005. The Committee comprises the following members:

**Chairman** : Charlie Ong Chye Lee  
(Senior Independent Non-Executive Director)

**Members** : Tan Boon Hoe  
(Independent Non-Executive Director)

Dato’ Yoon Chon Leong  
(Independent Non-Executive Director)

Four (4) meetings were held during the financial year ended 31 March 2021. The details of attendance of each member at the committee meetings held during the financial year are as follows:-

Directors	Number of Remuneration Committee Meetings	
	Attended	Held
Charlie Ong Chye Lee	4	4
Dato’ Yoon Chon Leong	4	4
Leow Mee Hong (retired on 22-9-2020)	2	2
Tan Boon Hoe (appointed on 2-11-2020)	2	2

## TERMS OF REFERENCE OF REMUNERATION COMMITTEE

### 1. Members

The Remuneration Committee (the “RC”) of IQGHB (“the Company”) shall be appointed by IQGHB Board of Directors (“IQGHB Board”) from amongst its members, and shall comprise of not less than 3 members, with all being non-executive and a majority of them being independent directors.

No Alternate Director shall be appointed as a Member of the Committee unless he/she is an Alternate to a RC Member.

The Chairman shall be elected by members of the RC. In the absence of the committee Chairman, the remaining members present shall elect one of their members to chair the meeting.

A Secretary shall be nominated by the RC.

If a member, for any reason, ceases to be a member, IQGHB Board shall, within three (3) months of the event, appoint a new member so that the number of members does not fall below three.

The office of a member shall become vacant upon the member’s resignation/retirement/removal or disqualification as a Director of the Company.

### 2. Meetings

The meetings of the RC may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means and the minutes of such a meeting signed by the Chairman shall be conclusive of any meeting conducted as aforesaid.

A resolution in writing signed or approved by letter or facsimile by a majority of members shall be effective for all purposes as if it were a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may consist of a single document or several documents all in like form each signed by one or more members.

The meetings shall be held at least once a year. Additional meetings may also be held by the RC to discuss other issues, which the RC considers necessary.

The RC shall have full discretion with regard to the calling of the meetings and the proceedings thereat and may invite any Director or management to its meetings.



## REMUNERATION COMMITTEE REPORT (Cont'd)

### TERMS OF REFERENCE OF REMUNERATION COMMITTEE (Cont'd)

#### 2. Meetings (Cont'd)

The RC shall appoint a secretary who shall attend all meetings and minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance. The minutes shall be confirmed by the Chairman of the meeting and circulated to all members of the RC.

The quorum necessary for the transaction of business shall be two, the majority of whom must be Non-Executive Directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, power and discretion vested or exercisable by the Committee.

#### Notice

The notice of each meeting of the RC, confirming the venue, time and date and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the RC not fewer than five (5) business days prior to the date of the meeting.

#### Voting

Each member present shall have one vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution are equal, the Chairman of the meeting shall have a casting vote.

#### 3. Duties

The duties of the RC as below shall be reviewed on an annual basis.

- (i) to review and recommend to IQGHB Board of Directors in consultation with Management and the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the executive Directors and senior executives/divisional Directors those reporting directly to the Chairman and/or the Group Managing Director/CEO of the Group including those employees related to the executive Directors and controlling shareholders of the Group.
- (ii) to recommend to IQGHB Board in consultation with Management and the Chairman of the Board, any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection herewith.
- (iii) to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by IQGHB Board from time to time.
- (iv) the RC shall have full discretion with regard to the calling of the meetings and the proceedings thereat and may invite any Director or management to its meetings.
- (v) to review the remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.

#### 4. General

The RC in carrying out its tasks under these terms of reference, may obtain such external or other independent professional advice, as it considers necessary to carry out its duties.

IQGHB Board will ensure that the RC has access to professional advice both internally and externally at the Company's expense in order for it to perform its duties.

These terms of reference may from time to time be amended as required, subject to the approval of the Board.

#### 5. Reporting

The RC is authorised to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

The minutes of meetings shall be circulated by the Secretary of the Committee to the Committee members and all the other Board members.

## REMUNERATION COMMITTEE REPORT (Cont'd)

### SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, the activities of the Remuneration Committee include the followings:

- a) Discussed and reviewed the payment of Directors' Fees for the financial year ended 31 March 2021.
- b) Discussed and reviewed the remuneration of the Executive Directors for the financial year ended 31 March 2021.
- c) Discussed and reviewed the remunerations of Senior Executives of the Group for the financial year ended 31 March 2021.
- d) Discussed and reviewed the payment of Directors' benefit in accordance with Section 230(1) of the Company Act 2016.
- e) Reviewed the Term of Reference of the Remuneration Committee and to recommend any necessary changes.
- f) Reviewed the service agreement of CEO/ Managing Director.



## ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with Bursa Securities Main Market Listing Requirements

### 1. UTILISATION OF PROCEEDS

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 March 2021.

### 2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to the external auditors, Deloitte PLT in Malaysia by the company and the Group for the financial year ended 31 March 2021 were as follows:

	Company	Group
Audit Fee (RM)	84,000	172,000
Non Audit Fee (RM)	11,500	61,800

The details on of the Non-audit fee are shown below:-

	Company	Group
Review of Statement on Risk Management & Internal Control (RM)	4,000	4,000
Preparation and submission Annual tax return (RM)	7,500	22,800
Transfer Pricing Strategy Build and Planning Study (RM)	-	35,000
Total	11,500	61,800

### 3. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major Shareholders, either still subsisting as at 31 March 2021 or since the end of previous financial year ended 31 March 2020.

### 4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

Significant transactions between the Group and its related parties during the financial year were as follows:

<b>Sensorlite Inc. (formerly known as Interquartz Taiwan Ltd.)</b>	<b>RM</b>
Purchase of raw materials	4,020,344
Rental paid/ payable	904,568
Sales commission paid/ payable	75,436
<b>IQ (America) Inc.</b>	<b>RM</b>
Sales of finished goods	15,803,635
Sales commission payable	1,619,785

The relationships between IQ Group Holdings Berhad ("IQGHB") and the related parties are as follows:

#### **Sensorlite Inc. (formerly known as Interquartz Taiwan Ltd.)**

Chen, Wen-Chin also known as Kent Chen, the Group Executive Chairman and Substantial Shareholder of IQGHB is also the Director and Substantial Shareholder of Sensorlite Inc.

#### **IQ (America) Inc.**

Chen, Wen-Chin also known as Kent Chen, is the Director and Substantial Shareholder of Sensorlite Limited. Sensorlite Limited is the Substantial Shareholder of IQGHB and the holding company of IQ (America) Inc.

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favorable than those arranged with independent third parties.

### 5. ACCOUNTS

The Group Financial Controller of IQ Group Holdings Berhad signed the statutory declaration in relation to the financial statements for the year ended 31 March 2021. She is a member of the Malaysian Institute of Accountants and thus fulfills the requirement of Paragraph 9.27 of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

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## DIRECTORS' REPORT

The directors of **IQ GROUP HOLDINGS BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended March 31, 2021.

### PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities and other information relating to the subsidiaries are as stated in Note 18 to the financial statements.

### RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit for the year attributable to owners of the Company	2,992,756	19,585,739

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

There were no dividends declared and paid in respect of the financial year ended March 31, 2021.

The directors do not recommend any dividend payment in respect of the current financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

### SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.



## DIRECTORS' REPORT (Cont'd)

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that no allowance for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would require the writing off of bad debts or the making of allowance for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

### DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Chen, Wen-Chin also known as Kent Chen  
Daniel John Beasley  
Yoon Chon Leong  
Charlie Ong Chye Lee  
Tan Boon Hoe (appointed on November 2, 2020)  
Leow Mee Hong (resigned on September 22, 2020)



## DIRECTORS' REPORT (Cont'd)

### DIRECTORS (Cont'd)

The directors who held office in the subsidiary companies of the Company during the financial year and up to the date of this report are:

#### Direct subsidiary companies

IQ Group Sdn. Bhd.

#### Directors of the subsidiary companies

Chen, Wen-Chin also known as Kent Chen  
Daniel John Beasley  
Choong Bee Gnoh  
Chee Ting Ting  
(Alternate to Chen, Wen-Chin also known as Kent Chen)  
Loo Weng Keong

IQ Group (Dongguan) Ltd.

Daniel John Beasley  
Wong Kwok Hon  
Loo Weng Keong

IQ Group (Wuning) Ltd

Daniel John Beasley  
Wong Kwok Hon  
Loo Weng Keong

IQ Japan Co., Ltd.

Chen, Wen-Chin also known as Kent Chen  
Daniel John Beasley  
Hisayuki Tominaga

IQ Group Limited

Chen, Wen-Chin also known as Kent Chen

IQ Industries Limited

Chen, Wen-Chin also known as Kent Chen

SILQ (Malaysia) Sdn. Bhd.

Chen, Wen-Chin also known as Kent Chen  
Daniel John Beasley

### DIRECTORS' INTERESTS

The interests in shares of the Company of those who were directors at the end of the financial year, according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

Shares in the Company	No. of ordinary shares with no par value			Balance as of March 31, 2021
	Balance as of April 1, 2020	Bought	Sold	
<b>Direct interests:</b>				
Chen, Wen-Chin also known as Kent Chen	16,895,701	-	-	16,895,701
Daniel John Beasley	90,000	-	-	90,000
Charlie Ong Chye Lee	7,000	-	-	7,000
<b>Indirect interests:</b>				
Chen, Wen-Chin also known as Kent Chen (through Sensorlite Limited*, Sensorlite Investments Limited* and his spouse)	41,171,451	-	-	41,171,451

\* A company in which a director, Mr. Chen, Wen-Chin also known as Kent Chen has substantial interests and is a director.

By virtue of their interests in the shares of the Company, Mr. Chen, Wen-Chin also known as Kent Chen and Mr. Daniel John Beasley are also deemed to have beneficial interests in the shares of all the subsidiary companies of IQ Group Holdings Berhad to the extent that IQ Group Holdings Berhad has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## DIRECTORS' REPORT (Cont'd)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate of remuneration and benefits-in-kind received or due and receivable by directors or the fixed salary of a full-time employee of the Company of RM2,353,723) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of transactions mentioned in Note 36 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains directors' liability insurance for the purpose of Section 289 of the Companies Act, 2016, throughout the financial year, which provides appropriate insurance cover for the directors of the Company. The amount of insurance premium paid during the year, which was borne by the Company is amounted RM15,900.

There was no indemnity given to or insurance effected for officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

### AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors of the Group and of the Company for the financial year ended March 31, 2021 is as disclosed in Note 11 to the financial statements.

### SIGNIFICANT AND SUBSEQUENT EVENTS AFTER REPORTING PERIOD

Significant and subsequent events after reporting period are disclosed in Note 40 to the financial statements.

### AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board, as approved by the Board  
in accordance with a resolution of the Directors,

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**CHEN, WEN-CHIN ALSO KNOWN  
AS KENT CHEN**

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**DANIEL JOHN BEASLEY**

Penang,

July 8, 2021



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IQ GROUP HOLDINGS BERHAD (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of IQ Group Holdings Berhad, which comprise the statements of financial position of the Group and of the Company as of March 31, 2021, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of March 31, 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including international Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Our audit performed and responses thereon
<p><b>1. Capitalisation and impairment assessment of product development costs</b></p> <p>The Group capitalised product development costs for its lighting products of approximately RM10.78 million as of March 31, 2021.</p> <p>Management exercises significant judgement in determining whether the product development costs qualify for capitalisation by assessing the requirements for recognition in accordance with MFRS 138 Intangible Assets, which includes among others, the technical feasibility of the products developed and the ability to generate future economic benefits. The criteria for capitalisation of product development costs are disclosed in Note 17 to the financial statements.</p> <p>The capitalised product development costs are assessed for impairment which requires management to identify indicators of impairment and where there are such indicators, management judgement and assumptions are applied to determine the recoverable amount, which is also influenced by current and future economic developments.</p> <p>The Group's product development costs capitalised and written off during the financial year were approximately RM3 million and RM0.56 million respectively, which are disclosed in Note 17 to the financial statements. The key sources of estimation uncertainty on the product development costs capitalised and impairment assessment are disclosed in Note 4 to the financial statements.</p>	<p>We obtained an understanding of management's business process and criteria surrounding the capitalisation and impairment assessment of product development costs and we tested the design and implementation of relevant controls.</p> <p>We performed audit procedures over the capitalisation of product development costs which included, among others, assessing the recognition criteria for product development costs; conducting discussions with relevant personnel; observing the authorisation of the development stage of the product; challenging the key assumptions and estimates used by management in assessing the technical feasibility of the products developed and the ability to generate future economic benefits; testing the accuracy and occurrence of costs capitalised; and assessing the useful economic life attributed to the product.</p> <p>We obtained management-prepared impairment assessment for the product development costs and evaluated the appropriateness of impairment indicators identified and assessed the reasonableness of the assumptions used in the impairment assessment.</p> <p>We also considered the adequacy of the Group's disclosures of management's judgements and estimates in relation to capitalisation and impairment assessment for product development costs.</p>

(Forward)

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IQ GROUP HOLDINGS BERHAD (Incorporated in Malaysia) (Cont'd)

## Key Audit Matters (Cont'd)

Key Audit Matters	Our audit performed and responses thereon
<p><b>2. Impairment of trade receivables</b></p> <p>We identified the recoverability of outstanding trade receivables of approximately RM18.69 million owing from a related party, IQ (America) Inc. ("IQA"), of which approximately RM16.38 million is past due as at March 31, 2021, as a key audit matter due to the significant management judgements made in assessing the impairment of these trade receivables and determining any loss allowance for expected credit losses.</p> <p>As disclosed in Note 36 to the financial statements, a director of the Company has substantial interest in and is a director of IQA. Further as disclosed in Note 21, trade receivables owing from IQA amounting to approximately RM16.38 million which is past due beyond the credit period of 120 days ("long outstanding receivables"), has not been impaired as the director has confirmed that the amount will be repaid by IQA as soon as IQA has sufficient liquidity and/or working capital to do so, failing which, the director is able and will undertake to provide the required financial support to repay the said debt, within the next 12 months.</p>	<p>We obtained an understanding of management's business process and criteria surrounding the impairment of trade receivables and we tested the design and implementation of the relevant controls.</p> <p>We performed audit procedures over the recoverability of outstanding trade receivables, which included, among others, challenging the assumptions used in the forecasted sales projection to IQA for the year ending March 31, 2022; checking the aging profile; tracing subsequent collections; and verifying on a sample basis, confirmed orders received from customers subsequent to the year end, to the source documents including invoices, shipping/delivery documents and bank statements.</p> <p>We have also obtained a support letter from the said director who has undertaken to provide continued support to enable IQA to meet its financial obligations within the next 12 months to enable IQA to continue as a going concern and to repay the long outstanding trade receivables.</p> <p>We have evaluated and challenged the appropriateness of the expected credit loss ("ECL") estimate made by the management including probability of default estimation made with reference to historical loss data of IQA, appropriateness of the chosen forward looking macro-economic factor(s) and its correlations with the historical losses data of IQA.</p> <p>We also considered the adequacy of the Group's disclosures of management's judgements and estimates in relation to impairment of trade receivables.</p>

We have not identified any key audit matter pertaining to the financial statements of the Company for the financial year ended March 31, 2021.

## Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's annual report and the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the Directors' Report that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

(Forward)



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IQ GROUP HOLDINGS BERHAD (Incorporated in Malaysia) (Cont'd)

## Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

(Forward)

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IQ GROUP HOLDINGS BERHAD (Incorporated in Malaysia) (Cont'd)**

## **Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 18 to the financial statements.

## **Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**DELOITTE PLT (LLP0010145-LCA)**  
**Chartered Accountants (AF 0080)**

**ALVIN CHANG SHU-WEI**  
**Partner - 03480/01/2022 J**  
**Chartered Accountant**

Penang,

July 8, 2021



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2021

	Note	The Group		The Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue	5	133,066,859	119,575,485	26,031,096	15,094,770
Investment revenue	6	291,920	374,621	279,544	351,376
Other gains and losses	7	(1,884,096)	2,727,788	(424,191)	489,521
Changes in inventories of finished goods and work-in-progress		(2,463,543)	(2,375,240)	-	-
Raw materials and consumables used		(48,813,318)	(35,542,147)	-	-
Purchase of trading goods		(1,802,073)	(19,096,146)	-	-
Employee benefit expenses	8	(37,938,045)	(40,275,611)	(4,881,363)	(5,085,172)
Depreciation and amortisation of non-current assets		(6,033,956)	(6,737,563)	(230,068)	(230,658)
Impairment loss on investment in subsidiary companies		-	-	(631,833)	(5,204,221)
Development costs written off		(558,060)	(6,863,945)	-	-
Finance costs	9	(298,555)	(259,137)	(24,989)	(36,687)
Other expenses		(30,201,654)	(28,791,243)	(492,095)	(911,954)
<b>Profit/(loss) before tax</b>		<b>3,365,479</b>	<b>(17,263,138)</b>	<b>19,626,101</b>	<b>4,466,975</b>
Tax expense	10	(372,723)	(1,677,662)	(40,362)	(288,009)
<b>Profit/(loss) for the year</b>	<b>11</b>	<b>2,992,756</b>	<b>(18,940,800)</b>	<b>19,585,739</b>	<b>4,178,966</b>
<b>Other comprehensive income, net of income tax</b>					
Items that will be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		562,363	924,632	-	-
Other comprehensive income for the year, net of tax		562,363	924,632	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>3,555,119</b>	<b>(18,016,168)</b>	<b>19,585,739</b>	<b>4,178,966</b>
Profit/(loss) for the year attributable to the owners of the Company		2,992,756	(18,940,800)	19,585,739	4,178,966
Total comprehensive income/(loss) attributable to the owners of the Company		3,555,119	(18,016,168)	19,585,739	4,178,966
<b>Earnings/(loss) per share</b>					
Basic (sen per share)	12	3.40	(21.52)		
Diluted (sen per share)	12	3.40	(21.52)		

The accompanying notes form an integral part of the financial statements.



# STATEMENTS OF FINANCIAL POSITION

## AS OF MARCH 31, 2021

	Note	The Group		The Company	
		2021 RM	2020 RM	2021 RM	2020 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	12,709,196	14,040,639	34,603	37,892
Prepaid lease payments on leasehold land	14	-	-	-	-
Right-of-use assets	15	3,683,021	6,338,344	309,580	515,964
Investment properties	16	-	1,649,411	-	1,649,411
Product development costs	17	10,775,921	10,440,620	-	-
Investment in subsidiary companies	18	-	-	92,140,252	92,772,085
Deferred tax assets	19	850,880	685,408	-	-
<b>Total non-current assets</b>		<b>28,019,018</b>	<b>33,154,422</b>	<b>92,484,435</b>	<b>94,975,352</b>
<b>Current assets</b>					
Inventories	20	52,510,180	48,872,989	-	-
Trade and other receivables	21	51,616,197	49,807,058	28,479,857	11,805,388
Tax assets		2,427,660	1,314,323	205,016	6,880
Other assets	22	1,998,394	1,417,728	2,000	2,000
Short-term deposits with licensed banks	23	5,505,000	6,485,000	5,000,000	5,980,000
Cash and bank balances	24	22,187,241	15,586,346	4,985,229	656,033
Assets classified as held for sale	25	136,244,672	123,483,444	38,672,102	18,450,301
		1,634,870	-	1,634,870	-
<b>Total current assets</b>		<b>137,879,542</b>	<b>123,483,444</b>	<b>40,306,972</b>	<b>18,450,301</b>
<b>Total assets</b>		<b>165,898,560</b>	<b>156,637,866</b>	<b>132,791,407</b>	<b>113,425,653</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Issued capital	26	96,177,462	96,177,462	96,177,462	96,177,462
Reserves	27	5,111,257	4,548,894	-	-
Retained earnings	28	24,406,629	21,413,873	35,477,879	15,892,140
<b>Total equity</b>		<b>125,695,348</b>	<b>122,140,229</b>	<b>131,655,341</b>	<b>112,069,602</b>
<b>Non-current liabilities</b>					
Borrowings	29	4,589,202	-	-	-
Deferred tax liabilities	19	8,000	8,000	8,000	8,000
Lease liabilities	30	1,418,896	3,274,044	112,602	328,026
<b>Total non-current liabilities</b>		<b>6,016,098</b>	<b>3,282,044</b>	<b>120,602</b>	<b>336,026</b>
<b>Current liabilities</b>					
Trade and other payables	31	31,178,902	28,642,231	800,040	817,014
Tax liabilities		1,030,512	910,328	-	-
Lease liabilities	30	975,700	1,599,566	215,424	203,011
Borrowings	29	1,002,000	-	-	-
Other financial liabilities	32	-	63,468	-	-
<b>Total current liabilities</b>		<b>34,187,114</b>	<b>31,215,593</b>	<b>1,015,464</b>	<b>1,020,025</b>
<b>Total liabilities</b>		<b>40,203,212</b>	<b>34,497,637</b>	<b>1,136,066</b>	<b>1,356,051</b>
<b>Total equity and liabilities</b>		<b>165,898,560</b>	<b>156,637,866</b>	<b>132,791,407</b>	<b>113,425,653</b>

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEAR ENDED MARCH 31, 2021

#### The Group

	Issued capital RM	Non-distributable Translation reserve RM	Legal reserve RM	Distributable Retained earnings RM	Total RM
Balance as of April 1, 2019	96,177,462	3,499,126	125,136	40,354,673	140,156,397
Loss for the year	-	-	-	(18,940,800)	(18,940,800)
Other comprehensive income for the year	-	924,632	-	-	924,632
Total comprehensive loss for the year	-	924,632	-	(18,940,800)	(18,016,168)
<b>Balance as of March 31, 2020</b>	<b>96,177,462</b>	<b>4,423,758</b>	<b>125,136</b>	<b>21,413,873</b>	<b>122,140,229</b>
Balance as of April 1, 2020	96,177,462	4,423,758	125,136	21,413,873	122,140,229
Profit for the year	-	-	-	2,992,756	2,992,756
Other comprehensive income for the year	-	562,363	-	-	562,363
Total comprehensive income for the year	-	562,363	-	2,992,756	3,555,119
<b>Balance as of March 31, 2021</b>	<b>96,177,462</b>	<b>4,986,121</b>	<b>125,136</b>	<b>24,406,629</b>	<b>125,695,348</b>

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021 (Cont'd)

### The Company

	Issued capital RM	Distributable Retained earnings RM	Total RM
Balance as of April 1, 2019	96,177,462	11,713,174	107,890,636
Profit for the year	-	4,178,966	4,178,966
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	4,178,966	4,178,966
<b>Balance as of March 31, 2020</b>	<b>96,177,462</b>	<b>15,892,140</b>	<b>112,069,602</b>
Balance as of April 1, 2020	96,177,462	15,892,140	112,069,602
Profit for the year	-	19,585,739	19,585,739
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	19,585,739	19,585,739
<b>Balance as of March 31, 2021</b>	<b>96,177,462</b>	<b>35,477,879</b>	<b>131,655,341</b>

The accompanying notes form an integral part of the financial statements.



## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED MARCH 31, 2021

	Note	The Group		The Company	
		2021 RM	2020 RM	2021 RM	2020 RM
<b>Cash flows from operating activities</b>					
Profit/(loss) for the year		2,992,756	(18,940,800)	19,585,739	4,178,966
Adjustments for:					
Depreciation and amortisation of non-current assets		6,033,956	6,737,563	230,068	230,658
Inventories written off		915,167	1,525,451	-	-
Unrealised loss/(gain) on foreign exchange		574,229	(1,181,663)	75,358	(396,836)
Product development costs written off		558,060	6,863,945	-	-
Tax expense recognised in profit or loss		372,723	1,677,662	40,362	288,009
Allowance for slow moving inventories		343,843	542,919	-	-
Interest expense		298,555	259,137	24,989	36,687
Loss on modification of lease		251,671	-	-	-
Loss on termination of lease		6,438	-	-	-
Property, plant and equipment written off		5,610	250	3,390	204
Gain on disposal of property, plant and equipment		(2,505,471)	(18,577)	-	-
Interest income		(161,388)	(248,926)	(149,012)	(225,681)
Net gain arising on financial liabilities designated as at fair value through profit or loss		(7,746)	-	-	-
Net fair value loss on other financial liabilities		-	63,468	-	-
Impairment loss on investment in subsidiary companies		-	-	631,833	5,204,221
Gross dividend income from subsidiary companies		-	-	(21,026,224)	(8,340,000)
		9,678,403	(2,719,571)	(583,497)	976,228
Movements in working capital:					
(Increase)/decrease in:					
Inventories		(3,636,968)	1,136,504	-	-
Trade and other receivables		(2,684,950)	463,924	20,414	(2,813,156)
Other assets		(836,701)	849,339	-	-
Increase/(decrease) in trade and other payables		1,767,540	5,225,322	(16,974)	(490,109)
Cash generated from/(used in) operations		4,287,324	4,955,518	(580,057)	(2,327,037)
Tax (paid)/refunded, net		(1,522,195)	887,115	(238,498)	(177,860)
Net cash from/(used in) operating activities		2,765,129	5,842,633	(818,555)	(2,504,897)
<b>Cash flows from investing activities</b>					
Interest received		161,388	248,926	149,012	225,681
Proceeds from disposal of property, plant and equipment		2,768,338	134,516	754	-
Decrease/(increase) in short-term deposits with licensed banks with maturity period of more than 3 months		5,000	(5,000)	-	-
Additions to product development costs		(2,997,930)	(3,425,515)	-	-
Purchase of property, plant and equipment*		(754,977)	(3,432,280)	(9,998)	(7,065)
Dividend received		-	-	17,198,000	8,340,000
Loan to a subsidiary company		-	-	(12,742,000)	-
Repayment of loan by a subsidiary company		-	-	-	2,912,000
Investment in a subsidiary company		-	-	-	(10,109,150)
Net cash (used in)/from investing activities		(818,181)	(6,479,353)	4,595,768	1,361,466

(Forward)

## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED MARCH 31, 2021 (Cont'd)

	Note	The Group		The Company	
		2021 RM	2020 RM	2021 RM	2020 RM
<b>Cash flows from financing activities</b>					
Net increase in borrowings		5,678,900	-	-	-
Repayment of lease liabilities		(1,449,721)	(1,513,579)	(203,011)	(191,313)
Interest paid		(298,555)	(259,137)	(24,989)	(36,687)
Net cash from/(used in) financing activities		3,930,624	(1,772,716)	(228,000)	(228,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>		5,877,572	(2,409,436)	3,549,213	(1,371,431)
Effect of foreign exchange rate changes		(251,677)	282,609	(200,017)	26,788
<b>Cash and cash equivalents at beginning of year</b>		22,066,346	24,193,173	6,636,033	7,980,676
<b>Cash and cash equivalents at end of year</b>	33	27,692,241	22,066,346	9,985,229	6,636,033

\* During the financial year, the Group and the Company acquired property, plant and equipment by way of:

	Note	The Group		The Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Cash settlements		754,977	3,432,280	9,998	7,065
Advanced payment in prior year		221,588	192,708	-	-
Total	13	976,565	3,624,988	9,998	7,065



## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED MARCH 31, 2021 (Cont'd)

#### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, of future cash flows will be, classified in the Group's and the Company's statement of cash flows as cash flows financing activities:

	The Group				
	1.4.2020 RM	Cash flows from/(used in) financing activities RM	Other changes RM	31.3.2021 RM	
Borrowings	-	5,545,595	45,607	5,591,202	
Lease liabilities	4,873,610	(1,614,971)	(864,043)	2,394,596	
	<u>4,873,610</u>	<u>3,930,624</u>	<u>(818,436)</u>	<u>7,985,798</u>	
	1.4.2019	Adoption of MFRS 16 RM	The Group Cash flows used in financing activities RM	Other changes RM	31.3.2020 RM
Lease liabilities	-	4,145,327	(1,772,716)	2,500,999	4,873,610
	1.4.2020 RM	The Company		31.3.2021 RM	
Lease liabilities	531,037	Cash flows used in financing activities RM	Other changes RM	328,026	
	<u>531,037</u>	<u>(228,000)</u>	<u>24,989</u>	<u>328,026</u>	
	1.4.2019	Adoption of MFRS 16 RM	The Company Cash flows used in financing activities RM	Other changes RM	31.3.2020 RM
Lease liabilities	-	722,350	(228,000)	36,687	531,037
	<u>-</u>	<u>722,350</u>	<u>(228,000)</u>	<u>36,687</u>	<u>531,037</u>

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in investment holding and providing management services. The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary company are disclosed in Note 18.

The registered office of the Company is located at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, Malaysia.

The principal place of business of the Company is located at 149, Jalan Sultan Azlan Shah, Taman Perindustrian Bayan Lepas, Fasa I (FTZ) Bayan Lepas, 11900 Penang, Malaysia.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on July 8, 2021.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Adoption of new and amendments to MFRSs

In the current year, the Group and the Company have applied a number of new and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after April 1, 2020.

Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 3	Definition of Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to References to the Conceptual Framework in MFRS Standards	Conceptual Framework for Financial Reporting

The adoption of these new and amendments to MFRSs has had no material impact on the disclosures or on the amounts recognised in the financial statements.

### New and amendments to Standards in issue but not yet effective

The Group and the Company have not applied the following new and amendments to MFRSs that have been issued but are not yet effective:

Amendments to MFRS 16	COVID-19 Related Rent Concessions <sup>(a)</sup>
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>(b)</sup>
Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond June 30, 2021 <sup>(c)</sup>
Annual improvements to MFRS Standards 2018- 2020	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments, MFRS 16 Leases and MFRS 141 Agriculture <sup>(d)</sup>
Amendments to MFRS 3	Reference to the Conceptual Framework <sup>(d)</sup>
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use <sup>(d)</sup>
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract <sup>(d)</sup>
Amendments to MFRS 17	Insurance Contracts <sup>(e)</sup>
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 <sup>(e)</sup>
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current <sup>(e)</sup>
Amendments to MFRS 101 and MFRS Practice Statements 2	Disclosure of Accounting Policies <sup>(e)</sup>
Amendments to MFRS 108	Definition of Accounting Estimates <sup>(e)</sup>
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(f)</sup>



## NOTES TO THE FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

#### New and amendments to Standards in issue but not yet effective (Cont'd)

- (a) Effective for annual periods beginning on or after June 1, 2020, with earlier application permitted.
- (b) Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
- (c) Effective for annual periods beginning on or after April 1, 2021, with earlier application permitted.
- (d) Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.
- (e) Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.
- (f) Effective date deferred to a date to be announced by MASB.

The directors anticipate that the abovementioned new and amendments to MFRSs 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 new and amendments to MFRSs will have no material impact on the financial statements of the Group and the Company in the period of initial application.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The financial statements of the Group and of the Company have been prepared on the basis of historical cost, except for certain financial instruments that are measured at amortised cost or at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (c) Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### Subsidiary companies and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiary companies. Control is achieved when the Company:

- (a) has power over the investee;
- (b) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (c) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Subsidiary companies and basis of consolidation (Cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- (a) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (b) potential voting rights held by the Company, other vote holders or other parties;
- (c) rights arising from other contractual arrangements; and
- (d) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary companies is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary company, a gain or a loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill) less liabilities of the subsidiary company and any non-controlling interests. When assets of the subsidiary company are carried at revalued amounts or at fair value and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Subsidiary companies

Investment in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any, in the Company's separate financial statements.

### Business combinations

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair values which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Business combinations (Cont'd)

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- (a) deferred tax assets or deferred tax liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measured period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

#### Revenue recognition

The Group and the Company recognise revenue from sale of goods. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group and the Company recognise revenue when it transfers control of a product or service to a customer. Revenue is reduced for estimated customer returns, rebates, sales commission and other similar allowances.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Revenue from contract with customers

#### (a) Manufacturing sales – At a point in time

The Group generates revenue from the sale of goods as disclosed in Note 5. Sales-related warranties associated with goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

For sale of goods, revenue is recognised when control of the goods has transferred to the customer depending on the shipping term agreed with its customers. The shipping term of the Group's sales comprises of Ex Works ("EXW") and Free on Board ("FOB") terms.

Under the Group's standard contract terms, customers have a right of return for defective products. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has rights to recover the product when customers exercise their right of return and consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

The Group concluded that under MFRS 15 *Revenue from Contracts with Customers*, the sales commission is a consideration payable to a customer. The Group determined that, they shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue.

#### (b) Consignment sales – At a point in time

The subsidiary company, IQ Group Sdn. Bhd. has consignment sales to one of its customers. The subsidiary company directly ships the goods with the shipping term of Cost, Insurance and Freight ("CIF") to a destination specified by the customer via mutually agreed upon carriers. Revenue is recognised when title to the products is passed upon withdrawal of products by the customer from the consigned location.

### Other income

#### (a) Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

#### (b) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### (c) Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### (d) Management fee and marketing service fee – Over time

Management fee and marketing service fee are recognised on an accrual basis.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### (a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s and the Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### (b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

#### (c) Current and deferred tax for the year

Current and deferred tax are recognised as an expense or an income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

#### Employee benefit expenses

#### (a) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Employee benefit expenses (Cont'd)

#### (b) Defined contribution plan

Contributions to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group and the Company have no further payment obligations once these contributions have been paid.

#### (c) Retrenchment compensation

Retrenchment compensation is payable whenever service of an employee is terminated before normal retirement date or whenever an employee accepts voluntary redundancy offered in exchange for benefits. The Group and the Company recognise a liability and expense for retrenchment compensation at the earlier of the dates (a) the Group and the Company can no longer withdraw the offer of those benefits; and (b) when the Group and the Company recognise costs for a restructuring that involves the payment of retrenchment compensation. The Group and the Company consider it can no longer withdraw the offer of those benefits when the Group and the Company are demonstrably committed to either (i) terminate the employment of current employees according to a detailed formal plan, for which the Group and the Company have announced and have no realistic possibility of withdrawal; or (ii) to provide retrenchment compensation as a result of an offer to encourage voluntary redundancy in a restructuring.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Group and the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Foreign currencies (Cont'd)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- (a) exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gain and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income; and
- (b) exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- (c) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary company that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary company that does not result in the Group losing control over the subsidiary company, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### Leases

##### (a) The Group and the Company as a lessee

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Leases (Cont'd)

##### (a) The Group and the Company as a lessee (Cont'd)

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and any impairment losses.

Whenever the Group and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position. The estimated useful lives of right-of-use assets are as follows:

Short-term leasehold land	60 years
Building	3 – 10 years
Motor vehicles	5 years

The Group and the Company apply MFRS 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the property, plant and equipment policy.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Leases (Cont'd)

##### (a) The Group and the Company as a lessee (Cont'd)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, MFRS 16 *Leases* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Company have not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group and the Company allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### (b) The Group and the Company as lessor

The Group and the Company enter into lease agreements as a lessor with respect to its right-of-use asset.

Leases for which the Group and the Company are lessors are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	2%
Plant and machinery	12.5% & 20%
Factory equipment	20% & 50%
Air conditioners	10%
Furniture, fittings and office equipment	10%, 16.67% - 50%
Renovation	10%
Motor vehicles	16.67% & 20%
Electrical installations	10%

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any impairment loss. Depreciation of these assets in progress, determined on the same basis as other property assets, commences when the assets are ready for their intended use.



# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Property, plant and equipment (Cont'd)

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

All items of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not amortised and buildings are depreciated on a straight line basis to write down the cost of each building to their residual values over their estimated useful life of 2% per annum.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### Impairment of tangible and intangible assets

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets not yet available for use is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Internally-generated intangible assets - Research and development expenditure and Product development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) the intention to complete the intangible asset and use or sell it;
- (iii) the ability to use or sell the intangible asset;
- (iv) how the intangible asset will generate probable future economic benefits;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.



# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Internally-generated intangible assets - Research and development expenditure and Product development costs (Cont'd)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets which considered to have finite useful lives, are reported at cost less accumulated amortisation and any accumulated impairment losses using the straight-line basis over the commercial lives of the underlying products over a period not exceeding four years.

### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, includes an appropriate portion of fixed and variable overhead expenses that have been incurred in bringing the inventories to their present location and condition. Cost is determined based on the standard cost method, which approximates actual purchase cost.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cost of raw materials consists of purchase price plus the cost of bringing the inventories to their present location. Cost of work-in-progress and finished goods consists of the cost of raw materials, direct labour and an appropriate proportion of factory overheads. Goods-in-transit is stated at cost.

### Assets held for sale

Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments

Financial assets and financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”).

### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Amortised cost and effective interest method (Cont'd)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “investment revenue” line item (Note 6).

#### Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- (i) Investments in equity instruments are classified as at FVTPL, unless the Group and the Company designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- (ii) Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group and the Company have not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item (Note 7). Fair value is determined in the manner described in Note 34.

#### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- (i) for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other gains and losses” line item (Note 7);
- (ii) for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the “other gains and losses” line item. Other exchange differences are recognised in other comprehensive income in the investment revaluation reserve;
- (iii) for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange difference are recognised in profit or loss in the “other gains and losses” line item (Note 7); and
- (iv) for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment revaluation reserve.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and amounts due from customers. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognise lifetime expected credit loss ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's and Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's and the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- (i) an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- (ii) significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- (iii) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (iv) an actual or expected significant deterioration in the operating results of the debtor;
- (v) significant increases in credit risk on other financial instruments of the same debtor;
- (vi) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Significant increase in credit risk (Cont'd)

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group and the Company consider a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

#### Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- (i) when there is a breach of financial covenants by the counterparty; or
- (ii) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collaterals held by the Group and the Company).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 180 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

#### Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's and the Company's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 16 *Leases*.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Measurement and recognition of expected credit losses (Cont'd)

If the Group and the Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determine at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12 months ECL at the current reporting date, except for assets for which simplified approach was used.

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

### Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

### Financial liabilities and equity instruments

#### Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when the transfer of the financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group and the Company, and commitments issued by the Group and the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Financial liabilities and equity instruments (Cont'd)

##### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which MFRS 3 *Business Combinations* applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- (i) it has been acquired principally for the purpose of repurchasing it in the near term; or
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and MFRS 9 *Financial Instruments* permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other gains and losses" line item (Note 7).

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in Note 34.

##### Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

##### Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.



# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial liabilities and equity instruments (Cont'd)

#### Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with MFRS 9 *Financial Instruments* (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

#### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the “other gains and losses” line item (Note 7) in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign currency forward contracts. Further details of derivative financial instruments are disclosed in Note 32.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or to be settled within twelve months. Other derivatives are presented as current assets or current liabilities.

#### Earnings per ordinary share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Financial liabilities and equity instruments (Cont'd)

##### Segment information

For management purpose, the Group is organised into operating segments based on their business segment which is regularly reviewed by the Group's chief operation decision officer for the performance of the respective segments under their charge. The segment chief operation officer reports directly to the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

##### Cash and cash equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents consist of bank balances, demand deposits which are not pledged and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Company's accounting policies, which are described in Note 3, directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (a) Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

#### (b) Key sources of estimation uncertainty

The key assumptions made concerning the future, and, other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:

##### (i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 2 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment. Therefore, the future depreciation charge could be revised.

##### (ii) Product development costs

Management's judgement is involved in determining the product development costs that qualify for capitalisation and the impairment of product development costs (if any) as of March 31, 2021. As at March 31, 2021, the directors assessed the recoverability of the Group's product development costs which are included in the statements of financial position with a carrying amount of RM10,775,921 (2020: RM10,440,620). Product development costs that were capitalised and written off during the year amounted to RM2,997,930 (2020: RM3,425,515) and RM558,060 (2020: RM6,863,945) respectively as disclosed in Note 17.

The product development projects continue to progress in a satisfactory manner and customer reaction has reconfirmed the directors' previous estimates of anticipated revenues from the product development projects and the directors are confident that the carrying amount of the asset will be recovered in full. This situation is closely monitored, and adjustments will be made in future periods if future market activity indicates that such adjustments are appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

#### (b) Key sources of estimation uncertainty (Cont'd)

##### (iii) Impairment of investment in subsidiary companies

Determining whether investment in subsidiary companies are impaired requires an estimation of the fair value less cost of disposal. The fair value less costs of disposal calculation requires the Company to estimate the selling price. The carrying amount of the Company's investment in subsidiary companies as of March 31, 2021 was RM92,746,708 (2020: RM92,772,085) after accumulated impairment losses recognised of RM12,390,240 (2020: RM12,364,863).

##### (iv) Inventories

The Group makes an allowance for slow moving/obsolete inventories based on an assessment of the net realisable value of the inventories. When estimating the net realisable value of inventories, management considers all of the facts relating to the inventories and the operating environment at the time the estimates are made. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the period in which such estimate has been changed. Allowance for slow moving inventories during the year amounted to RM343,843 (2020: RM542,919) as disclosed in Note 20.

##### (v) Impairment of receivables

The carrying amount of trade and other receivables of the Group and of the Company as of March 31, 2021 were RM51,616,197 (2020: RM49,807,058) and RM28,479,857 (2020: RM11,805,388) respectively.

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables in the period in which such estimate has been changed.

Included in the amount of trade and other receivables is an amount of RM16,379,702 owing from IQ (America) Inc. ("IQA"), a company in which a director has substantial interests and is a director, which is past due beyond the credit period of 120 days but has not been impaired. Further details are disclosed in Note 21.

##### (vi) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax capital allowances to the extent that it is probable that taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies. Details of deferred tax assets not recognised in the financial statements at the end of reporting period due to uncertainty of its realisation are disclosed in Note 19.



## NOTES TO THE FINANCIAL STATEMENTS

### 5. REVENUE

Revenue comprises of the following:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contracts with customers	133,066,859	119,575,485	-	-
Gross dividend income from subsidiary companies	-	-	21,026,224	8,340,000
Management fee from subsidiary companies	-	-	4,379,466	5,898,604
Marketing service fee from subsidiary companies	-	-	625,406	856,166
	<u>133,066,859</u>	<u>119,575,485</u>	<u>26,031,096</u>	<u>15,094,770</u>

#### Disaggregation of Group's revenue from contracts with customers:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Segment revenue</b>				
Sale of goods:				
Manufacturing	128,870,705	113,252,602	-	-
Consignment	4,196,154	6,322,883	-	-
	<u>133,066,859</u>	<u>119,575,485</u>	<u>-</u>	<u>-</u>
Gross dividend income from subsidiary companies	-	-	21,026,224	8,340,000
Management fee from subsidiary companies	-	-	4,379,466	5,898,604
Marketing service fee from subsidiary companies	-	-	625,406	856,166
	<u>133,066,859</u>	<u>119,575,485</u>	<u>26,031,096</u>	<u>15,094,770</u>
<b>Geographical markets</b>				
European countries	67,517,094	68,726,474	-	-
Asia Pacific countries	44,216,324	36,384,007	26,031,096	15,094,770
United States of America	21,333,441	14,465,004	-	-
	<u>133,066,859</u>	<u>119,575,485</u>	<u>26,031,096</u>	<u>15,094,770</u>
<b>Timing of revenue recognition</b>				
At a point in time:				
Sale of goods	133,066,859	119,575,485	-	-
Over time:				
Management fee from subsidiary companies	-	-	4,379,466	5,898,604
Marketing service fee from subsidiary companies	-	-	625,406	856,166
Gross dividend income from subsidiary companies	-	-	21,026,224	8,340,000
	<u>133,066,859</u>	<u>119,575,485</u>	<u>26,031,096</u>	<u>15,094,770</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. INVESTMENT REVENUE

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest income on short-term deposits	161,388	248,926	106,675	176,197
Lease income on operating lease	130,532	125,695	130,532	125,695
Interest income on loan to a subsidiary company	-	-	42,337	49,484
	<u>291,920</u>	<u>374,621</u>	<u>279,544</u>	<u>351,376</u>

The following is an analysis of investment revenue earned on financial assets by category of asset:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Investment income earned on non-financial assets	130,532	125,695	130,532	125,695
Interest income for financial assets not designated as at fair value through profit or loss:				
Financial assets at amortised cost (including cash and bank balances)	161,388	248,926	149,012	225,681
	<u>291,920</u>	<u>374,621</u>	<u>279,544</u>	<u>351,376</u>

### 7. OTHER GAINS AND LOSSES

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Gain on disposal of property, plant and equipment	2,505,471	18,577	-	-
Government grant received	1,263,157	87,485	-	-
Net gain arising on financial liabilities designated as at fair value through profit or loss	7,746	-	-	-
Net foreign exchange (loss)/gain:				
Realised	(4,631,176)	1,378,385	(345,498)	136,580
Unrealised	(574,229)	1,181,663	(75,358)	396,836
Penalties on lease termination	(415,581)	-	-	-
Loss on modification of lease	(251,671)	-	-	-
Loss on termination of lease	(6,438)	-	-	-
Property, plant and equipment written off	(5,610)	(250)	(3,390)	(204)
Net fair value loss on other financial liabilities	-	(63,468)	-	-
Sundry income/(expenses)	224,235	125,396	55	(43,691)
	<u>(1,884,096)</u>	<u>2,727,788</u>	<u>(424,191)</u>	<u>489,521</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. EMPLOYEE BENEFIT EXPENSES

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Retrenchment compensation	2,168,174	248,290	159,805	-
Defined contribution plans	1,310,933	1,279,723	368,730	373,783
Other employee benefit expenses	34,458,938	38,747,598	4,352,828	4,711,389
	<u>37,938,045</u>	<u>40,275,611</u>	<u>4,881,363</u>	<u>5,085,172</u>

Other employee benefit expenses include directors' remuneration, salaries, bonuses, and all other employee related expenses.

Included in employee benefit expenses are expenses related to research and development department personnel amounting to RM2,823,190 (2020: RM3,570,858).

Details of remuneration of directors and officers who are the key management personnel of the Group and of the Company, are as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Executive</b>				
Directors of the Company:				
Fees	120,000	120,000	120,000	120,000
Defined contribution plans	183,720	188,677	183,720	188,677
Other emoluments	1,530,876	1,572,179	1,530,876	1,572,179
Directors of subsidiary companies:				
Fees	-	857,638	-	-
Defined contribution plans	38,278	38,278	-	-
Other emoluments	1,085,432	279,305	-	-
Officers of the Company:				
Defined contribution plans	115,780	116,838	115,780	116,838
Other emoluments	1,207,124	1,250,491	1,207,124	1,250,491
<b>Non-executive</b>				
Directors of the Company:				
Fees	283,233	294,000	283,233	294,000
	<u>4,564,443</u>	<u>4,717,406</u>	<u>3,440,733</u>	<u>3,542,185</u>

The estimated cash value of benefits-in-kind, provided to directors is disclosed in Note 37.

### 9. FINANCE COSTS

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest expense on borrowings	133,305	-	-	-
Interest expense on lease liabilities	165,250	259,137	24,989	36,687
	<u>298,555</u>	<u>259,137</u>	<u>24,989</u>	<u>36,687</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. TAX EXPENSE

#### Tax expense recognised in profit or loss

Tax expense comprises:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current year:				
Current tax expenses:				
Malaysian	9,940	255,627	8,000	253,000
Foreign	459,714	984,843	33,248	34,844
Deferred tax relating to origination and reversal of temporary differences	(622,994)	(502,918)	-	-
	(153,340)	737,552	41,248	287,844
Adjustment recognised in the current year in relation to prior years:				
Current tax:				
Malaysian	(886)	438,818	(886)	165
Foreign	53,778	(79,861)	-	-
Deferred tax	473,171	581,153	-	-
	526,063	940,110	(886)	165
Total tax expenses	372,723	1,677,662	40,362	288,009

The Group is operating in the jurisdictions of Malaysia, Japan, British Virgin Islands and People's Republic of China.

Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated taxable profit for the year. The applicable domestic statutory income tax rates for foreign entities are 34% (2020: 34%) for Japan, tax exempted (2020: tax exempted) for British Virgin Islands and 25% (2020: 25%) for People's Republic of China.

The total tax expense for the year can be reconciled to the profit/(loss) before tax as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(loss) before tax	3,365,479	(17,263,138)	19,626,101	4,466,975
Tax expenses calculated using the Malaysian income tax rate of 24% (2020: 24%)	807,715	(4,143,153)	4,710,264	1,072,074
Effect of expenses that are not deductible in determining taxable profit	988,924	417,122	389,877	1,414,357
Effect of revenue that is exempt from tax	(2,191,143)	(1,628,336)	(5,103,756)	(2,198,587)
Utilisation of deferred tax assets previously not recognised	(235,580)	(464,616)	-	-
Deferred tax assets not recognised	854,047	5,328,415	44,863	-
Effect of different tax rates of subsidiary companies operating in other jurisdictions	(377,303)	1,228,120	-	-
	(153,340)	737,552	41,248	287,844
Adjustments recognised in the current year in relation to prior years:				
Current tax	52,892	358,957	(886)	165
Deferred tax	473,171	581,153	-	-
Tax expense recognised in profit or loss	372,723	1,677,662	40,362	288,009

## NOTES TO THE FINANCIAL STATEMENTS

### 10. TAX EXPENSE (Cont'd)

#### Tax expense recognised in profit or loss (Cont'd)

As of March 31, 2021, the unused tax losses and unused tax credits of the Group and of the Company which are available for set off against future taxable income are as follows:

	The Group	
	2021 RM	2020 RM
Unused tax losses:		
Expiring in financial year ending March 31, 2025	7,949,770	15,365,583
Expiring in financial year ending March 31, 2026	863,000	6,382,000
Expiring in financial year ending March 31, 2027	15,665,000	15,665,000
Expiring in financial year ending March 31, 2028	13,411,979	1,166,979
Expiring in financial year ending March 31, 2030	1,662,864	1,662,864
Unused tax capital allowances	5,068,000	4,366,000
<b>Total</b>	<b>44,620,613</b>	<b>44,608,426</b>

	The Company	
	2021 RM	2020 RM
Unabsorbed tax capital allowances	9,000	-

Pursuant to Section 11 of the Malaysian Finance Act 2018 (Act 812), special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 and subsequent year of assessment.

In Malaysia, any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025). In Japan, unutilised business losses can be carried forward for 9 years, which will be extended to 10 years for tax losses incurred in fiscal years beginning on or after April 1, 2018.

### 11. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>After charging:</b>				
Research and development expenses:				
Product development costs written off	558,060	6,863,945	-	-
Amortisation of development costs	2,104,569	2,531,341	-	-
Lease expense on short-term leases	372,888	664,287	-	-
Others	442,476	590,637	-	-
Depreciation of property, plant and equipment	2,547,598	2,678,515	9,143	9,731
Amortisation of right-of-use assets	1,367,248	1,513,166	206,384	206,386
Inventories written off	915,167	1,525,451	-	-
Audit fee	716,021	690,076	90,100	85,860
Lease expense on short-term and low-value asset leases	49,423	368,136	4,009	3,731
Allowance for slow moving inventories	343,843	542,919	-	-
Depreciation of investment properties	14,541	14,541	14,541	14,541
Impairment loss on investment in subsidiary companies (Note 18)	-	-	631,833	5,204,221



## NOTES TO THE FINANCIAL STATEMENTS

### 12. EARNINGS/(LOSS) PER SHARE

#### Basic and diluted earnings/(loss) per share

The earnings/(loss) and weighted average number of ordinary shares used in the calculation of basic and diluted earnings/(loss) per share are as follows:

	The Group	
	2021	2020
Profit/(loss) attributable to ordinary equity holders of the Company (RM)	2,992,756	(18,940,800)
Number of ordinary shares for the purposes of basic earnings/(loss) per share (units)	88,028,550	88,028,550
Basic and diluted earnings/(loss) per ordinary share (sen)	3.40	(21.52)

There is no dilution in earnings/(loss) per share as the Group has no potential dilutive ordinary shares for both years 2021 and 2020.

### 13. PROPERTY, PLANT AND EQUIPMENT

#### The Group

Cost	Beginning of year RM	Additions RM	Disposals/ write-offs RM	Transfer RM	Translation effect RM	End of year RM
<b>2021:</b>						
Buildings	8,023,870	-	-	-	-	8,023,870
Plant and machinery	3,636,749	28,451	(484,781)	-	334,503	3,514,922
Factory equipment	23,765,551	622,349	(7,978,417)	-	191,994	16,601,477
Air conditioners	1,691,434	-	(4,629)	-	26,178	1,712,983
Furniture, fittings and office equipment	11,387,652	229,468	(108,949)	-	86,674	11,594,845
Renovation	4,072,516	96,297	-	-	76,240	4,245,053
Motor vehicles	1,563,578	-	(79,511)	-	2,861	1,486,928
Electrical installations	775,208	-	-	-	-	775,208
	54,916,558	976,565	(8,656,287)	-	718,450	47,955,286
<b>2020:</b>						
Buildings	8,023,870	-	-	-	-	8,023,870
Plant and machinery	4,830,871	6,345	(1,180,287)	-	(20,180)	3,636,749
Factory equipment	22,813,760	927,947	(41,867)	-	65,711	23,765,551
Air conditioners	1,685,660	10,798	(5,021)	-	(3)	1,691,434
Furniture, fittings and office equipment	10,719,279	764,734	(111,307)	-	14,946	11,387,652
Renovation	2,893,081	1,811,629	(650,822)	-	18,628	4,072,516
Motor vehicles	1,591,766	103,535	(151,051)	-	19,328	1,563,578
Electrical installations	775,208	-	-	-	-	775,208
	53,333,495	3,624,988	(2,140,355)	-	98,430	54,916,558

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals/ write-offs RM	Translation effect RM	End of year RM
<b>2021:</b>					
Buildings	3,671,188	160,463	-	-	3,831,651
Plant and machinery	3,058,720	84,760	(302,233)	28,966	2,870,213
Factory equipment	21,118,857	1,013,193	(7,925,710)	112,672	14,319,012
Air conditioners	1,191,110	73,463	(4,629)	11,639	1,271,583
Furniture, fittings and office equipment	7,845,672	711,578	(75,727)	55,570	8,537,093
Renovation	1,894,848	433,521	-	14,492	2,342,861
Motor vehicles	1,420,674	55,513	(79,511)	(12,956)	1,383,720
Electrical installations	674,850	15,107	-	-	689,957
	40,875,919	2,547,598	(8,387,810)	210,383	35,246,090
<b>2020:</b>					
Buildings	3,510,725	160,463	-	-	3,671,188
Plant and machinery	4,102,860	125,042	(1,149,549)	(19,633)	3,058,720
Factory equipment	19,687,513	1,362,621	-	68,723	21,118,857
Air conditioners	1,147,362	43,481	(54)	321	1,191,110
Furniture, fittings and office equipment	7,199,209	715,483	(77,483)	8,463	7,845,672
Renovation	2,364,704	190,099	(650,810)	(9,145)	1,894,848
Motor vehicles	1,488,691	66,219	(146,270)	12,034	1,420,674
Electrical installations	659,743	15,107	-	-	674,850
	40,160,807	2,678,515	(2,024,166)	60,763	40,875,919
<b>The Company</b>					
<b>Cost</b>	<b>Beginning of year RM</b>	<b>Additions RM</b>	<b>Disposals/ write-off RM</b>		<b>End of year RM</b>
<b>2021:</b>					
Furniture, fittings and office equipment	367,288	9,998	(9,408)		367,878
Motor vehicles	159,888	-	-		159,888
	527,176	9,998	(9,408)		527,766
<b>2020:</b>					
Furniture, fittings and office equipment	365,260	7,065	(5,037)		367,288
Motor vehicles	159,888	-	-		159,888
	525,148	7,065	(5,037)		527,176
<b>Accumulated depreciation</b>	<b>Beginning of year RM</b>	<b>Charge for the year RM</b>	<b>Disposals/ write-off RM</b>		<b>End of year RM</b>
<b>2021:</b>					
Furniture, fittings and office equipment	329,399	9,143	(5,264)		333,278
Motor vehicles	159,885	-	-		159,885
	489,284	9,143	(5,264)		493,163
<b>2020:</b>					
Furniture, fittings and office equipment	324,501	9,731	(4,833)		329,399
Motor vehicles	159,885	-	-		159,885
	484,386	9,731	(4,833)		489,284

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	The Group	
	2021 RM	2020 RM
<b>Net book value:</b>		
Buildings	4,192,219	4,352,682
Plant and machinery	644,709	578,029
Factory equipment	2,282,465	2,646,694
Air conditioners	441,400	500,324
Furniture, fittings and office equipment	3,057,752	3,541,980
Renovation	1,902,192	2,177,668
Motor vehicles	103,208	142,904
Electrical installations	85,251	100,358
	12,709,196	14,040,639

	The Company	
	2021 RM	2020 RM
<b>Net book value:</b>		
Furniture, fittings and office equipment	34,600	37,889
Motor vehicles	3	3
	34,603	37,892

As of March 31, 2021, the buildings of the Group with a carrying amount of RM4,192,219 (2020: RM Nil) have been charged to a local licensed bank as security for banking facilities granted to the Group as mentioned in Note 29.

### 14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	The Group	
	2021 RM	2020 RM
<b>Short-term leasehold land</b>		
Balance at beginning of the year	-	1,463,629
Transferred to right-of-use assets	-	(1,463,629)
	-	-
Balance at end of the year	-	-



## NOTES TO THE FINANCIAL STATEMENTS

### 15. RIGHT-OF-USE ASSETS

#### The Group

	Short-term leasehold land RM	Building RM	Motor vehicles RM	Total RM
<b>Cost</b>				
At April 1, 2020	2,506,557	6,257,672	158,334	8,922,563
Additions	-	619,877	-	619,877
Modifications	-	(1,729,728)	-	(1,729,728)
Terminations	-	(991,127)	-	(991,127)
Translation effect	-	125,689	(8,880)	98,545
At March 31, 2021	2,506,557	4,282,383	149,454	6,938,394
At April 1, 2019	-	-	-	-
Adoption of MFRS 16	-	4,145,327	-	4,145,327
Additions	-	1,997,864	153,000	2,150,864
Transfer from prepaid lease payments on leasehold land	2,506,557	-	-	2,506,557
Translation effect	-	114,481	5,334	119,815
At March 31, 2020	2,506,557	6,257,672	158,334	8,922,563
<b>Accumulated amortisation</b>				
At April 1, 2020	1,091,382	1,473,045	19,792	2,584,219
Amortisation during the year	48,455	1,287,456	31,337	1,367,248
Modifications	-	(605,199)	-	(605,199)
Terminations	-	(129,337)	-	(129,337)
Translation effect	-	40,998	(2,556)	38,442
At March 31, 2021	1,139,837	2,066,963	48,573	3,255,373
At April 1, 2019	-	-	-	-
Amortisation during the year	48,454	1,445,587	19,125	1,513,166
Transfer from prepaid lease payments on leasehold land	1,042,928	-	-	1,042,928
Translation effect	-	27,458	667	28,125
At March 31, 2020	1,091,382	1,473,045	19,792	2,584,219
<b>Net carrying amount</b>				
At March 31, 2021	1,366,720	2,215,420	100,881	3,683,021
At March 31, 2020	1,415,175	4,784,627	138,542	6,338,344

## NOTES TO THE FINANCIAL STATEMENTS

### 15. RIGHT-OF-USE ASSETS (Cont'd)

	The Company	
	2021 RM	2020 RM
<b>Building</b>		
Cost		
Balance at beginning of year	722,350	-
Adoption of MFRS 16	-	722,350
Balance at end of the year	722,350	722,350
<b>Accumulated Depreciation</b>		
Balance at beginning of year	206,386	-
Charge for the year	206,384	206,386
Balance at end of the year	412,770	206,386
<b>Net Carrying Amount</b>	<b>309,580</b>	<b>515,964</b>

The Group's right-of-use assets comprise leases of factory buildings, office buildings, hostels and car and the lease term ranging from 3 to 10 years (2020: 3 to 10 years). The Company's right-of-use assets comprise of office building with a lease term of 3 years (2020: 3 years).

As of March 31, 2021, the unexpired lease period of the short-term leasehold land of the Group is 28 years (2020: 29 years).

As of March 31, 2021, the short-term leasehold land of the Group with a carrying amount of RM1,366,720 (2020: RM Nil) has been charged to a local licensed bank as security for banking facilities granted to the Group as mentioned in Note 29.

The maturity analysis of lease liabilities is presented in Note 30.

### 16. INVESTMENT PROPERTIES

#### The Group and the Company

Cost	Beginning of year RM	Additions RM	Disposals/ write-off RM	Transfer to assets classified as held for sale (Note 25) RM	End of year RM
<b>2021:</b>					
Freehold land	1,070,193	-	-	(1,070,193)	-
Building	727,057	-	-	(727,057)	-
	1,797,250	-	-	(1,797,250)	-
<b>2020:</b>					
Freehold land	1,070,193	-	-	-	1,070,193
Building	727,057	-	-	-	727,057
	1,797,250	-	-	-	1,797,250

## NOTES TO THE FINANCIAL STATEMENTS

### 16. INVESTMENT PROPERTIES (Cont'd)

#### The Group and the Company (Cont'd)

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals/ write-off RM	Transfer to assets classified as held for sale (Note 25) RM	End of year RM
<b>2021:</b>					
Building	147,839	14,541	-	(162,380)	-
<b>2020:</b>					
Building	133,298	14,541	-	-	147,839
				<b>The Group and the Company</b>	
				<b>2021</b>	<b>2020</b>
				<b>RM</b>	<b>RM</b>
<b>Net book value:</b>					
Freehold land				-	1,070,193
Building				-	579,218
				-	1,649,411
<b>At fair value:</b>				-	2,044,350

In 2020, the fair value of the Group's and the Company's investment properties have been arrived at based on an indicative market values by reference to market evidence of transaction prices for similar properties.

The following are recognised in profit or loss in respect of investment properties:

	2021 RM	2020 RM
Rental income derived from investment properties	130,532	125,695
Direct operating expenses:		
Depreciation of investment properties	14,541	14,541

## NOTES TO THE FINANCIAL STATEMENTS

### 17. PRODUCT DEVELOPMENT COSTS

	The Group	
	2021	2020
	RM	RM
<b>At cost:</b>		
Balance at beginning of the year	18,634,181	30,824,863
Additions from internal development during the year	2,997,930	3,425,515
Write-off during the year	(739,313)	(15,616,197)
	20,892,798	18,634,181
<b>Accumulated amortisation:</b>		
Balance at beginning of the year	8,193,561	15,173,377
Charge for the year	2,104,569	1,772,436
Write-off during the year	(181,253)	(8,752,252)
	10,116,877	8,193,561
<b>Net</b>	10,775,921	10,440,620

Product development costs comprise all costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities or projects.

The Group capitalises the product development costs when all of the following have been demonstrated:

- (a) the product is clearly defined and the costs attributable to the product can be separately identified and measured reliably;
- (b) the technical feasibility of the product can be demonstrated;
- (c) the Group intends to produce or to market the product;
- (d) the existence of a market for the product; and
- (e) adequate resources exist and are available to complete the project and market the product.

Product development costs are amortised over the life span of the products (not exceeding four years) based on the pattern of related economic benefits reflected.

The Group reviews the carrying amount of the product development costs at the end of each reporting period to determine whether there is any indication of impairment. If any such indications exist, the carrying amount of the product development costs are reduced to the recoverable amount which is determined based on four years discounted cash flows prepared by management.

The key assumptions used in preparation of discounted cash flows are as follows:

- (a) the anticipated annual revenue growth rate is Nil% to 100% (2020: Nil%, 5% and 10%) per annum for years 2022 to 2026;
- (b) profit margins are projected based on the historical profit margin achieved or predetermined profit margin for the products; and
- (c) A pre-tax discount rate of 14.70% (2020: 12.10%) per annum has been applied in determining the recoverable amount.

Based on these assumptions, the management are of the view that no impairment loss is required as the recoverable amount determined is higher than the carrying amount of the product development costs.



## NOTES TO THE FINANCIAL STATEMENTS

### 18. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2021 RM	2020 RM
<b>Unquoted shares, at cost</b>		
Balance at beginning of the year	105,136,948	95,027,798
Additions during the year	-	10,109,150
Balance at end of the year	105,136,948	105,136,948
<b>Accumulated impairment</b>		
Balance at beginning of the year	12,364,863	7,160,642
Impairment during the year (Note 11)	631,833	5,204,221
Balance at end of the year	12,996,696	12,364,863
	92,140,252	92,772,085

In 2020, the Company had increased its investment in IQ Group (Wuning) Ltd. by way of capital injection of USD2,450,000, equivalent to RM10,109,150, via cash contribution.

The subsidiary companies are as follows:

Name of companies	Place of incorporation and operation	Proportion of ownership interests and voting power held by the Group		Principal activities
		2021	2020	
IQ Group Sdn. Bhd.	Malaysia	100%	100%	Design and manufacture of motion sensors, sensor lighting, and wireless door entry products
IQ Group (Dongguan) Ltd. <sup>(a)</sup>	People's Republic of China	100%	100%	Design and manufacture of motion sensors, sensor lighting and wireless door entry products; design, manufacturing and sales of mould; providing corporate management services to IQ Group (Wuning) Ltd.; providing research and development services and technology transfer to IQ Group (Wuning) Ltd.
IQ Group (Wuning) Ltd. <sup>(a)</sup>	People's Republic of China	100%	100%	Manufacture and sales of sensor lighting, door bells, home security system, lighting fixtures, sensor product, wireless product, security product and household electrical appliances
IQ Japan Co., Ltd. <sup>(a)</sup>	Japan	100%	100%	Sales, marketing and distribution of motion sensors, sensor lighting and wireless door entry products
IQ Group Limited <sup>(b)</sup>	British Virgin Islands	100%	100%	Dormant

(Forward)



## NOTES TO THE FINANCIAL STATEMENTS

### 18. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

Name of companies	Place of incorporation and operation	Proportion of ownership interests and voting power held by the Group		Principal activities
		2021	2020	
IQ Industries Limited <sup>(b)</sup>	British Virgin Islands	100%	100%	Sales, marketing and distribution of motion sensors, sensor lighting and wireless door entry products, ceased operations since April 2021
SILQ (Malaysia) Sdn. Bhd.	Malaysia	100%	100%	Dormant

<sup>(a)</sup> The financial statements of these companies were audited by member firms of Deloitte in the respective countries.

<sup>(b)</sup> Audited by Deloitte PLT for purposes of consolidation.

#### Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Country of incorporation	Number of wholly-owned subsidiary companies	
		2021	2020
Design and manufacture of motion sensors, sensor lighting, and wireless door entry products	Malaysia	1	1
Design, manufacture and sales of motion sensors, sensor lighting, wireless door entry products, door bells, home security system, lighting fixtures, sensor product, wireless product, security product and household electrical appliances; design, manufacturing and sales of mould; providing corporate management services to IQ Group (Wuning) Ltd.; providing research and development services and technology transfer to IQ Group (Wuning) Ltd.	People's Republic of China	2	2
Sales, marketing and distribution of motion sensors, sensor lighting and wireless door entry products	Japan/British Virgin Islands	2	2
Ceased operations	Malaysia/British Virgin Islands	2	2
		<u>7</u>	<u>7</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 19. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax assets	850,880	685,408	-	-
Deferred tax liabilities	(8,000)	(8,000)	(8,000)	(8,000)
Net	842,880	677,408	(8,000)	(8,000)

The movement in deferred tax assets/(liabilities) during the year prior to offsetting are as follows:

	Opening balance RM	Recognised in profit or loss (Note 10) RM	Currency Translation Difference RM	Closing balance RM
<b>The Group</b>				
<b>2021</b>				
<b>Deferred tax assets</b>				
Unused tax losses	2,570,000	(299,000)	-	2,271,000
Unused tax capital allowances	717,000	169,000	-	886,000
Accelerated depreciation	38,979	(8,410)	573	31,142
Other deductible temporary difference	928,429	82,233	15,076	1,025,738
	4,254,408	(56,177)	15,649	4,213,880
<b>Deferred tax liabilities</b>				
Product development costs	(2,289,000)	(11,000)	-	(2,300,000)
Property, plant and equipment	(944,000)	(36,000)	-	(980,000)
Other taxable temporary difference	(344,000)	253,000	-	(91,000)
	(3,577,000)	206,000	-	(3,371,000)
<b>Net</b>	677,408	149,823	15,649	842,880
<b>2020</b>				
<b>Deferred tax assets</b>				
Unused tax losses	3,328,000	(758,000)	-	2,570,000
Unused tax capital allowances	751,000	(34,000)	-	717,000
Accelerated depreciation	90,093	(51,062)	(52)	38,979
Other deductible temporary difference	698,468	230,827	(866)	928,429
	4,867,561	(612,235)	(918)	4,254,408
<b>Deferred tax liabilities</b>				
Product development costs	(3,193,000)	904,000	-	(2,289,000)
Property, plant and equipment	(958,000)	14,000	-	(944,000)
Other taxable temporary difference	40,000	(384,000)	-	(344,000)
	(4,111,000)	534,000	-	(3,577,000)
<b>Net</b>	756,561	(78,235)	(918)	677,408

## NOTES TO THE FINANCIAL STATEMENTS

### 19. DEFERRED TAX ASSETS/(LIABILITIES) (Cont'd)

The movement in deferred tax assets/(liabilities) during the year prior to offsetting are as follows: (Cont'd)

	Opening balance RM	Recognised in profit or loss (Note 10) RM	Closing balance RM
<b>The Company</b>			
<b>2021</b>			
<b>Deferred tax assets</b>			
Other deductible temporary differences	27,000	-	27,000
	<u>27,000</u>	<u>-</u>	<u>27,000</u>
<b>Deferred tax liability</b>			
Property, plant and equipment	(35,000)	-	(35,000)
	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
<b>Net</b>	<u>(8,000)</u>	<u>-</u>	<u>(8,000)</u>
<b>2020</b>			
<b>Deferred tax assets</b>			
Other deductible temporary differences	27,000	-	27,000
<b>Deferred tax liability</b>			
Property, plant and equipment	(35,000)	-	(35,000)
	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
<b>Net</b>	<u>(8,000)</u>	<u>-</u>	<u>(8,000)</u>

As mentioned in Note 3, the tax effects of the deductible temporary differences, unused tax losses and unused tax capital allowances which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax capital allowances can be utilised. As of March 31, 2021, the estimated gross amount of the deductible temporary differences, unused tax losses and unused tax capital allowances, for which the deferred tax assets are not recognised in the financial statements due to uncertainty of its realisation, is as follows:

	<b>The Group</b>		<b>The Company</b>	
	2021 RM	2020 RM	2021 RM	2020 RM
Unused tax losses	30,099,612	29,943,123	-	-
Unused tax capital allowances	1,367,000	1,367,000	9,000	-
Other deductible temporary differences	4,878,175	1,495,743	177,928	-
	<u>36,344,787</u>	<u>32,805,866</u>	<u>186,928</u>	<u>-</u>
<b>Total</b>	<u>36,344,787</u>	<u>32,805,866</u>	<u>186,928</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 20. INVENTORIES

	The Group	
	2021 RM	2020 RM
<b>At cost:</b>		
Raw materials	23,936,889	20,597,148
Work-in-progress	15,783,393	17,695,312
Finished goods	11,324,171	10,410,934
Goods-in-transit:		
Raw materials	661,695	62,042
Finished goods	804,032	107,553
	<u>52,510,180</u>	<u>48,872,989</u>

The Group's cost of inventories sold during the financial year amounted to RM93,968,548 (2020: RM92,939,814).

The cost of inventories recognised as an expense includes RM915,167 (2020: RM1,525,451) and RM343,843 (2020: RM 542,919) in respect of inventories written off and allowance for slow moving inventories respectively.

### 21. TRADE AND OTHER RECEIVABLES

	The Group	
	2021 RM	2020 RM
Trade receivables	48,101,300	44,732,242
Other receivables	3,514,897	5,074,816
	<u>51,616,197</u>	<u>49,807,058</u>

	The Company	
	2021 RM	2020 RM
Amount owing by subsidiary companies – Non-trade	28,436,844	11,736,482
Other receivables	43,013	68,906
	<u>28,479,857</u>	<u>11,805,388</u>

The currency exposure profile of trade and other receivables is as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
United States Dollar	45,809,600	41,326,068	-	10,859,675
Renminbi	3,891,296	4,520,224	12,276,904	-
Japanese Yen	1,847,089	2,270,472	-	129,252
Ringgit Malaysia	60,572	1,684,118	15,867,702	598,162
Great Britain Pound	7,640	-	335,251	218,299
Euro	-	2,883	-	-
New Taiwan Dollar	-	486	-	-
Other currencies	-	2,807	-	-
	<u>51,616,197</u>	<u>49,807,058</u>	<u>28,479,857</u>	<u>11,805,388</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 21. TRADE AND OTHER RECEIVABLES (Cont'd)

The average credit periods granted by the Group range from 30 to 150 days (2020: 30 to 120 days). No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. Allowance for impairment loss are recognised against trade receivables exceeded credit period based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 180 days past due and the Group confirms that the debts are uncollectible, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due but not impaired trade and other receivables:

	The Group	
	2021 RM	2020 RM
<b>Number of days past due</b>		
0 to 30 days	7,969,844	5,330,622
31 to 60 days	2,587,094	3,437,220
61 to 90 days	1,284,499	782,889
91 to 120 days	4,781,628	1,856,863
More than 120 days	11,090,597	11,439,583
Total	27,713,662	22,847,177

Included in the above amount of trade and other receivables is an amount of RM16,379,702 owing from IQA which is past due beyond the credit period of 120 days but has not been impaired as the IQA director has confirmed that the amount will be repaid by IQA as soon as IQA has sufficient liquidity and/or working capital to do so, failing which, the IQA director is able and will undertake to provide the required financial support to repay the said debt, within the next 12 months. The IQA director has also undertaken to provide continued support to enable IQA to meet its financial obligations within the next 12 months to enable IQA to continue as a going concern.

Ageing of past due but not impaired of amount owing from IQA:

	The Group	
	2021 RM	2020 RM
<b>Number of days past due</b>		
0 - 30 days	1,371,738	1,678,186
31 - 60 days	464,457	1,050,663
61 - 90 days	319,823	488,586
91 - 120 days	4,165,196	440,221
120 - 365 days	10,058,488	5,680,878
More than 365 days	-	5,104,949
Total	16,379,702	14,443,483

## NOTES TO THE FINANCIAL STATEMENTS

### 21. TRADE AND OTHER RECEIVABLES (Cont'd)

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period.

The amounts owing by subsidiary companies are as follows:

	The Company	
	2021 RM	2020 RM
IQ Group Sdn. Bhd.	16,159,940	747,556
IQ Group (Dongguan) Ltd.	12,276,904	68,033
IQ Industries Limited	-	10,791,642
IQ Japan Co., Ltd.	-	129,251
	<u>28,436,844</u>	<u>11,736,482</u>

Included in amounts owing by subsidiary companies is RM12,742,000 (2020: Nil), representing loan given to a subsidiary company, IQ Group Sdn. Bhd., which bears interest at a rate of 1.5% (2020: Nil) per annum, is unsecured and repayable on demand.

Except the loan as disclosed above, the amounts owing by subsidiary companies arose mainly from management fee receivable, marketing service fee receivable, dividend receivable and advances which are unsecured, interest free and are repayable on demand.

### 22. OTHER ASSETS

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Prepayments:				
Property, plant and equipment	406,446	457,794	-	-
Purchases of moulds	30,964	129,696	-	-
Others	1,337,332	598,340	-	-
Refundable deposits	223,652	231,898	2,000	2,000
	<u>1,998,394</u>	<u>1,417,728</u>	<u>2,000</u>	<u>2,000</u>

Other prepayments comprise mainly of prepayments to suppliers for purchase of raw materials.

The currency exposure profile of other assets is as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Renminbi	1,389,557	572,004	-	-
Ringgit Malaysia	428,834	498,790	2,000	2,000
Japanese Yen	180,003	218,980	-	-
United States Dollar	-	127,954	-	-
	<u>1,998,394</u>	<u>1,417,728</u>	<u>2,000</u>	<u>2,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 23. SHORT-TERM DEPOSITS WITH LICENSED BANKS

The currency exposure profile of short-term deposits with licensed banks is as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	5,505,000	6,485,000	5,000,000	5,980,000

The short-term deposits with licensed banks of the Group carry interest at rates of 1.4% to 1.5% (2020: 1.95% to 2.70%) per annum with a maturity period ranging from 15 to 33 days (2020: 12 to 117 days). The short-term deposits with a licensed bank of the Company carry interest at rates of 1.40% (2020: 2.67% to 2.70%) per annum with a maturity period of 30 to 33 days (2020: 12 to 25 days).

### 24. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
United States Dollar	11,529,131	3,144,658	4,406,137	516,778
Renminbi	6,405,765	6,825,987	-	-
Japanese Yen	1,953,714	1,288,286	-	-
Ringgit Malaysia	1,706,020	3,720,792	550,773	83,312
New Taiwan Dollar	428,751	420,484	-	-
Great Britain Pound	155,826	173,765	28,319	55,943
Hong Kong Dollar	5,294	9,471	-	-
Euro	2,687	2,614	-	-
Singapore Dollar	53	289	-	-
	22,187,241	15,586,346	4,985,229	656,033

### 25. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group and the Company	
	2021 RM	2020 RM
<b>Freehold land and building</b>		
At beginning of the year	-	-
Transfer from investment properties during the year (Note 16)	1,634,870	-
At end of the year	1,634,870	-

During the financial year, the Group and the Company entered into a conditional agreement with an external party for the disposal of its freehold land and building for an agreed total consideration of GBP360,000, equivalent to RM2,057,040. The disposal transaction has not been completed as of date of this report as exchange of contracts has not been made.

## NOTES TO THE FINANCIAL STATEMENTS

### 26. ISSUED CAPITAL

	2021	The Company		2020
	Number of shares	2020 Number of shares	2021 RM	RM
Fully paid ordinary shares	88,028,550	88,028,550	96,177,462	96,177,462

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All fully paid ordinary shares rank pari passu with regards to the Company's assets.

At the Annual General Meeting held on September 22, 2020, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buy-back exercise, the Company is authorised to purchase up to maximum of 10% of the total issued and paid-up share capital. During the financial year, the Company did not repurchase any of its issued and fully paid ordinary shares from the open market.

### 27. RESERVES

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Non-distributable:</b>				
Translation reserve	4,986,121	4,423,758	-	-
Legal reserve	125,136	125,136	-	-
	<u>5,111,257</u>	<u>4,528,894</u>	<u>-</u>	<u>-</u>

The translation reserve is used to record exchange differences arising on translation of foreign subsidiary companies. Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

The Companies Act of Japan requires that an amount equal to 10% of dividends must be appropriated as legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the ordinary shares.

### 28. RETAINED EARNINGS

The entire retained earnings of the Company as of the end of the reporting period is available for distribution as single-tier dividends to the shareholders of the Company.

### 29. BORROWINGS

	The Group	
	2021 RM	2020 RM
<b>Secured:</b>		
Term loan	4,499,000	-
<b>Unsecured:</b>		
Term loan	1,092,202	-
	<u>5,591,202</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 29. BORROWINGS (Cont'd)

The currency exposure profile of borrowings is as follows:

	The Group	
	2021 RM	2020 RM
Ringgit Malaysia	4,499,000	-
Japanese Yen	1,092,202	-
	<u>5,591,202</u>	<u>-</u>

The term loans are as follows:

	The Group	
	2021 RM	2020 RM
Amount outstanding	5,591,202	-
Less: Current portion	(1,002,000)	-
Non-current portion	<u>4,589,202</u>	<u>-</u>

The non-current portion of term loans is repayable as follows:

	The Group	
	2021 RM	2020 RM
Later than one year and not later than two years	1,002,000	-
Later than two years and not later than five years	3,100,737	-
Later than five years	486,465	-
	<u>4,589,202</u>	<u>-</u>

The unsecured term loan of the Group bears interest at a rate of 1.00% (2020: Nil%) per annum.

The secured term loan of the Group bears interest at a rate of 2.05% (2020: Nil%) per annum above the Kuala Lumpur Interbank Offered Rate ("KLIBOR"). The banking facilities are secured by legal charges over all lands and buildings of the Group and covered by a negative pledge over all the Company's assets. The banking facilities were also covered by corporate guarantee of the Company.

Details of additional undrawn financial facilities that the Group has at its disposal to further reduce liquidity risk are set out below:

	2021 RM	2020 RM
<b>Secured:</b>		
Amount unused	<u>4,377,835</u>	<u>8,878,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 30. LEASE LIABILITIES

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current – Amount due for settlement within 12 months	975,700	1,599,566	215,424	203,011
Non current – Amount due for settlement after 12 months	1,418,896	3,274,044	112,602	328,026
	<u>2,394,596</u>	<u>4,873,610</u>	<u>328,026</u>	<u>531,037</u>

The weighted average incremental borrowing rates applied to the lease liabilities of the Group are between 2.175% to 5.95% (2020: 2.175% to 5.95%) per annum respectively. The weighted average incremental borrowing rates applied to the lease liabilities of the Company is 5.95% (2020: 5.95%) per annum.

The currency exposure profile of lease liabilities is as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Renminbi	1,979,265	4,204,796	-	-
Japanese Yen	415,331	668,814	-	-
Ringgit Malaysia	-	-	328,026	531,037
	<u>2,394,596</u>	<u>4,873,610</u>	<u>328,026</u>	<u>531,037</u>

Future minimum lease payments under the lease liabilities together with the present value of the minimum lease payment are as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Minimum lease payments:</b>				
Not later than 1 year	1,060,296	1,787,026	228,000	228,000
Between 1 year to 5 years	1,417,132	3,579,321	114,000	342,000
Later than 5 years	84,600	112,785	-	-
	<u>2,562,028</u>	<u>5,479,132</u>	<u>342,000</u>	<u>570,000</u>
Less: Amount representing finance charges	(167,432)	(605,522)	(13,974)	(38,963)
	<u>2,394,596</u>	<u>4,873,610</u>	<u>328,026</u>	<u>531,037</u>
<b>Present value of payments:</b>				
Not later than 1 year	975,700	1,599,566	215,424	203,011
Between 1 year to 5 years	1,339,231	3,170,324	112,602	328,026
Later than 5 years	79,665	103,720	-	-
	<u>2,394,596</u>	<u>4,873,610</u>	<u>328,026</u>	<u>531,037</u>
Less: Amount due within 12 months	(975,700)	(1,599,566)	(215,424)	(203,011)
	<u>1,418,896</u>	<u>3,274,044</u>	<u>112,602</u>	<u>328,026</u>

The Group and the Company do not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's and the Company's finance department.

## NOTES TO THE FINANCIAL STATEMENTS

### 31. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables	20,794,852	15,659,166	-	-
Amount owing to a subsidiary company	-	-	615,627	554,277
Other payables	6,019,934	8,547,626	25,440	64,221
Accrued expenses	4,364,116	4,435,439	158,973	198,516
	<u>31,178,902</u>	<u>28,642,231</u>	<u>800,040</u>	<u>817,014</u>

Included in other payables of the Group are accruals for social insurance and housing fund liabilities of RM2,327,221 (2020: RM1,641,319).

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Renminbi	23,321,294	16,922,809	-	-
Ringgit Malaysia	5,163,869	8,168,018	800,040	817,014
United States Dollar	1,657,761	2,261,100	-	-
Japanese Yen	855,701	658,322	-	-
New Taiwan Dollar	180,277	606,370	-	-
Euro	-	20,620	-	-
Singapore Dollar	-	4,992	-	-
	<u>31,178,902</u>	<u>28,642,231</u>	<u>800,040</u>	<u>817,014</u>

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 120 days (2020: 30 to 120 days). No interest is charged on outstanding trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The amount owing to a subsidiary company is as follows:

	The Company	
	2021 RM	2020 RM
IQ Group Sdn. Bhd.	<u>615,627</u>	<u>554,277</u>

The amount owing to a subsidiary company is non-trade in nature, interest free and is repayable on demand.

Other payables and accrued expenses comprise mainly amounts outstanding for ongoing costs.

## NOTES TO THE FINANCIAL STATEMENTS

### 32. OTHER FINANCIAL LIABILITIES

	The Group	
	2021 RM	2020 RM
<b>Financial liabilities carried at fair value through profit or loss</b>		
Derivative financial instruments:		
Foreign currency forward contracts	-	63,468

In 2020, the Group uses foreign currency forward contracts to manage some of the transaction exposure to foreign exchange risks. These contracts are not designated as cash flow or fair value hedges but are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from swap points matching maturities of the contracts. These contracts matured within April 2020 to July 2020.

### 33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Short-term deposits with licensed banks	5,505,000	6,485,000	5,000,000	5,980,000
Cash and bank balances	22,187,241	15,586,346	4,985,229	656,033
	27,692,241	22,071,346	9,985,229	6,636,033
Less: Short-term deposits with licensed banks with maturity period of more than 3 months	-	(5,000)	-	-
	27,692,241	22,066,346	9,985,229	6,636,033

### 34. FINANCIAL GUARANTEE

	The Company	
	2021 RM	2020 RM
<b>Corporate guarantee given by the Company to financial institution for banking facilities granted to a subsidiary:</b>		
Outstanding as at financial year end	4,499,000	-

### 35. FINANCIAL INSTRUMENTS

#### a. Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. Management monitors capital based on ability of the Group and the Company to generate sustainable profits. The Group's and the Company's overall strategy remains unchanged from 2020.

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### b. Categories of financial instruments

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Financial assets</b>				
<b>At amortised cost:</b>				
Trade and other receivables, excluding Value Added Tax receivable	52,603,556	48,289,549	28,479,857	11,741,101
Refundable deposits	223,652	231,898	2,000	2,000
Short-term deposits with licensed banks	5,505,000	6,485,000	5,000,000	5,980,000
Cash and bank balances	22,187,241	15,586,346	4,985,229	656,033
<b>Financial liabilities</b>				
<b>At amortised cost:</b>				
Trade and other payables	31,178,902	28,642,231	800,040	817,014
Lease liabilities	2,394,596	4,873,610	328,026	531,037
Borrowings	5,591,202	-	-	-
<b>At fair value through profit or loss:</b>				
Other financial liabilities	-	63,468	-	-

#### c. Financial risk management objectives and policies

The operations of the Group and the Company are subject to a variety of financial risks, including market risk, foreign currency risk, credit risk, interest rate risk, liquidity risk and cash flow risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and the Company.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

The Group and the Company seek to minimise the effects of these risks using derivative financial instruments to hedge risks exposures. The use of financial derivative is governed by the Group's and the Company's policies approved by the Board of Directors. The Group and the Company do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

##### i. Market risk management

The Group and the Company have in place policies to manage the Group's and the Company's exposures to fluctuation in the prices of the raw materials used in the operations.

There has been no change to the Group's and the Company's exposure to market risk or the manner in which these risks are managed and measured.

##### ii. Foreign currency risk management

The Group and the Company have exposure to foreign exchange risk as a result of transactions, receivables and payables in foreign currencies arising from normal operating activities. The Group and the Company enter into derivative financial instruments to manage its exposure to foreign currency risk, including foreign currency forward contracts to hedge the exchange rate risks arising on foreign currency transactions.

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### c. Financial risk management objectives and policies (Cont'd)

##### ii. Foreign currency risk management (Cont'd)

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group	
	2021 RM	2020 RM
<b>Assets</b>		
United States Dollar	57,338,731	44,598,680
Renminbi	11,686,618	11,918,215
Japanese Yen	3,980,806	3,777,738
New Taiwan Dollar	428,751	420,970
Great Britain Pound	163,466	173,765
Other currencies	8,034	18,064
<b>Liabilities</b>		
Renminbi	25,300,559	21,127,605
Japanese Yen	2,363,234	1,327,136
United States Dollar	1,657,761	2,261,100
New Taiwan Dollar	180,277	606,370
Other currencies	-	25,612
<b>The Company</b>		
	2021 RM	2020 RM
<b>Assets</b>		
Renminbi	12,276,904	-
United States Dollar	4,406,137	11,376,453
Great Britain Pound	363,570	274,242
Japanese Yen	-	129,252

The following table details the Group's and the Company's sensitivity to a 10% (2020: 10%) increase and decrease in the RM against the relevant foreign currencies. 10% (2020: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2020: 10%) change in foreign currency rates. A positive number below indicates an increase in the Group's and the Company's profit net of tax (2020: a decrease in the Group's loss net of tax and an increase in the Company's profit net of tax) and a negative number indicates a decrease in the Group's and the Company's profit net of tax (2020: an increase in the Group's loss net of tax and a decrease in the Company's profit net of tax) where the RM strengthens 10% (2020: 10%) against the relevant currency. For a 10% (2020: 10%) weakening of the RM against the relevant currency, it would have had equal but opposite effect on the below currencies to the amounts shown below.

	The Group	
	2021 RM	2020 RM
<b>Impact on profit or loss</b>		
United States Dollar	(5,568,097)	(4,233,758)
Renminbi	1,361,394	920,939
Japanese Yen	(161,757)	(245,060)
New Taiwan Dollar	(24,847)	18,540
Great Britain Pound	(16,347)	(17,377)
Other currencies	(803)	755

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS (Cont'd)

### c. Financial risk management objectives and policies (Cont'd)

#### ii. Foreign currency risk management (Cont'd)

	The Company	
	2021 RM	2020 RM
<b>Impact on profit or loss</b>		
Renminbi	(1,227,690)	-
United States Dollar	(440,614)	(1,137,645)
Great Britain Pound	(36,357)	(27,424)
Japanese Yen	-	(12,925)

#### iii. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group and the Company use its own trading records to rate its major customers. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amount	12 months ECL
Doubtful	Amount > 120 days past due and/or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – Not credit-impaired
In default	Amount > 180 days past due and/or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	Amount > 365 days past due and/or there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	12 months or lifetime ECL?	Gross carrying amount RM	Loss allowance RM	Net carrying amount RM
<b>March 31, 2021</b>							
Trade receivables	17	N/A	(i)	Lifetime ECL (simplified approach)	48,101,300	-	48,101,300
<b>March 31, 2020</b>							
Trade receivables	17	N/A	(i)	Lifetime ECL (simplified approach)	44,732,242	-	44,732,242

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### c. Financial risk management objectives and policies (Cont'd)

##### iii. Credit risk management (Cont'd)

- (i) For trade receivables, the Group has applied the simplified approach in MFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

At the end of the reporting period, approximately 89% (2020: 89%) of the Group's trade receivables were due from 8 (2020: 10) major customers. The amount owing from IQ (America) Inc. as at March 31, 2021, which is one of the Group's 10 major customers, amounted to approximately 39% (2020: 40%) of the Group's trade receivables. As disclosed in Note 21, included in the amount of trade and other receivables is an amount of RM16,379,702 owing from IQA which is past due beyond the credit period of 120 days but has not been impaired as the IQA director has confirmed that the amount will be repaid by IQA as soon as IQA has sufficient liquidity and/or working capital to do so, failing which, the IQA director is able and will undertake to provide the required financial support to repay the said debt, within the next 12 months. The IQA director has also undertaken to provide continued support to enable IQA to meet its financial obligations within the next 12 months to enable IQA to continue as a going concern.

Apart from these major customers, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparties did not exceed 2% (2020: 2%) of gross trade receivables at the end of the reporting period.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's and the Company's maximum exposure to credit risk.

Further details of credit risks on trade receivables are disclosed in Note 21.

#### Financial guarantee

The Company provides unsecured financial guarantee to a licensed bank in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the repayments made by the subsidiary and their financial performance.

The maximum exposure to credit risk amounts to RM4,499,000 (2020: RM Nil) representing the outstanding balance of banking facilities of the subsidiary in which financial guarantee is given by the Company as of the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The financial guarantee has not been recognised since the fair value on initial recognition was immaterial as the financial guarantee provided by the Company did not contribute towards credit enhancement of the subsidiary's borrowings in view of the securities pledged by the subsidiary and it was not probable that the counterparty to financial guarantee contract will claim under the contract.



## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### c. Financial risk management objectives and policies (Cont'd)

##### iv. Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to changes in interest rates relates primarily to the Group's and the Company's short-term deposits and borrowings.

At the end of the reporting date, if interest rates on borrowings had been 100 (2020: Nil) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been RM16,720 (2020: RM Nil) lower/higher arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

No sensitivity analysis is prepared for short term deposits as the Group and the Company do not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on short-term deposits at the end of reporting period.

##### v. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's and the Company's funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and financial liabilities. Note 29 sets out details of the additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Group and the Company was required to pay.

	Weighted average effective rate %	The Group	
		2021 RM	2020 RM
<b>Trade and other payables</b>			
Not later than one year	-	30,799,342	28,642,231
<b>Lease liabilities</b>			
Not later than 1 year	-	975,700	1,599,566
Between 1 year to 5 years	-	1,339,231	3,170,324
Later than 5 years	-	79,665	103,720
		2,394,596	4,873,610
<b>Borrowings</b>			
Not later than 1 year	1.00 & 3.96	1,161,974	-
Between 1 year to 5 years	1.00 & 3.96	4,157,883	-
Later than 5 years	1.00 & 3.96	763,118	-
		6,082,975	-
<b>Other financial liabilities</b>			
Not later than 1 year	-	-	63,468

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### c. Financial risk management objectives and policies (Cont'd)

##### v. Liquidity risk management (Cont'd)

	Weighted average effective rate %	The Company	
		2021 RM	2020 RM
<b>Trade and other payables</b>			
Not later than one year	-	800,040	817,014
<b>Lease liabilities</b>			
Not later than 1 year	-	215,424	203,011
Between 1 year to 5 years	-	112,602	328,026
		328,026	531,037
<b>Financial guarantee contracts</b>	-	4,906,410	-

The amounts included above for financial guarantee contracts are the maximum amounts of the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterpart to the guarantee. Based on expectations at the end of the reporting period, the Company considers it remote to make such payment under the arrangement.

Further details of derivative financial instruments, foreign currency forward contracts, are disclosed in Note 32.

##### vi. Cash flow risk management

The Group and the Company review its cash flow position regularly to manage its exposures to fluctuations in future cash flows associated with its monetary financial instruments.

#### d. Foreign currency forward contracts

It is the policy of the Group and the Company to enter into foreign currency forward contracts to cover specific foreign currency payments and receipts. The Group and the Company also enter into foreign currency forward contracts to manage the risk associated with anticipated sale and purchase transactions.

The following table details the foreign currency forward contracts outstanding as at the end of the reporting period:

The Group				
Outstanding contracts	Average exchange rate	Foreign currency USD	Contract value RM	Fair value gain RM
<b>Buy USD</b>				
<b>2021:</b>				
Less than 12 months	-	-	-	-
<b>2020:</b>				
Less than 12 months	4.2174	500,000	2,108,190	63,468

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### e. Fair value measurements

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

#### i. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation techniques and inputs used).

		The Group	
		2021	2020
		RM	RM
<b>Foreign currency forward contracts:</b>			
Fair value:			
Liabilities		-	63,468
Fair value hierarchy		Level 2	
Valuation technique and key input		Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	
Significant unobservable input		Not applicable	
Relationship of unobservable input to fair value		Not applicable	
There was no transfer between Levels 1 and 2 during the period.			

#### ii. Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values due to the short maturity of these financial instruments.

### 36. RELATED PARTY BALANCES AND TRANSACTIONS

Included in the following accounts of the Group as of March 31, 2021 are amounts owing by/(to) the following related parties:

		The Group	
		2021	2020
		RM	RM
<b>Trade receivables:</b>			
IQ (America) Inc. *		18,668,269	17,932,551
<b>Trade payables:</b>			
Sensorlite Inc. (formerly known as Interquartz Taiwan Ltd.) *		(1,397,996)	(674,780)
IQ (America) Inc. *		(689,087)	-

\* A company in which a director has substantial interests and is a director.

The amount owing by/(to) related parties, included in trade receivables and trade payables arose mainly from trade transactions. The credit periods granted by/(to) related parties range from 30 to 120 days (2020: 30 to 120 days).



## NOTES TO THE FINANCIAL STATEMENTS

### 36. RELATED PARTY BALANCES AND TRANSACTIONS (Cont'd)

The financial statements of the Group reflect the following significant related party transactions which are based on terms negotiated between the Group and its related parties:

	The Group	
	2021 RM	2020 RM
<b>With related parties:</b>		
IQ (America) Inc.:		
Sale of finished goods	15,803,635	8,596,589
Sales commission paid/payable	1,619,785	797,063
Sensorlite Inc. (formerly known as Interquartz Taiwan Ltd.):		
Purchase of raw materials	4,020,344	3,951,598
Lease expense on short-term leases paid/payable	904,568	1,170,549
Procurement commission paid/payable	75,436	150,957

The financial statements of the Company reflect the following significant intercompany transactions which are based on terms negotiated between the Company and its subsidiary companies:

	The Company	
	2021 RM	2020 RM
IQ Group Sdn. Bhd.:		
Loan receivable	12,742,000	-
Management fee received/receivable	4,379,466	2,020,730
Marketing service fee received/receivable	625,406	865,165
Rental of premises paid/payable	228,000	228,000
Interest income received/receivable	42,337	-
IQ Industries Limited:		
Dividend received/receivable	8,858,000	8,340,000
Management fee received/receivable	-	3,470,127
IQ Group (Dongguan) Ltd.:		
Dividend receivable	12,168,224	-
Repayment of loan	-	2,912,000
Interest income received/receivable	-	49,484
IQ Japan Co., Ltd.:		
Management fee received/receivable	-	407,748

#### Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The remuneration of key management personnel is disclosed in Notes 8.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. DIRECTORS' BENEFITS-IN-KIND

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Estimated cash value of benefits-in-kind provided to directors	275,494	236,914	235,894	197,314

### 38. CAPITAL COMMITMENTS

As of March 31, 2021, the Group has the following commitments in respect of capital expenditure on property, plant and equipment:

	The Group	
	2021 RM	2020 RM
Approved and contracted for	411,368	356,926

### 39. SEGMENTAL REPORTING

#### Products and services from which reportable segments derive their revenue

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services provided. The Group's reportable segments under MFRS 8 *Operating Segments* are therefore as follows:

- investment holding (includes management services);
- manufacturing of motion sensors, sensor lighting, wireless door entry products, door bells, home security system, lighting fixtures, sensor product, wireless product, security product and household electrical appliances; and
- trading of motion sensors, sensor lighting and wireless door entry products.

Inter-segment sales are charged at cost plus a percentage of profit mark-up.



## NOTES TO THE FINANCIAL STATEMENTS

### 39. SEGMENTAL REPORTING (Cont'd)

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

#### The Group

	Investment holding RM	Manufacturing RM	Trading RM	Elimination RM	Total RM
<b>2021</b>					
<b>Revenue</b>					
External revenue	-	98,973,964	34,092,895	-	133,066,859
Inter-segment revenue	26,031,096	141,788,826	37,291,469	(205,111,391)	-
<b>Total revenue</b>	<b>26,031,096</b>	<b>240,762,790</b>	<b>71,384,364</b>	<b>(205,111,391)</b>	<b>133,066,859</b>
<b>Results</b>					
Segment profit/(loss)	19,795,737	(2,680,018)	3,681,696	(15,541,205)	5,256,210
Investment revenue					291,920
Other losses					(1,884,096)
Finance costs					(298,555)
Profit before tax					3,365,479
Tax expense					(372,723)
<b>Profit for the year</b>					<b>2,992,756</b>
<b>2020</b>					
<b>Revenue</b>					
External revenue	-	91,125,033	28,450,452	-	119,575,485
Inter-segment revenue	15,094,770	102,056,320	114,786,879	(231,937,969)	-
<b>Total revenue</b>	<b>15,094,770</b>	<b>193,181,353</b>	<b>143,237,331</b>	<b>(231,937,969)</b>	<b>119,575,485</b>
<b>Results</b>					
Segment profit/(loss)	8,866,986	(16,356,691)	(4,835,166)	(7,781,539)	(20,106,410)
Investment revenue					374,621
Other gains					2,727,788
Finance costs					(259,137)
Loss before tax					(17,263,138)
Tax expense					(1,677,662)
<b>Loss for the year</b>					<b>(18,940,800)</b>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without investment revenue, other gains and losses and tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## NOTES TO THE FINANCIAL STATEMENTS

### 39. SEGMENTAL REPORTING (Cont'd)

#### Segment assets and liabilities

##### The Group

	Investment holding RM	Manufacturing RM	Trading RM	Elimination RM	Total RM
<b>2021</b>					
<b>Assets</b>					
Segment assets	12,009,295	140,482,386	11,271,081	(1,142,742)	162,620,020
Current and deferred tax assets					3,278,540
<b>Consolidated total assets</b>					<b>165,898,560</b>
<b>Liabilities</b>					
Segment liabilities	512,439	36,589,085	2,391,202	(328,026)	39,164,700
Current and deferred tax liabilities					1,038,512
<b>Consolidated total liabilities</b>					<b>40,203,212</b>
<b>2020</b>					
<b>Assets</b>					
Segment assets	8,910,206	135,413,077	13,242,255	(2,927,403)	154,638,135
Current and deferred tax assets					1,999,731
<b>Consolidated total assets</b>					<b>156,637,866</b>
<b>Liabilities</b>					
Segment liabilities	793,774	29,888,970	3,364,134	(531,037)	33,515,841
Other financial liabilities					63,468
Current and deferred tax liabilities					918,328
<b>Consolidated total liabilities</b>					<b>34,497,637</b>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets allocated to reportable segments other than current and deferred tax assets.
- all liabilities are allocated to reportable segments other than other financial liabilities, current and deferred tax liabilities.



## NOTES TO THE FINANCIAL STATEMENTS

### 39. SEGMENTAL REPORTING (Cont'd)

#### Other segment information

##### The Group

	Investment holding RM	Manufacturing RM	Trading RM	Elimination RM	Total RM
<b>2021</b>					
<b>Other information</b>					
Depreciation and amortisation expenses	230,068	5,676,606	271,128	(143,846)	6,033,956
Gain on disposal of property, plant and equipment	-	(2,586,545)	-	81,074	(2,505,471)
Addition to non-current assets	9,998	2,487,619	-	(1,521,052)	976,565
Inventories written off	-	915,167	-	-	915,167
Product development costs written off	-	558,060	-	-	558,060
Allowance for slow moving inventories	-	343,843	-	-	343,843
Non-cash expense/(income) other than depreciation and amortisation	78,748	818,183	(279)	(58,704)	837,948
<b>2020</b>					
<b>Other information</b>					
Addition to non-current assets	7,065	9,016,885	177,417	-	9,201,367
Depreciation and amortisation expenses	230,658	6,147,517	580,168	(220,780)	6,737,563
Product development costs written off	-	6,203,461	747,597	(87,113)	6,863,945
Gain on disposal of property, plant and equipment	-	(18,577)	-	-	(18,577)
Inventories written off	-	1,525,451	-	-	1,525,451
Allowance for slow moving inventories	-	542,919	-	-	542,919
Non-cash income other than depreciation and amortisation	(396,632)	(606,333)	(1,285)	(113,816)	(1,118,066)

#### Revenue from major products and services

Analysis of revenue from major products and services was not disclosed as it is not practical to analyse this information without incurring excessive cost.

#### Geographical information

The Group's manufacturing activities are located in Malaysia and People's Republic of China and trading activities are located in Japan and Taiwan.

The Group's revenue from external customers attributed to countries of domicile of the Company and its subsidiary companies are detailed below:

	The Group	
	2021 RM	2020 RM
Malaysia	97,372,664	90,496,223
Japan	33,568,636	26,672,387
People's Republic of China	1,601,300	628,810
Taiwan	524,259	1,778,065
	<u>133,066,859</u>	<u>119,575,485</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 39. SEGMENTAL REPORTING (Cont'd)

### Geographical information (Cont'd)

The Group's revenue from external customers attributed to countries from which the Company and its subsidiary companies derive revenue are detailed below:

	The Group	
	2021 RM	2020 RM
European countries	67,517,094	68,726,474
Asia Pacific countries	44,216,324	36,384,007
United States of America	21,333,441	14,465,004
	<u>133,066,859</u>	<u>119,575,485</u>

Information about the Group's non-current assets by location are detailed below:

	The Group	
	2021 RM	2020 RM
Malaysia	19,642,243	22,308,997
People's Republic of China	7,922,166	10,088,778
Japan	454,609	755,357
Taiwan	-	1,290
	<u>28,019,018</u>	<u>33,154,422</u>

### Information about major customers

Included in revenue of the Group is revenue amounting to RM14,453,074 (2020: RM13,416,392) and RM14,175,448 (2020: RM12,605,997) which arose from sales to the Group's largest and second largest customers respectively.

## 40. SIGNIFICANT AND SUBSEQUENT EVENTS

During the financial year, the World Health Organization has declared the Coronavirus disease outbreak ("COVID-19") as a global pandemic. A series of precautionary and control measures have been and continued to be implemented across the world. These measures and policies have significantly disrupted many business operations around the world.

The directors of the Company have assessed the overall impact of the situation on the Group's and the Company's operations in Malaysia, Japan and China and financial position and concluded that there are no material adverse effects on the financial statements for the financial year ended March 31, 2021.

Subsequent to the financial year end, the Malaysian Government had reimplemented the Movement Control Order ("MCO 3.0") and Full Movement Control Order ("FMCO") due to rising number of COVID-19 infections in Malaysia with only selected sectors of the economy were allowed to operate, subject to certain restrictions and compliance to the standard operating procedures. As the manufacturing sector was one of the selected sectors which were allowed to operate, the operations and business activities in Malaysia had not been significantly affected by the implementation of the MCO 3.0 and FMCO.

Given the outbreak continued to evolve, it is not possible to estimate the full impact of outbreak's short-term and longer-term effects or the Government's varying efforts to combat the outbreak and support businesses. Hence, the directors of the Company will continue to monitor the development of these events and assess and react actively to its impacts on the financial position and operating results of the Group and of the Company.



## STATEMENT BY DIRECTORS/ DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

The directors of **IQ GROUP HOLDINGS BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of March 31, 2021 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a  
resolution of the Directors,

---

**CHEN, WEN-CHIN ALSO KNOWN  
AS KENT CHEN**

---

**DANIEL JOHN BEASLEY**

Penang,

July 8, 2021

### DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **CHEE TING TING (MIA MEMBERSHIP NO. 14767)**, the officer primarily responsible for the financial management of **IQ GROUP HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed **CHEE TING TING** at  
**GEORGETOWN** in the State of **PENANG**  
on July 8, 2021

---

Before me,

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**COMMISSIONER FOR OATHS**  
**LIM SENG HIN**  
No.: P 151

# LIST OF PROPERTIES

31 MARCH 2021

The details of the landed properties of the Group are as follows:-

Registered Owner/ Location	Description/ Existing Use/ Restriction of Interest	Land Area/ Built-up Area	Approximate Age of Building (year)	Tenure/ Encumbrances	Date of acquisition	Net Book Value as at 31.03.2021 (RM'000)
<b>Leasehold Land and Buildings</b>						
<b>IQ Group Sdn. Bhd.</b>						
Plot 149, Jalan Sultan Azlan Shah, Taman Perindustrian Bayan Lepas, Fasa 1 (FTZ), Bayan Lepas 11900 Penang held under P.T.1300 H.S. (D) 12680, Mukim 12, Daerah Barat Daya, Pulau Pinang	<p><b>Description</b> 2-storey factory cum office with a mezzanine floor</p> <p><b>Existing Use</b> Industry use as head office, R&amp;D centre and factory premises</p> <p><b>Restriction of Interest</b> (a) The land shall not be transferred, charged, leased, sub-leased or disposed of without the written consent of the State Authority of Penang; and  (b) The land shall not be sub-divided or partitioned.</p>	8,136.93 square metre/ 6,091.79 square metre	31	<p><b>Tenure</b> Leasehold 60 years (expiring 22.09.2049)</p> <p><b>Encumbrances</b> A 30 year lease of part of the land to Tenaga Nasional Berhad (expiring 15.09.2021)</p>	05.12.1988	1,961
<b>IQ Group Sdn. Bhd.</b>						
Plot 151, Jalan Sultan Azlan Shah Taman Perindustrian Bayan Lepas Fasa 1 (FTZ), Bayan Lepas 11900 Penang held under P.T. 1246 H.S. (D) 12566, Mukim 12, Daerah Barat Daya, Pulau Pinang	<p><b>Description</b> 2-storey factory cum office</p> <p><b>Existing Use</b> Industry use as head office, R&amp;D centre and factory premises</p> <p><b>Restriction of Interest</b> (a) The land shall not be transferred, charged, leased, sub-leased or disposed of without the written consent of the State Authority; and (b) The land shall not be sub-divided or partitioned</p>	6,754.89 square metre/ 2,998.94 square metre	31	<p><b>Tenure</b> Leasehold 60 years (expiring on 11.06.2049)</p> <p><b>Encumbrances</b> A 30 year lease of part of the land to Tenaga Nasional Berhad (expiring 25.09.2021)</p>	10.07.1999	3,598
<b>Freehold Land and Buildings</b>						
<b>IQ Group Holdings Berhad</b>						
Gemini Grange Sandbeck Way Wetherby West Yorkshire LS22 7DN United Kingdom	<p><b>Description</b> Semi-detached office building</p> <p><b>Existing Use</b> Office accommodation on ground and first floors</p> <p><b>Restriction of Interest</b>  none</p>	700 square metre/ 254 square metre	33-38 years	Freehold	20.09.2007	1,635

No revaluation exercise has been carried out on the land and buildings.



## ANALYSIS OF SHAREHOLDINGS

(As at 30 June 2021)

### Share capital

Total number of issued shares	:	88,028,550
Class of Shares	:	Ordinary shares
Voting Rights	:	One voting right for one ordinary share

Size of holdings	No of holders	%	No. of shares	%
Less than 100 shares	13	0.74	337	0.00
100 – 1,000 shares	576	32.95	255,761	0.29
1,001 – 10,000 shares	793	45.37	3,800,200	4.32
10,001 – 100,000 shares	324	18.54	9,947,400	11.30
100,001 – 4,401,426 (*)	40	2.29	21,469,911	24.39
4,401,427 and above (**)	2	0.11	52,554,941	59.70
<b>TOTAL</b>	<b>1,748</b>	<b>100.00</b>	<b>88,028,550</b>	<b>100.00</b>

(\*) Less than 5% of issued shares

(\*\*) 5% and above of issued shares

### DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Chen, Wen-Chin also known as Kent Chen	16,895,701	19.19	41,171,451 <sup>^</sup>	46.77
Daniel John Beasley	90,000	0.10	-	-
Tan Boon Hoe	-	-	-	-
Dato' Yoon Chon Leong	-	-	-	-
Charlie Ong Chye Lee	7,000	0.01	-	-

<sup>^</sup> By virtue of his substantial interest in Sensorlite Limited and Sensorlite Investments Limited and interest of spouse by virtue of Section 59(11)(c) of the Companies Act 2016

### SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Sensorlite Limited	35,659,240	40.51	-	-
Chen, Wen-Chin also known as Kent Chen	16,895,701	19.19	39,638,867 <sup>+</sup>	45.03

<sup>+</sup> By virtue of his substantial interest in Sensorlite Limited and Sensorlite Investments Limited

## ANALYSIS OF SHAREHOLDINGS

(As at 30 June 2021) (Cont'd)

### TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same depositor)

No.	Name	No. of shares	%
1.	Sensorlite Limited	35,659,240	40.51
2.	Chen, Wen-Chin also known as Kent Chen	16,895,701	19.19
3.	Ultra Top International Co., Ltd.	4,391,100	4.99
4.	Sensorlite Investments Limited	3,979,627	4.52
5.	Lee Kok Hin	2,369,800	2.69
6.	Chang, Su-Chu	1,532,584	1.74
7.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for RME Holdings Sdn. Bhd. (E-KTU)	941,000	1.07
8.	Jusoh Bin Ali	892,000	1.01
9.	Gan Kho @ Gan Hong Leong	586,000	0.67
10.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong Chuan Sin (CCTS)	509,700	0.58
11.	Syarikat Shukor Sakam Sdn. Bhd.	500,000	0.57
12.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Chee Keong (STA 5)	378,700	0.43
13.	Teh Bee Gaik	358,000	0.41
14.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Quek See Kui	256,900	0.29
15.	Yeap Leong Peng	245,000	0.28
16.	Lai Chin Loy	234,600	0.27
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Liew Chee Khoon	201,400	0.23
18.	Jusoh Bin Ali	200,000	0.23
19.	Yeo Khee Huat	200,000	0.23
20.	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Seng Tung	199,000	0.23
21.	Lee Kok Leong	196,000	0.22
22.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siew Boon Yeong	194,600	0.22
23.	Chee Chin Huan	194,000	0.22
24.	Lim Kee	180,000	0.20
25.	Yong Heng Wah	171,800	0.19
26.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Ean Ean (E-BBB/RLU)	170,800	0.19
27.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yeap Choo Meng (E-IMO)	160,000	0.18
28.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Ah Kow	159,100	0.18
29.	Maybank Nominees (Tempatan) Sdn. Bhd. Jean Si Poi Ne	157,500	0.18
30.	Chua Ah Hoo	155,400	0.18
		72,269,552	82.10



**IQ-group**  
**IQ GROUP HOLDINGS BERHAD**  
 (200301034523) (636944-U)  
 (Incorporated in Malaysia)  
**PROXY FORM**

CDS Account No.

No. of shares held

I/We \_\_\_\_\_ Tel: \_\_\_\_\_  
 [Full name in block, NRIC/Passport/Company No.]

of \_\_\_\_\_

being member(s) of **IQ Group Holdings Berhad**, hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairperson of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at <https://tiih.online> on Friday, 20 August 2021 at 2.30 p.m. or any adjournment thereof, and to vote as indicated below:

Description of Resolution	Resolution	For	Against
Re-election of Mr Daniel John Beasley	Ordinary Resolution 1		
Re-election of Mr Tan Boon Hoe	Ordinary Resolution 2		
Approval of Directors' Fees of RM426,420.00	Ordinary Resolution 3		
Approval of Directors' benefit up to RM440,078.04	Ordinary Resolution 4		
Re-appointment of Messrs Deloitte PLT as Auditors	Ordinary Resolution 5		
Continuing in office for Mr Charlie Ong Chye Lee	Ordinary Resolution 6		
Continuing in office for Dato' Yoon Chon Leong	Ordinary Resolution 7		
Renewal of Share Buy-Back Authority	Ordinary Resolution 8		
Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	Ordinary Resolution 9		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
 Signature\*  
 Member

**\* Manner of execution:**

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
  - (i) at least two (2) authorised officers, of whom one shall be a director; or
  - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

**Notes:**

1. The AGM will be conducted fully virtual through live streaming and online meeting platform provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") in Malaysia via its TIIH Online website at <https://tiih.online>. Members are to attend, speak (including posing questions to the Board of Directors of IQGROUP via real time submission of typed texts) and vote (collectively, "Participate") remotely at this AGM via Remote Participation and Voting ("RPV") facilities provided by Tricor. Members are advised to follow the procedures of RPV as stated in the Administrative Guide.
2. According to the Revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 1 June 2021, an online meeting platform located in Malaysia is recognised as the meeting venue and all meeting participants of a fully virtual general meeting are required to participate in the meeting online.
3. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 12 August 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
4. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
5. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
6. Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
9. The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at <https://tiih.online>. Please refer to the Administrative Guide for further information on electronic submission. All proxy forms submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding this General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
12. Last date and time for lodging this proxy form is 2.30 p.m., 18 August 2021 (Wednesday).
13. Those proxy forms which are indicated with "v" in the spaces provided to show how the votes are to be cast will also be accepted.

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STAMP

**IQ-group**  
**IQ GROUP HOLDINGS BERHAD**  
(200301034523) (636944-U)  
Suite A, Level 9  
Wawasan Open University  
54 Jalan Sultan Ahmad Shah  
10050 Georgetown  
Penang

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## ANNUAL REPORT REQUEST FORM

Dear Shareholder,

Please complete your particulars below and return this form through mail to IQ Group Holdings Berhad at 149, Jalan Sultan Azlan Shah, Taman Perindustrian Bayan Lepas, Fasa 1 (FTZ), Bayan Lepas, 11900 Penang, Malaysia or fax to 604-6423769 should you wish to receive a hardcopy of the 2021 Annual Report. You may also contact Ms. Lam Siew Yin at telephone no. 604-6446677 (ext.119) or email your request to [sy.lam@iq-group.com](mailto:sy.lam@iq-group.com).

The hardcopy of the Annual Report will be posted to you within four (4) market days from the date of receipt of your verbal or written request. Alternatively, you may download the Annual Report from [www-iq-group.com](http://www-iq-group.com).

### Particulars of Shareholder

Name of Shareholder :

---

Phone contact No. :

---

I/C No./Passport No. :  
or Company No.

---

CDS Account No. :

---

Correspondence Address :

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Date : \_\_\_\_\_

Signed : \_\_\_\_\_





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STAMP

**IQ-group**  
**IQ GROUP HOLDINGS BERHAD**  
(200301034523) (636944-U)  
Suite A, Level 9  
Wawasan Open University  
54 Jalan Sultan Ahmad Shah  
10050 Georgetown  
Penang

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# IQ-group

## **IQ GROUP HOLDINGS BERHAD**

(200301034523) (636944-U)

(Incorporated in Malaysia under the Companies Act, 1965)

149 Jalan Sultan Azlan Shah, Taman Perindustrian Bayan Lepas,  
Fasa 1 (FTZ), Bayan Lepas, 11900 Pulau Pinang, Malaysia.

Tel: 04-644 6677

Fax: 04-644 9677

Web: [www.iq-group.com](http://www.iq-group.com)