

**THIS CIRCULAR 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 appropriate independent advisers immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Circular, 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 Circular.

**IQ-group**  
**IQ GROUP HOLDINGS BERHAD**  
(200301034523) (636944-U)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**  
in relation to

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR  
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE  
("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")**

The Notice of Nineteenth Annual General Meeting of IQ Group Holdings Berhad, which 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 TIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) on Monday, 29 August 2022 at 2.30 p.m. or any adjournment thereof, is enclosed together with the Form of Proxy in IQ Group Holdings Berhad's Annual Report 2022 sent to you together with this Circular.

The Form of Proxy should be lodged at the Registered Office at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang no later than forty-eight (48) hours before the time appointed for holding the meeting. The lodgement of the Form of Proxy will not preclude you from attending, participating, speaking and voting in person at the meeting should you subsequently wish to do so.

This Circular is dated 29 July 2022

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

“Act”	:	Companies Act 2016 as amended from time to time and any re-enactment thereof
“AGM”	:	Annual General Meeting
“Board” or “Board of Directors”	:	The Board of Directors of IQGHB
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (635998-W)
“Existing Shareholders’ Mandate”	:	The shareholders’ mandate for IQGHB Group to enter into RRPT with the Related Parties of a revenue or trading nature for which approval from the shareholders was obtained during the Annual General Meeting held on 20 August 2021
“IQD”	:	IQ Group (Dongguan) Ltd, a wholly-owned subsidiary company of IQGHB
“IQGHB” or “the Company”	:	IQ Group Holdings Berhad (200301034523) (636944-U)
“IQGHB Group” or “the Group”	:	IQGHB and its subsidiary companies
“IQGHB Share(s)” or the “Share(s)”	:	Ordinary share(s) held in IQGHB
“IQJ”	:	IQ Japan Co., Ltd., a wholly-owned subsidiary company of IQGHB
“IQM”	:	IQ Group Sdn Bhd (198901000405) (177711-D), a wholly-owned subsidiary company of IQGHB
“IQW”	:	IQ Group (Wuning) Ltd, a wholly-owned subsidiary company of IQGHB
“Listing Requirements”	:	Bursa Securities Main Market Listing Requirements including any amendments thereto that may be made from time to time
“Major Shareholder”	:	A person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:-  (a) 10% or more of the total number of voting shares in the corporation; or (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Companies Act 2016

## DEFINITIONS *(cont'd)*

- “Market Day” : A day on which the stock market of the Bursa Securities is open for trading in securities
- “Person(s) Connected” : In relation to any person (referred to as “said Person”) means such person who falls under any one of the following categories:
- (a) a family member of the said Person (family member means such person who falls within any one of the following categories:
    - (a) spouse;
    - (b) parent;
    - (c) child including an adopted child and step-child;
    - (d) brother or sister; and
    - (e) spouse of the person referred to in subparagraphs (c) and (d) above
  - (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
  - (c) a partner of the said Person;
  - (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
  - (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
  - (f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
  - (g) a body corporate which is a related corporation of the said Person.
- “Proposed Renewal of Shareholders’ Mandate” : Proposed shareholders’ mandate for the Company and/or its subsidiary companies to enter into recurrent Related Party Transactions of a revenue or trading nature in the ordinary course of business which are necessary for the IQGHB Group’s day-to-day operations and which approval from the shareholders is being sought at the forthcoming AGM

**DEFINITIONS** *(cont'd)*

- “Record of Depositors” : A record provided by Bursa Depository to the Company under Chapter 24.0 of the rules of Bursa Depository including any amendments thereof issued by Bursa Depository
- “Related Parties” : A Director, Major Shareholder of IQGHB or its subsidiaries or a person connected with such Director or Major Shareholder
- “RM” and “sen” : Ringgit Malaysia and sen respectively
- “RRPT” or “RRPTs” : Related Party Transactions involving recurrent transactions of a revenue or trading nature and which are necessary for the Group’s day-to-day operations and are in the ordinary course of business of the Group.
- “SILQ” : SILQ (Malaysia) Sdn Bhd (200901027604) (870706-T), a wholly-owned subsidiary company of IQGHB

All references to “you” in this Circular are to the shareholders of the Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter gender and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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# IQ-group

## IQ GROUP HOLDINGS BERHAD

(200301034523) (636944-U)  
(Incorporated in Malaysia)

### REGISTERED OFFICE:

Suite A, Level 9  
Wawasan Open University  
54, Jalan Sultan Ahmad Shah  
10050 Georgetown  
Penang

29 July 2022

### BOARD OF DIRECTORS :

Chen, Wen-Chin also known as Kent Chen (*Executive Chairman*)  
Daniel John Beasley (*Managing Director / Chief Executive Officer*)  
Charlie Ong Chye Lee (*Senior Independent Non-Executive Director*)  
Dato' Yoon Chon Leong (*Independent Non-Executive Director*)  
Tan Boon Hoe (*Independent Non-Executive Director*)

**To : The Shareholders of IQ Group Holdings Berhad**

Dear Sir/Madam,

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### PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

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#### 1. INTRODUCTION

At the Company's AGM on 20 August 2021, the Company had obtained a mandate from its shareholders for IQGHB Group to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations of IQGHB Group, with certain classes of related parties as disclosed therein.

The Existing Shareholders' Mandate shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming AGM unless it is renewed.

On 30 June 2022, the Company announced to Bursa Securities of the Company's intention to seek shareholders' approval for the Proposed Renewal of Shareholders' Mandate at the forthcoming AGM to be convened on Monday, 29 August 2022.

The purpose of this Circular is to provide you with details of the Proposed Renewal of Shareholders' Mandate and to seek your approval for the ordinary resolution to be tabled at the AGM to be convened on Monday, 29 August 2022, notice of which is set out in the Annual Report of the Company.

## 2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

### 2.1 Provisions under the Listing Requirements

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a mandate from its shareholders for RRPT subject to the following:-

- the transactions are in the ordinary course of business and are on terms not more favourable, to the Related Parties, than those generally available to the public;
- the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:-
  - (i) the consideration, value of the assets, capital outlay or costs of RRPT is RM1 million or more; or
  - (ii) the percentage ratio of such RRPT is 1% or more,whichever is the higher.
- the issuance of a circular to shareholders by the listed issuer for the shareholders' mandate, the contents of which shall include information as may be prescribed by the Bursa Securities;
- in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or the interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or a major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- the listed issuer immediately announces to the Bursa Securities when the actual value of a RRPT entered into by the listed issuer, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by the Bursa Securities in its announcement.

Where a listed issuer has procured the shareholders' mandate pursuant to the above, the provision of Paragraph 10.08 of the Listing Requirements shall not apply with regard to transactions as detailed in this section.

Accordingly, the Company proposes to seek the Proposed Renewal of Shareholders' Mandate from its shareholders for IQGHB Group to enter into transactions with Related Parties which are of a revenue or trading nature and necessary for the day-to-day operations of IQGHB Group as disclosed in Section 2.4 below, on transaction prices and terms not more favourable to the related parties than those generally available to and/ or from the public and are not detrimental to the minority shareholders.

If approved at the forthcoming AGM, the Proposed Renewal of Shareholders' Mandate will take effect from and including 29 August 2022 being the date of the passing of the ordinary resolution relating thereto tabled at the forthcoming AGM, and will continue to be in force until:-

- (a) the conclusion of the next AGM of the Company;
- (b) the expiration of the period within which the next AGM of the Company, after the date it is required to be held pursuant to Section 340(2) of the Act (*but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act*); or
- (c) revoked or varied by resolution, passed by the shareholders, in general meeting,

whichever is earlier.

Disclosure has been made in IQGHB's Annual Report 2022 of the breakdown of the aggregate value of RRPTs made pursuant to the existing shareholders' mandate during the financial year ended 31 March 2022.

## 2.2 The Principal Activities of IQGHB Group

IQGHB is principally an investment holding company and provides management services to its subsidiaries whilst the principal activities of its subsidiaries as at 30 June 2022 are as follows:-

<b>Name of Subsidiaries</b>	<b>Interest Held (%)</b>	<b>Principal Activities</b>
IQM	100	Manufacture of passive infrared detectors, motion sensor light controllers and wireless video communication device
IQJ	100	Distribution of security lighting systems
IQD	100	Design, manufacturing and sales of mould; providing corporate management services to IQW; providing research and development service and research and development technology transfer to IQW
IQW	100	Manufacturing and sales of sensor lighting, door bells, home security system, lighting fixtures, sensor product, wireless product, security product and household electrical appliances
SILQ	100	Dormant

## 2.3 The Principal Activities of the other related transacting parties

The principal activities of the other related transacting parties which are not part of IQGHB Group that are involved in the RRPT with IQGHB Group are set out below:-

<b>Other Related Transacting Parties</b>	<b>Principal Activities</b>
Sensorlite Inc. (formerly known as Interquartz Taiwan Ltd.) ("SI")	Perform centralised sourcing and procurement of raw materials and consumable tools in Taiwan for IQGHB Group
IQ (America) Inc. ("IQA")	Sales agent for the IQGHB Group in the North American market Import, sales and distribution of Motion Sensors, Sensor Lighting and Wireless Door entry products in North American market



2.4 Proposed Renewal of Shareholders' Mandate

Nature of Transaction	Company in IQGHB Group	Related Party with whom the Group is transacting	Actual Value transacted from the date of the AGM on 20 August 2021 to 30 June 2022 (RM)	Estimated Value of Transaction disclosed in the preceding year's circular to shareholders (RM)	Estimated Value of Transaction from the date of the AGM, 29 August 2022 to the date of AGM in 2023* (RM)	Interested Related Party	Relationships
Purchase of raw materials from SI	IQM	SI	1,303,809	4,000,000	4,000,000	<b>Interested Director/Major Shareholder:</b> Chen, Wen-Chin also known as Kent Chen	Mr. Chen, Wen-Chin also known as Kent Chen is a Major Shareholder of SI and holds 50% of the total number of issued shares of SI. He is a Director of IQGHB, IQM and IQI. He holds a direct interest of 19.19% and deemed interest of 45.03% through Sensorlite Limited and Sensorlite Investments Limited in IQGHB.
Rental payable to SI**	IQM	SI	1,021,450	1,200,000	1,200,000	<b>Interested Major Shareholder:</b> Sensorlite Limited	
Procurement commission payable to SI	IQM	SI	52,152	140,000	140,000	<b>Interested Persons Connected</b> Chang, Su-Chu Sensorlite Investments Limited	Madam Chang, Su-Chu is the spouse of Mr. Chen, Wen-Chin also known as Kent Chen. She is a Major Shareholder of SI and holds a 50% direct interest in SI. She also holds 1.74% direct interest in IQGHB.
Purchase of consumable tools from SI	IQM	SI	35,537	400,000	400,000		Mr. Chen, Wen-Chin also known as Kent Chen is a Director of Sensorlite Investments Limited ("SIL") and he has substantial interest in SIL. SIL also holds 4.52% direct interest in IQGHB.

Nature of Transaction	Company in IQGHB Group	Related Party with whom the Group is transacting	Actual Value transacted from the date of the AGM on 20 August 2021 to 30 June 2022 (RM)	Estimated Value of Transaction disclosed in the preceding year's circular to shareholders (RM)	Estimated Value of Transaction from the date of the AGM, 29 August 2022 to the date of AGM in 2023* (RM)	Interested Related Party	Relationships
Sales of finished goods to IQA	IQM	IQA	4,863,911	25,000,000	25,000,000	<b>Interested Director/Major Shareholder:</b> Chen, Wen-Chin also known as Kent Chen	Mr. Chen, Wen-Chin also known as Kent Chen is a Director of IQGHB, IQM and IQA. He holds a direct interest of 19.19% and deemed interest of 45.03% through Sensorlite Limited and Sensorlite Investments Limited in IQGHB.
Sales of consumable tools to IQA	IQM	IQA	-	100,000	100,000	<b>Interested Major Shareholder:</b> Sensorlite Limited	Mr. Chen, Wen-Chin also known as Kent Chen is also a Director and Major Shareholder of Sensorlite Limited which is the 100% holding company of IQA.
Commission payable to IQA pursuant to an Agency Agreement between IQM and IQA	IQM	IQA	244,948	2,500,000	2,500,000	<b>Interested Persons Connected</b> Chang, Su-Chu Sensorlite Investments Limited	Madam Chang, Su-Chu is the spouse of Mr. Chen, Wen-Chin also known as Kent Chen. She holds 1.74% direct interest in IQGHB.
Reimbursement of Store Buy-Back Cost by IQA	IQM	IQA	-	500,000	500,000		Mr. Chen, Wen-Chin also known as Kent Chen is a Director of SIL and he has substantial interest in SIL. SIL also holds 4.52% direct interest in IQGHB.
Reimbursement of Freight & Duty Cost by IQA	IQM	IQA	61,988	1,600,000	1,600,000		

Nature of Transaction	Company in IQGHB Group	Related Party with whom the Group is transacting	Actual Value transacted from the date of the AGM on 20 August 2021 to 30 June 2022 (RM)	Estimated Value of Transaction disclosed in the preceding year's circular to shareholders (RM)	Estimated Value of Transaction from the date of the AGM, 29 August 2022 to the date of AGM in 2023* (RM)	Interested Related Party	Relationships
Reimbursement of Warehousing & Shipping cost by IQA	IQM	IQA	203,241	1,250,000	1,250,000	<b>Interested Director/Major Shareholder:</b> Chen, Wen-Chin also known as Kent Chen	Mr. Chen, Wen-Chin also known as Kent Chen is a Director of IQGHB, IQM and IQA. He holds a direct interest of 19.19% and deemed interest of 45.03% through Sensorlite Limited and Sensorlite Investments Limited in IQGHB.
Reimbursement of representatives' commission by IQA	IQM	IQA	42,417	750,000	750,000	<b>Interested Major Shareholder:</b> Sensorlite Limited	Mr. Chen, Wen-Chin also known as Kent Chen is also a Director and Major Shareholder of Sensorlite Limited which is the holding company of IQA.
Reimbursement of merchandising and promotion costs by IQA	IQM	IQA	173,334	1,250,000	1,250,000	<b>Interested Persons Connected</b> Chang, Su-Chu Sensorlite Investments Limited	Madam Chang, Su-Chu is the spouse of Mr. Chen, Wen-Chin also known as Kent Chen. She holds 1.74% direct interest in IQGHB.
Reimbursement of miscellaneous expenses, such as Liability Insurance, legal fees, bank charges, Electronic Data Interchange ("EDI") Fees, Patent Application Fees, travelling and samples by IQA	IQM	IQA	180,707	500,000	500,000	<b>Interested Persons Connected</b> Sensorlite Investments Limited	Mr. Chen, Wen-Chin also known as Kent Chen is a Director of SIL and he has substantial interest in SIL. SIL also holds 4.52% direct interest in IQGHB.
Reimbursement of new product development cost from IQA ***	IQM	IQA	-	2,200,000	2,200,000		

Notes:-

\* *The estimated value of the transactions for the period from the date of the forthcoming Nineteenth AGM to the date of the next AGM is based on past transactions and/or management estimates and on the assumption that current levels of operations will continue and all external conditions remain constant. Due to the nature of the transactions, the actual value of the transactions may vary from the estimated value disclosed above.*

\*\* *The tenancy of the premises is for a period less than three (3) years and the rental payable is on a monthly basis; details of which are disclosed in Section 5(b) of this Circular to Shareholders.*

\*\*\* *The cost incurred will be on on-going basis during the product development cycle which typically ranges from 3 months to 18 months depending on the complexity of the product.*

*None of the actual value transacted exceeded 10% of the estimated value as disclosed to the shareholders in the preceding year's Circular to Shareholders.*

### 3. GUIDELINES, METHODS AND PROCEDURES IN RELATION TO RRPT

IQGHB Group has established and implemented the following guidelines, methods and procedures to ensure that the RRPTs are not to the detriment of the minority shareholders and are undertaken at arm's length and are on normal commercial terms which are on transaction prices and terms not more favourable to the related party than those extended to third parties/public:-

- (a) The scope and definition of arm's length and normal commercial terms are clearly stated and the methods, procedures and guidelines in determining the pricing, quality, reasonability, fairness and so forth for IQGHB Group's best interest together with the class of related parties and nature of transactions be laid out in a list and regularly updated from time to time to be circulated within IQGHB Group to all Executive Directors and relevant Department Heads with notification that all RRPTs are to be undertaken at arm's length and are on normal commercial terms which are on transactions prices and terms not more favourable to the Related Party than those extended to the third parties/public.
- (b) The transaction prices and the terms and conditions are determined by current market forces under similar commercial terms and normal trade practices for transactions with third parties.
- (c) All recurrent related party transactions shall be tabled at the Audit Committee Meeting for review on quarterly basis. The Audit Committee shall have the right to engage independent advisers or experts, if required, for the purpose of performing an independent and balanced assessment, evaluation and comparison of transaction price, terms and conditions prior to making any decision approving the RRPTs.
- (d) The Board and the Audit Committee shall approve the guidelines, methods and procedures with authority to delegate to the Company's Internal Auditors to review the procedures and to give their recommendations.
- (e) The Group Financial Controller shall assist to monitor all RRPTs complied with the guidelines, methods and procedures set up and to report on its findings and to update the Audit Committee.
- (f) The Group Financial Controller shall maintain a record of all RRPTs which have been approved by shareholders and the Audit Committee. The purpose of the said record is to ensure that all relevant approvals have been obtained and procedures have been complied with.
- (g) If during the quarterly review, the Audit Committee should be of the view that the guidelines and methods and procedures are no longer appropriate or adequate to ensure RRPTs are carried out on normal commercial terms or be prejudicial to shareholders, the Company will seek a fresh mandate from shareholders based on new guidelines and review procedures.

Where practical and/or feasible, at least two (2) other contemporaneous transactions with unrelated third parties for similar products and/or quantities will be used as comparison for determining that the price and terms offered by/to the Related Parties are fair and reasonable as compared with those offered by unrelated third parties.

In the event the pricing cannot be obtained from the unrelated third parties, the basis to determine the pricing is stated in paragraph 8 of the Circular to ensure that the Recurrent Related Party Transaction is not detrimental to the listed issuer or its group of companies.

#### 4. **STATEMENT BY AUDIT COMMITTEE**

The Audit Committee of the Company has seen and reviewed the procedures mentioned in Section 3 above and is of the view that the said procedures are sufficient to ensure that the RRPTs are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders.

The Audit Committee is also of the view that the IQGHB Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner. The Audit Committee has reviewed these procedures and processes annually.

#### 5. **RATIONALE AND BENEFITS FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The rationale for and benefits of the Proposed Renewal of Shareholders' Mandate to IQGHB Group are as follows:

- (a) IQM had on 1 April 2004 entered into a trading agreement with Interquartz Taiwan Ltd. (now known as Sensorlite Inc.) ("SI") whereby SI shall perform centralised purchasing services in Taiwan for IQM and IQM shall pay a commission of 4% of the amount payable by SI to the local Taiwanese vendors for such services. By a Supplemental Agreement dated 15 March 2006, the commission was revised to 4% (based on purchases of first United States of America Dollar ("USD") 500,000), 3% (based on purchases ranging from USD500,001 to USD1,000,000) and 2% (based on purchases above USD1,000,000).

The benefit derived from the said transactions would be better utilisation of resources and centralisation. The transaction is conducted at arm's length, normal, commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of minority shareholders.

It also enables IQGHB Group to transact with the transacting corporations in an expeditious manner to meet business needs for the supply and/or provision of goods and services which are necessary for its day-to-day operations particularly business needs which are time sensitive in nature.

- (b) On 1 April 2009, Interquartz Taiwan Ltd. (now known as Sensorlite Inc.) ("SI") entered into a tenancy agreement as landlord with IQM as tenant for the tenancy of the premises located at 5th, 6th and 7th floors, No. 16 Lane 130, Ming Chun Road, Hsin Tien, Taipei Hsien, Taiwan at a monthly rental of New Taiwan Dollar 620,000 based on current market rental value for the business of sourcing and procurement of raw materials and research and development activities of IQM. The monthly rental has increased to New Taiwan Dollar 720,000 with effective from 1 October 2014 as the rental has not been revised since April 2009. Effective from 1 April 2020, the monthly rental reduced to New Taiwan Dollar 620,000. Effective from 1 June 2020, the monthly rental is further reduced to New Taiwan Dollar 504,000 until 31 May 2021. Thereafter, the monthly rental shall resume to New Taiwan Dollar 620,000.

The transaction is conducted on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public. IQM which has been renting the property from SI is long standing tenant.

- (c) SI shall perform centralised purchasing services in Taiwan for IQD and IQW. Instead of paying procurement commission to SI, the commission of 3% will be built into the Selling Price from SI.

- (d) On 23 August 2021, IQM entered into a Supply and Development agreement with IQA wherein IQM will manufacture products developed/co-developed by IQA. IQM will sell direct the finished goods to IQA on a normal buy-sell relationship (i.e. IQA acting as an importer). IQM will be granted rights to utilise the Intellectual Property invented by IQA and sell the finished goods to other regions excluding the territories of the United States, Canada and Mexico. The benefit is derived by having an active partner developing products which are relevant to our business and markets. This is expected to increase our sales to North America via IQA as well as to other global markets.
- (e) The Proposed Renewal Shareholders' Mandate will facilitate transactions with Related Parties which are carried out in the ordinary course of business of IQGHB Group and are made on an arm's length basis and on terms not more favourable to the Related Parties than those generally available to the public and not in the Company's opinion detrimental to the minority shareholders.
- (f) The Proposed Renewal of Shareholders' Mandate will enhance the IQGHB Group's ability to pursue business opportunities, which may be of time-sensitive in nature and it may not be practical to seek shareholders' approval on a case-by-case basis before entering into such transactions.
- (g) The transactions between the Related Parties allow the IQGHB Group more efficient utilisation of existing resources, prompt delivery and better bargaining power from reliable suppliers.
- (h) The Proposed Renewal of Shareholders' Mandate will eliminate the need to make regular announcements or convene separate general meetings to seek shareholders' mandate for each transaction and as such, substantially reduce expenses, time and other resources associated with the making of announcements and convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow financial and manpower resources to be channelled to attain more productive objectives.
- (i) In addition, the IQGHB Group has long-standing business relationships with the transacting corporations. The transacting corporations have a proven track record of performance and have supported the Group for a long time.

6. **INTEREST OF INTERESTED DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH A DIRECTOR OR A MAJOR SHAREHOLDER**

As at 30 June 2022, the direct and indirect shareholdings of the interested Director and Major Shareholders of the Company who have interests, direct and indirect, in the Proposed Renewal of Shareholders' Mandate are as follows:-

Interested Director	No. Shares held			
	Direct	%	Indirect	%
Chen, Wen-Chin also known as Kent Chen	16,895,701	19.19	41,171,451*	46.77

\* *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.*

Major Shareholder	No. Shares held			
	Direct	%	Indirect	%
Chen, Wen-Chin also known as Kent Chen	16,895,701	19.19	39,638,867**	45.03
Sensorlite Limited	35,659,240	40.51	-	-

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

The abovenamed Director, being the Director who is interested in the Proposed Renewal of Shareholders' Mandate, has abstained and will continue to abstain from all deliberations and voting on the RRPT involving him, as comprised, in the Proposed Renewal of Shareholders' Mandate at the relevant Board meetings and shall also abstain from voting in respect of his direct and indirect shareholding in the Company, at the forthcoming AGM, on the respective ordinary resolution approving the RRPT involving him, as comprised, in the Proposed Renewal of Shareholders' Mandate.

Sensorlite Limited, which is interested in the Proposed Renewal of Shareholders' Mandate shall abstain from voting in respect of its direct and indirect shareholding in the Company at the forthcoming AGM, on the ordinary resolution approving the RRPTs involving its interests, which are comprised, in the Proposed Renewal of Shareholders' Mandate.

As at 30 June 2022, the direct and indirect shareholding of the Persons Connected with a Director and/or Major Shareholder of the Company who are interested in the Proposed Renewal of Shareholders' Mandate are set out below:-

Persons Connected with Director/Major Shareholder	No. Shares held			
	Direct	%	Indirect	%
Chang, Su-Chu	1,532,584	1.74	-	-
Sensorlite Investments Limited	3,979,627	4.52	-	-

The abovenamed Persons Connected, shall abstain from voting in respect of her/its direct and indirect shareholding in the Company, if any, at the forthcoming AGM, on the ordinary resolution approving the RRPTs involving her/its interests, which are comprised, in the Proposed Renewal of Shareholders' Mandate.

The abovenamed Director and/or Major Shareholder, who are interested in the Proposed Renewal of Shareholders' Mandate, have undertaken to ensure that the Persons Connected to them will abstain from voting in respect of their direct and indirect shareholding in the Company, if any, at the forthcoming AGM, on the ordinary resolution approving the RRPTs involving their interests, which are comprised, in the Proposed Renewal of Shareholders' Mandate.

Save for the Director and/or Major Shareholders and Persons Connected to them, as set out above, none of the Directors or Major Shareholders of IQGHB Group and Persons Connected to them have any interest, direct or indirect, in the Proposed Renewal of Shareholders' Mandate. Where the Persons Connected with a Director and/or Major Shareholder of IQGHB Group has any interest, direct or indirect, in the Proposed Renewal of Shareholders' Mandate, the Director and/or Major Shareholder concerned will also abstain from voting in respect of their direct or indirect shareholding in the Company at the forthcoming AGM, on the resolution deliberating or approving the RRPTs involving the relevant Director and/or major shareholder or persons connected to them in the Proposed Renewal of Shareholders' Mandate.



## 7. THRESHOLDS FOR APPROVAL OF RRPTs WITHIN IQGHB GROUP

There are no thresholds for the approval of RRPTs within IQGHB Group and all related party transactions will be subject to periodic reviews by the Audit Committee to ensure that they have been transacted on arm's length basis and on commercial terms not detrimental to IQGHB Group and that proper disclosures will be made in the annual report of IQGHB in respect of the aggregate value of transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year.

If it is determined that the guidelines and/or procedures stated in Section 3 of this Circular are inadequate and to ensure that:-

- (i) the RRPTs will be conducted at arm's length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and
- (ii) such transactions are not to the detriment of the minority shareholders of the Company or prejudicial to the interests of the shareholders,

the Company will obtain a fresh shareholders' mandate based on new guidelines and procedures. The Audit Committee shall also have the discretion to request for limits to be imposed or for additional procedures to be followed if it considers such a request to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.

## 8. STATEMENT ON TRANSACTIONS WITH UNRELATED THIRD PARTIES

### 8.1 Purchase of raw material and consumable tools

There are no quotations or comparative pricing from unrelated parties being obtained for the similar products or services because the prices quoted by SI are directly obtained from the vendors and thus equal to third party's arm's length pricing. In consideration of the centralised procurement and quality assurance performed by SI, SI will earn a commission for the services rendered. The details are disclosed in Section 5 of this Circular to Shareholders.

### 8.2 Tenancy

The determination of rental payable to SI from IQM is already based on the prevailing market rental rates and hence, no other comparative pricing was made.

### 8.3 Sales of finished goods and consumable tools to IQA

#### IQA acts as an agent

The sales value from IQM to IQA is equivalent to the sales value from IQA to end customers, and thus, is considered to be third party's arm's length pricing. IQA in return will receive a 5% to 10% commission from IQM from the sales transactions. In light of such arm's length arrangement, there is no comparative pricing made.

#### IQA acts as an importer

In a new business arrangement, the sales value from IQM to IQA is subject to the agreement between IQM and IQA on a buy-sell relationship and shall be determined based upon prevailing rates/prices of the same according to normal commercial terms.

### 8.4 Reimbursement of expenses

#### IQA acts as an agent

IQA will be reimbursed by IQM on what it has paid to the third party vendors at an amount equal to third party prices on behalf of its principal, namely IQM. IQA is acting as an agent for IQM and will claim all the expenses from IQM. In light of such arm's length arrangement, there is no comparative pricing made.

## 8.5 Reimbursement of new product development cost

### IQA acts as an importer

Where practical, IQA will settle directly with the vendors the product development cost related to the Original Equipment Manufacturing (“OEM”) development (mainly mechanical and optical works), which are required by IQM to manufacture products developed by/co-developed with IQA and in materialising the delivery of the finished goods to IQA. The product development cost includes tooling/mould, jig & fixture, mock up expenses, product approbation/ certification to meet the product safety requirements etc. IQM will reimburse from IQA on other OEM and non OEM related product development cost (if any applicable) based on the actual cost incurred. Hence, there is no comparative pricing made.

The terms of the pricing of the above RRPTs are always consistent with the IQGHB Group's usual business pricing practices and policies. Hence, the pricing is not more favourable to the transacting corporations than to the public (where applicable) and not to the detriment of the minority shareholders of IQGHB.

## 9. EFFECT OF THE PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE

The Proposed Renewal of Shareholders’ Mandate is not expected to have any material effect on the total number of issued shares, consolidated Net Assets, consolidated earnings, gearing and Major Shareholders’ shareholdings of IQGHB Group.

## 10. AMOUNT DUE AND OWING TO IQGHB GROUP BY RELATED PARTIES

The total outstanding amount as at financial year ended 31 March 2022 was RM1,429,667. The total amount due and owing to IQGHB Group which exceeded the credit term is shown as follows:-

Principal Sum (RM)	Late Payment Interest (RM)	Amount due which exceeded the credit term (“Overdue Sum”) (RM)			
		1 year or less	More than 1 to 3 years	More than 3 to 5 years	More than 5 years
656,530	-	656,530	-	-	-

*There was no late payment charges imposed as IQGHB Group and the related party concern had amicably agreed that the overdue sum would be settled within the financial year ending 31 March 2023.*

As of 30 June 2022, the overdue sum of RM549,398 has been settled.

## 11. DIRECTORS’ RECOMMENDATION

The Directors, with the exception of Mr Chen, Wen-Chin also known as Kent Chen, who is interested and deemed interested in the Proposed Renewal of Shareholders’ Mandate, are of the opinion that the Proposed Renewal of Shareholders’ Mandate is in the best interest of the Company.

Accordingly, the Directors, with the exception of Mr. Chen, Wen-Chin also known as Kent Chen, who is interested and deemed interested in the Proposed Renewal of Shareholders’ Mandate, recommend that you vote in favour of the ordinary resolutions to be tabled at the AGM.

12. **APPROVALS REQUIRED**

The Proposed Renewal of Shareholders' Mandate is subject to the approval of the shareholders of the Company, which will be sought at the forthcoming AGM.

13. **ANNUAL GENERAL MEETING**

The ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate has been incorporated in the Notice of AGM, which is enclosed in IQGHB's Annual Report 2022. The AGM 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> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) on Monday, 29 August 2022 at 2.30 p.m. or any adjournment thereof.

If you are unable to attend and vote in person, at the AGM of the Company and wish to appoint a proxy instead, you are requested to complete, sign and return the Proxy Form enclosed in IQGHB's Annual Report 2022, in accordance with the instructions printed therein. The Proxy Form must be lodged at the registered office of the Company, at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, not later than forty-eight (48) hours before the time fixed for the AGM or any adjournment thereof. The completion, signing and return of the Proxy Form, will not preclude you from attending and voting in person, should you subsequently decide to do so.

14. **FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendices I and II for further information.

Yours faithfully  
For and on behalf of the Board of Directors of  
**IQ GROUP HOLDINGS BERHAD**

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

**FURTHER INFORMATION**

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors of IQGHB who collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

**2. MATERIAL CONTRACTS**

Neither IQGHB nor any of its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past two (2) years preceding the date of this Circular.

**3. MATERIAL LITIGATION**

Neither IQGHB nor any of its subsidiary companies is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors of IQGHB are not aware of any proceedings pending or threatened against the IQGHB Group or of any facts likely to give rise to any proceedings which may materially or adversely affect the position or business of the IQGHB Group, financially or otherwise.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal office hours (except public holidays) at the registered office of IQGHB from the date of this Circular up to and including the date of the AGM:-

- (a) Constitution of IQGHB; and
- (b) the audited financial statements of IQGHB for the past two (2) financial years ended 31 March 2021 and 2022.

**EXTRACT OF NOTICE OF NINETEENTH AGM****As Special Business**

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

9. Proposed Renewal of Shareholders' Mandate for 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 Section 2.4 of the Circular to Shareholders dated 29 July 2022 ("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**