

IRIS CORPORATION BERHAD

(Company No. 302232 - X)
(Incorporated in Malaysia)

Interim Financial Report for the Second quarter ended 30th September 2014

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Second quarter ended 30th September 2014

	Individual		Cumulative	
	3 months ended 30 th September 2014 RM'000	30 th September 2013 RM'000	6 months ended 30 th September 2014 RM'000	30 th September 2013 RM'000
Revenue	157,487	131,357	284,764	265,271
Cost of sales	(113,550)	(95,802)	(209,600)	(194,465)
Depreciation and amortization	(6,302)	(5,451)	(11,811)	(10,978)
Gross profit	37,635	30,104	63,353	59,828
Other income	4,291	849	4,859	928
Administrative and operating expenses	(27,235)	(15,646)	(47,085)	(29,414)
Depreciation and amortisation	(1,863)	(1,570)	(3,596)	(3,280)
Finance costs	(5,514)	(4,345)	(12,358)	(9,806)
Share of profit of associates	361	216	447	312
Profit before taxation	7,675	9,608	5,620	18,568
Tax expense	(3,347)	(3,068)	(4,692)	(5,803)
Profit for the period	4,328	6,540	928	12,765
Other comprehensive income for the period				
Foreign currency translation	-	-	-	-
	-	-	-	-
Total comprehensive income for the period	4,328	6,540	928	12,765
Profit attributable to:				
Owners of the Company	5,684	7,308	3,131	14,986
Non-controlling interests	(1,356)	(768)	(2,203)	(2,221)
Profit for the period	4,328	6,540	928	12,765

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Second quarter ended 30th September 2014

(continued)

	Individual		Cumulative	
	3 months ended 30 th September 2014 RM'000	30 th September 2013 RM'000	6 months ended 30 th September 2014 RM'000	30 th September 2013 RM'000
Total comprehensive income attributable to:				
Owners of the Company	5,684	7,308	3,131	14,986
Non-controlling interests	(1,356)	(768)	(2,203)	(2,221)
Total comprehensive income for the period	4,328	6,540	928	12,765
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.28	0.46	0.15	0.95
Diluted (Sen)	0.26	0.44	0.14	0.90

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2014 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial PositionAs at 30th September 2014

	30 th September 2014 RM'000	31 st March 2014 RM'000
ASSETS		
NON-CURRENT ASSETS		
Investment in associates	25,228	7,598
Property, plant and equipment	183,646	229,902
Concession assets	178,146	178,746
Intellectual properties	17,552	17,468
Available-for-sale financial assets	14,010	7,906
Research and development expenditure	5,238	3,942
Deferred tax asset	144	129
Goodwill on consolidation	162,412	140,682
	<u>586,376</u>	<u>586,373</u>
CURRENT ASSETS		
Inventories	98,266	101,929
Trade receivables	304,038	280,236
Amount owing by contract customers	106,580	81,249
Other receivables, deposits & prepayments	134,631	149,922
Amount owing by associates	1	8
Amount owing by related parties	102	70
Property development expenditure	2,051	1,310
Tax refundable	18,184	26
Deposits with licensed banks	29,402	23,782
Cash and cash equivalents	34,451	81,670
	<u>727,706</u>	<u>720,202</u>
TOTAL ASSETS	<u>1,314,082</u>	<u>1,306,575</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	306,025	306,025
Share premium	103,860	103,860
Treasury shares	-	(32,238)
Warrants reserve	10,598	10,598
Foreign exchange translation reserve	146	146
Revaluation reserve	38,868	38,783
Retained earnings	126,247	122,967
Total equity attributable to owners of the Company	<u>585,744</u>	<u>550,141</u>
Non-controlling interests	47,817	56,978
TOTAL EQUITY	<u>633,561</u>	<u>607,119</u>

Condensed Consolidated Statement of Financial PositionAs at 30th September 2014

(continued)

	30 th September 2014 RM'000	31 st March 2014 RM'000
NON-CURRENT LIABILITIES		
Other payables	43	29
Hire purchase payables	4,347	8,555
Term loan	127,420	67,487
Deferred tax liabilities	13,816	16,791
	<u>145,626</u>	<u>92,862</u>
CURRENT LIABILITIES		
Trade payables	39,577	39,553
Other payables and accruals	215,758	250,212
Amount owing to associates	422	422
Hire purchase payables	2,123	3,930
Lease payables	499	242
Short-term borrowings	252,929	279,315
Bank overdrafts	-	23,793
Provision for taxation	23,587	9,127
	<u>534,895</u>	<u>606,594</u>
TOTAL LIABILITIES	<u>680,521</u>	<u>699,456</u>
TOTAL EQUITY AND LIABILITIES	<u>1,314,082</u>	<u>1,306,575</u>
Net assets per ordinary share attributable to owners of the Company (sen)	<u>28.71</u>	<u>28.75</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2014 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the Second quarter ended 30th September 2014

	← Non-Distributable →					Distributable	Attributable to the owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000			
At 1 st April 2013	236,459	35,211	10,609	(1,199)	26,904	108,075	416,059	41,141	457,200
Realisation on usage of property	-	-	-	-	(163)	163	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	14,986	14,986	(2,221)	12,765
At 30th September 2013	236,459	35,211	10,609	(1,199)	26,741	123,224	431,045	38,920	469,965

Condensed Consolidated Statement of Changes in Equity

For the Second quarter ended 30th September 2014

(continued)

	← Non-Distributable				→ Distributable			Attributable to the owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000			
At 1 st April 2014	306,025	103,860	(32,238)	10,598	146	38,783	122,967	550,141	56,978	607,119
Acquisition in subsidiaries	-	-	-	-	-	-	-	-	12,646	12,646
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,226)	(1,226)
De-consolidation of subsidiaries	-	-	32,238	-	-	234	-	32,472	(18,378)	14,094
Realisation on usage of property	-	-	-	-	-	(149)	149	-	-	-
Profit after taxation for the financial year	-	-	-	-	-	-	3,131	3,131	(2,203)	928
Total comprehensive (loss)/ income for the financial period	-	-	-	-	-	-	3,131	3,131	(2,203)	928
At 30th September 2014	306,025	103,860	-	10,598	146	38,868	126,247	585,744	47,817	633,561

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2014 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow StatementFor the Second quarter ended 30th September 2014

	Cumulative 30th September 2014 RM'000	Cumulative 30th September 2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	5,620	18,568
Adjustments for:		
Non-Cash Items	14,625	13,945
Interest income	(414)	(22)
Finance costs	12,358	9,806
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	32,189	42,297
Changes in working capital		
Net changes in current assets	(38,912)	(41,803)
Net changes in current liabilities	(32,715)	(27,443)
NET CASH GENERATED FOR OPERATIONS	(39,438)	(26,949)
Dividend received	-	85
Interest received	414	22
Interest paid	(12,358)	(9,806)
Tax paid	(7,794)	(1,037)
NET CASH FOR OPERATING ACTIVITIES	(59,176)	(37,685)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	(14)	(12,240)
Acquisition of development expenditure	(1,296)	-
Acquisition of subsidiaries, net of cash acquired	(13,111)	-
Divestment of a subsidiary, net of cash acquired	13,658	-
Proceeds from shares subscribed by a non-controlling interest in a subsidiary	49	-
Proceeds from disposal of a subsidiary, net of cash	2,981	-
Purchase of concession assets	(3,346)	(483)
Purchase of plant and equipment	(6,182)	(12,667)
NET CASH FOR INVESTING ACTIVITIES	(7,261)	(25,390)

Condensed Consolidated Cash Flow StatementFor the Second quarter ended 30th September 2014

(continued)

	Cumulative 30th September 2014 RM'000	Cumulative 30th September 2013 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of hire purchase and lease payables	(722)	107
Net proceeds from short term borrowings	(3,663)	58,581
Proceeds from drawdown of trade and term loans	297,346	112,640
Repayment of trade and term loans	(244,331)	(127,448)
Placement of pledged deposit	(17)	-
NET CASH FROM FINANCING ACTIVITIES	48,613	43,880
Net changes in cash and cash equivalents	(17,824)	(19,195)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the year	71,160	50,398
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	53,336	31,203

Cash and cash equivalents at end of the period comprise the following balance sheet amounts:

Deposits with licensed banks	29,402	30,422
Cash and bank balances	34,451	9,233
Less: Deposits pledged with licensed banks	(10,517)	(8,452)
Less: Bank overdrafts	-	-
	53,336	31,203

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2014 and the accompanying explanatory notes attached to the interim financial report.

Notes to the Interim Financial Report

For the Second quarter ended 30th September 2014

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30th September 2014 and has been prepared in compliance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2014.

2. Audit report of preceding annual financial statement

The preceding year audited financial statements were not subject to any qualifications.

3. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the Second quarter.

4. Segment information

The Group's operating segments information for the interim financial report to 30th September 2014 was as follows:-

	Trusted Identification & Payment and Transportation RM'000	Sustainable development, Agro and Food & Industrial Building Systems RM'000	Environment & Renewable Energy RM'000	Paper and plastic products, colour separation & printing RM'000	Education RM'000	Group RM'000
Revenue	184,667	55,488	18,858	24,549	1,202	284,764
Segment results	45,387	(15,074)	2,779	(1,849)	(3,202)	28,041
Unallocated corporate expenses						(15,369)
Other income						4,859
Operating profit						17,531
Finance costs						(12,358)
						5,173
Share of profit of associates						447
Profit before taxation						5,620
Income tax expense						(4,692)
Profit after taxation						928

5. Capital Commitments

	As at 30th September 2014 RM'000
Authorised and contracted for:-	
Purchase of property, plant and equipment	25,440

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for this quarter.

7. Changes in the composition of the Group

There were no changes in the composition of the Group for this quarter except for the acquisition as disclosed below:

- (a) The Company had on 18th September 2014 disposed 27,660,770 Versatile Creative Berhad (“VCB) Shares held by IRIS Healthcare Sdn Bhd (“IHSB”) (a wholly-owned subsidiary of IRIS) to Rica Holdings Sdn Bhd (“RHSB”), representing 25% equity interest in VCB for a disposal consideration of approximately RM15.2 million. Pursuant thereto, the company shareholdings in VCB (held via IHSB) is reduced from 71,470,815 VCB Shares (64.6%) to 43,810,045 VCB Shares (39.6%). Accordingly, VCB ceases to be a subsidiary of IHSB.
- (b) The Company had on 10th September 2014 via its wholly owned subsidiary, IRIS Information Technology Systems Sdn Bhd (“IITSB”) acquired 51% of the allotted and fully paid up shares of RM1.00 each in IRIS Global Blue TRS Malaysia Sdn Bhd (“JVCo”) (formerly known as Global Blue TFS Malaysia Sdn Bhd) for a total purchase consideration of RM51, hence rendering it a subsidiary of IRIS Corporation Berhad (hereinafter referred to as the Acquisition”). Global Blue SA holds the remaining 49% equity shares in the JVCo. The JVCo is currently dormant and the proposed business activity of the JVCo is to undertake the business of providing the GST Refund Services to foreign travelers in Malaysia.

8. Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial period.

9. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of this quarter.

10. Items of an unusual nature

There were no items of unusual nature, which affects assets, liabilities, equity, net income or cash flows in the second quarter.

11. Valuations of property, plant and equipment

There were no valuations made on property, plant and equipment for this quarter.

12. Changes in contingent liabilities and contingent assets**Contingent Liabilities**

There are no contingent liabilities incurred or known to be incurred by the Company and/or the Group as at 30th September 2014, except as disclosed below:

- i) The counter guarantees given to local and foreign banks for Performance Bond issued on behalf of the Group amounted to RM81,672,000.
- ii) On 14th May 2010, the Company had entered into a Guarantee Agreement with PJT as the guarantor of PJT for the benefit of Government Savings Bank in Thailand (“The Bank”) for up to Thai Baht 640 million (equivalent to RM64.5 million), which is equivalent to the facilities limit of the Credit Facilities Agreement dated 14th May 2010 that has been entered into between PJT and the Bank. In July 2014, the Credit Facilities were fully settled and the guarantee provided to PJT was uplifted accordingly.

13. Taxation

	Individual		Cumulative	
	3 months ended	3 months ended	6 months ended	6 months ended
	30th	30th	30th	30th
	September	September	September	September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current financial year	(3,347)	(3,068)	(4,692)	(5,803)
- Over/(Under) provision in prior years	-	-	-	-
	<u>(3,347)</u>	<u>(3,068)</u>	<u>(4,692)</u>	<u>(5,803)</u>
Deferred tax				
- Current financial year	-	-	-	-
	<u>(3,347)</u>	<u>(3,068)</u>	<u>(4,692)</u>	<u>(5,803)</u>
Total tax expense	<u>(3,347)</u>	<u>(3,068)</u>	<u>(4,692)</u>	<u>(5,803)</u>

The Group’s effective tax rate is higher than the statutory tax rate of 25% mainly due to losses in subsidiaries which were not available for tax relief at the Group level and the non-deductibility of certain operating expenses for tax purposes.

14. Related Party Transactions

The significant transactions with related parties of the Group for the cumulative 6 months period ended 30th September 2014 were as follows:

	RM'000
Major shareholder of the Company	
The Federal Land Development Authority (“FELDA”)	
- Sales of construction of sustainable development project	<u>19,429</u>

Additional information required by the AMLR

15.1 Review of Performance

For the current financial quarter which ended on 30th September 2014, the Group recorded revenues of RM157.5 million, representing an increase of 19.9% from RM131.4 million recorded in the previous comparable quarter last year.

Whilst the current financial quarter recorded higher revenue, profit before taxation decreased by RM1.9mil (or 19.8%) to RM7.7 million compared to profit before taxation of RM9.6 million in the previous comparable quarter.

The performance of the respective business segments for the quarter ended 30th September 2014 as compared to the previous comparable quarter is analysed as follows:-

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded revenue of RM105.1 million in the current financial quarter ended 30th September 2014 from RM104.7 million in the previous comparable quarter, representing a marginal increase of 0.4%. The constant revenue generated was mainly attributed by the consistent contribution from the local and overseas contracts such as the Malaysia e-Passport Project, Nigeria e-Passport Project, Senegal e-Passport Project and Tanzania e-ID project in the current financial year.

The Sustainable Development, Agro & Food Technology and Koto Industrial Building Systems Division recorded higher revenue of RM31.0 million in the current financial quarter ended 30th September 2014 from RM15.1 million in the previous comparable quarter. The revenue showed an increase mainly due to the additional contribution from the recent contracts awarded for Rimbunan Kaseh and Sentuhan Kasih Programmes from the State Governments and FELDA respectively.

The Environment & Renewable Division recorded revenue of RM9.5 million this quarter from RM11.0 million compared to the same period in the financial quarter ended 30th September 2013. The revenue from the division was mainly generated from its Waste-to-Energy Incinerator Plant in Phuket.

The Printing & Packaging Division and Education Division recorded revenue of RM10.9 million and RM1.0 million respectively and no comparison is available as the acquisition of Versatile Creative Berhad (“VCB”) and Stamford College Group took place during the 3rd quarter of last financial year and 1st quarter of current financial year respectively.

15.2 Comparison with Preceding Quarter

For the current financial quarter which ended on 30th September 2014, the Group recorded revenue of RM157.5 million, representing an increase of 23.7% from RM127.3 million recorded in the preceding quarter ended 30th June 2014. The profit before taxation for the current financial quarter was RM7.7 million, recording an increase of RM9.8 million as compared to a loss before taxation of RM2.1 million recorded in the preceding quarter ended 30th June 2014.

The increase in revenue was mainly due to higher revenue generated from overseas contracts of the trusted identification division. As a result of higher revenue generated, it had led to a turnaround in this quarter with a profit before taxation of RM7.7 million as compared to a loss before taxation recorded in the preceding quarter ended 30th June 2014.

16. Prospects

For the financial year 2015, the prospects for the core business remains bright. This Division's revenue is expected to be derived mainly from the trusted identification projects, namely Malaysia e-Passport inlays, Nigeria e-Passport inlays, Tanzania e-ID cards project, Senegal e-Passport project, Guinea e-Passport project and Bangladesh MRP Passport project. The Automatic Fare Collection Project, payment cards and banking cards will continue to contribute positively to the Payment and Transportation's performance.

The Sustainable Development Division, Food & Agro Technology Division and Koto Industrialised Building Division remain challenging in the FYE 31 March 2015, these divisions are expected to achieve satisfactory performance if the respective divisions receive its targeted number of letter of award for the Rimbunan Kaseh and Sentuhan Kasih projects from the State Governments and FELDA respectively.

For the Environment & Renewable Energy Division, the 700-tonnes per day Waste-to-Energy Incinerator Plant in Phuket, Thailand is expected to produce positive results in the financial year 2015. The 300-tonnes per day Food Waste-to-Fertilizer Plant in Weinan, China is expected to contribute the earnings in the last quarter of this financial year ending 31st March 2015.

In our maiden venture in Papua New Guinea ("PNG"), the high-end residential project called Gerehu Heights consisting of 290 units of landed villas has emerged as another growth opportunity for the Group. The property development in PNG is expected to produce positive results in the 2nd half of this financial year.

In view of the above on-going contracts, the Group is optimistic that its operating performance will be satisfactory for the financial year ending 31st March 2015.

17. Variance between actual results and forecasted profit and shortfall in profit guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

18. Unquoted Securities and/or Properties

There were no purchases or disposals of unquoted securities and/or properties for the current quarter and financial year to date except as disclosed in Note 7.

19. Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter and financial year to date.

20. Available-for-sale financial assets

Available-for-sale financial assets represent investment and deposits paid in respect of:

	At 30th September 2014 RM'000
Investment in an unquoted shares in Malaysia	7,773
Investment in an unquoted shares in Singapore	2,378
Investment in an unquoted shares in Hong Kong	981
Investment in an unquoted shares in Republic of Palau	6,104
Golf Club Membership	406
(Less): Allowance for diminution in value	(3,632)
	14,010

21. Status of Corporate Proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 20th November 2014, being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report except as disclosed below:

a) Private Placement (2013)

On 13th September 2013, the Company served a Circular to shareholders in relation to a proposed private placement of up to 394,098,381 new ordinary shares of ICB to be issued to Federal Land Development Authority (“FELDA”) or its wholly-owned subsidiary at an issue price of RM0.28 (“Private Placement”) and subsequent on 30th September 2013, the proposed Private Placement was approved by the shareholders of the Company.

On 6th November 2013, the Private Placement funds amounting to RM110,347,547 has been raised by issuing of 394,098,381 new ordinary shares of ICB at an issue price of RM0.28 each to Capital Protocol Sdn Bhd, a wholly-owned subsidiary of Federal Land Development Authority (“FELDA”).

The details of the utilisation of the proceeds from the Private Placement up to 20th November 2014 are as follows:

Description	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance to be utilised (RM'000)	Intended Timeframe for Utilisation
Partial repayment of short term borrowings	30,000	(30,000)	-	Within 12 months
Capital expenditure of ICB Group	25,000	(10,091)	14,909	Within 12 months
Working capital of ICB Group	47,000	(47,000)	-	Within 12 months
Estimated expenses in relation to the Proposed Private Placement	8,348	(8,348)	-	Within 6 months
Total	110,348	(95,439)	14,909	

21. Status of Corporate Proposals and utilisation of proceeds

b) Private Placement (2014)

On 6th March 2014, the Company served an announcement in relation to a proposed private placement up to 197,050,150 new ordinary shares of ICB (“Private Placement (2014)”).

On 31st March 2014, 1st tranche of the Private Placement (2014) funds amounting to RM35,368,500 has been raised by issuing of 69,350,000 new ordinary shares of ICB at an issue price of RM0.51 each and the funds is for the purpose of working capital or future investments.

As of 20th November 2014, RM35.36million has been utilized for working capital use.

22. Group Borrowings and Debt Securities

The Group’s borrowings (exclude hire purchase and finance lease) from financial institutions at the end of the current quarter were:

	Short Term	Long Term	Total
	RM’000	RM’000	RM’000
Secured	252,929	127,420	380,349

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM83.6million is denominated in USD dollar.

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 20th November 2014 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

24. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 20th November 2014:

(i) **ICB v. Japan Airlines International Co. Ltd (United States)**

On 1 June 2007, ICB commenced a lawsuit against Japan Airlines International Co. Ltd. (“JAL”) in the United States District Court for the Eastern District of New York (“United States District Court”) alleging that JAL’s use of electronic passports as part of their check-in procedures at United States airports, in which JAL operates constitutes an infringement of ICB’s United States Patent No. 6,111,506 “Method of Making an Improved Security Identification Document Including Contactless Communication Insert Unit” (“Patent”). The case was dismissed on 30 September 2009. One of the grounds of dismissal was that the United States statutory and treaty requirements mandate that international airlines operating out of United States airports use passenger electronic passports as part of their check-in procedures and this pre-empted ICB’s right, if any, to collect patent infringement royalties on this use. ICB filed an appeal to the United States Court of Appeals for the Federal Circuit (“Appeal”).

The case has been fully briefed will be argued in open court on 8 September 2014. The United States Government has filed a friend of the court brief stating, in essence, that the District Court was incorrect, but nevertheless the case should be dismissed in that the proper defendant is the United States government in light of a change in the law that occurred subsequent to the filing of the appeal. The United States Airlines Industry Association has also filed a friend of the court brief agreeing with the position taken by the United States government.

On 21st October 2014 the United States Court of Appeals for the Federal Circuit gave its decision and ruled that ICB must sue the Federal Government under Section 28 U.S.C. 1498 for JAL’s use of its patent as part of JAL’s routine commercial operations at airports throughout the United States. The Federal Circuit’s decision marks an expansion for the protection of 1498(a) to private companies performing quasi-governmental functions outside of a government contract.

The three panel judge affirmed that JAL did not flout the US Patent Number: 6,111,506 owned by ICB. Pursuant to the above finding, ICB has not made a decision as to its next cause of action on whether it will commence a suit against the Federal Government as ruled and recommended by the United States Court of Appeal.

24. Material Litigation (cont'd)

(ii) (1) IRIS Technologies (M) Sdn Bhd (2) Kunt Electronic Sanayii ve Ticaret A.S vs Security General Directorate of Ministry of Interior or Emniyet Genel Mudurlugu (Turkey)

Kunt Electronic Sanayii ve Ticaret A.S. (“Kunt”) is a joint venture partner of IRIS Technologies (M) Sdn Bhd (“ITSB”) in Turkey (both parties are henceforth known as “JVCo”). JVCo had been awarded a tender related to 98 units of Passport Regulation System Purchase dated 26 March 2007 (“Project”) by the Security General Directorate of Ministry of Interior of Turkey, or Emniyet Genel Mudurlugu (“Emniyet”). A contract was subsequently entered into between JVCo and Emniyet on 11 July 2007 for the implementation of the Project (“Contract”). (The Emniyet is alternatively referred to as Ministry of Interior and/or Administration in all opinions and correspondences of ICB’s solicitors.)

According to Article 10 of the Contract, the lump sum price of the Contract is YTL10.500,000. The Project requires the JVCo to prepare the first, second and third phases of work which would be ready for acceptance not later than 6 months, 12 months and 16 months respectively from the commencement date of 11 July 2009 (“Commencement Date”), not later than a maximum of 20 months for delivery of the Project, a period of which includes potential penalty periods which could be taken. The guarantee amount for the work is YTL630.000 pursuant to Article 12.1 of the Contract. Each phase was subject to evaluation in accordance to the Technical Specifications of the Project.

JVCo had completed the third phase of the Project in compliance of the said Technical Specifications, which was delivered to Emniyet not later than 20 months from the Commencement Date. However, Emniyet had requested JVCo to make adjustments to the delivery due to the occurrence of material conditions. Emniyet subsequently alleged that the adjustments did not comply with the expectations of Emniyet and did not meet the conditions of the said specifications.

Emniyet had on 14 September 2010 sent a letter of termination for breach of the Contract to JVCo requesting for a refund of YTL6.195,000.00 (equivalent to RM14.6 million at an exchange rate of YTL 1 to RM2.36 as at 18 September 2009), which is the sum of the payment for the first phase of the Project received by JVCo, with all hardware and equipment delivered to Emniyet to be returned to JVCo.

ICB’s solicitors (“Solicitors”) had on 18 September 2009 made an application to the Ankara Civil Court of Turkey for a precautionary decree in order to prevent a conversion of two guarantee letters which were issued by ITSB to Garanti Bankasi Celiktepe Braanch dated 3 December 2007 amounting to YTL472.500, and issued by Kunt to Finansbank/Europe Branch dated 5 July 2007 amounting to YTL157.500 (“Guarantee Letters”) to which an interlocutory injunction was granted (“Injunction”).

24. Material Litigation (cont'd)

On 5 October 2009, JVCo filed a lawsuit against Emniyet in the Ankara Court of First Instance for unlawful termination of the Contract, claiming for YTL5 million and return of the Guarantee Letters (“Claim”). On 23 March 2013, Emniyet filed a counter claim against JVCo claiming approximately YTL5.25 million from JVCo (“Counter Claim”). On 10 June 2010, a hearing was conducted whereby the judge requested JVCo to submit precise damage amount(s) to be claimed against Emniyet so as to determine which component court would hear the matter. At a hearing on 5 October 2010, the Courts appointed three (3) expert witnesses to submit reports on the case and the submissions of both parties on commercial and technical grounds since the case is highly technical in nature (“Expert Technical Reports”).

The Expert Technical Reports came in on 10 January 2012 which stated that Emniyet has the right to reject the second phase of the operations and that Emniyet cannot pass the third phase without the completion of the second phase and Emniyet is entitled to be paid YTL5.250,00 by the JVCo and they had subsequently appealed against those reports on 20 March 2012.

Apart from the Counter Claim filed by Emniyet, on 14 September 2010 Emniyet filed another suit for additional claims for loss of opportunity amounting to YTL13.041 million against JVCo (“Additional Claims”). On 30 November 2010, JVCo submitted evidence substantiating grounds for rebuttal of the Additional Claims. On 12 April 2011, the court appointed two (2) experts who are experienced in law and finance matters to resubmit a report on the case (“Financial Expert Report”). The Financial Expert Report was submitted on 27 March 2012. In the Financial Expert Report there was the issue of negative indemnity and JVCo appealed against the submission of the negative indemnity provision reported in the said Financial Expert Report. The case was further adjourned pending the submission of an additional Financial Expert Report (“Additional Financial Expert Report”).

On 4 October 2012, the cases for the Claim, the Counter Claim and Additional Claims were merged so that they can be heard concurrently under the Ankara 12th Civil Court under Case No. 2009/343 and fixed to be heard on 5 March 2013. On the 5 March 2013, the Additional Financial Expert Report was submitted with findings which were unfavourable to the JVCo. JVCo requested the court for a further expert report on 26 June 2013. This further expert report was issued stating that the system installed by JVCo was in accordance with technical specifications and the delivery was made good, however the whole system was removed by the Emniyet and became deactivated. JVCo had pursuant to this report demanded that the system be re-established via a court order and had requested that an expert undertake a new examination after re-establishment of the system.

24. Material Litigation (cont'd)

Pursuant to Case No. 2012/173 filed on 19 July 2012 by Emniyet against JVCo and Turkey Garanti Bank (“Bank”), Emniyet had obtained a ruling in this case on 8 March 2013 against the JVCo and the Bank to make a payment to Emniyet amounting to YTL82.292,00, as interest between 30 December 2011 to 8 March 2013 for the Guarantee Letter issued by ITSB. JVCo is considering an appeal against the ruling.

Pursuant to Case No. 2012/510 filed by Emniyet on 24 September 2012 against the JVCo, Emniyet also claimed from JVCo an interest of YTL250.048,53 due to them not being able to cash in the Guarantee Letters as a result of the Injunction. JVCo had filed a defence against this claim under the Turkish Law of Obligations which does not hold it liable to pay this interest. The court found that the matter had commenced procedurally at the wrong court. The Emniyet may re-file the suit in the relevant court.

The Solicitors are of the view that the above suits filed by Emniyet are frivolous and vexatious under Turkey jurisdiction. They have opined that the expert reports which findings are unfavourable to the JVCo is not a court order but mere recommendations. The JVCo has been further advised by the Solicitors that with the present new Turkey government the cases that were consolidated will be recalled and the courts will hear the issues again to derive an equitable decision. The JVCo is currently in discussion with its representative in Turkey and the Solicitors as to whether the above cases need to be litigated further.

(iii) **IRIS Eco Power Sdn Bhd v. Durairaj Raja (Kuala Lumpur High Court Case No. 24NCC 155-05/2013)**

On 14 May 2013, IRIS Eco Power Sdn Bhd (“IEPSB”), a subsidiary of ICB filed an originating summons against Durairaj Raja (“DR”) claiming for a declaration that the sale and purchase agreement dated 20 July 2012 (“Agreement”) between the parties is terminated under Clause 9 of the Agreement, for an order that the sum of USD 500,000.00 be refunded to IEPSB by DR, for an order that the 2,550,000 shares in Oil Field Services Ltd to be transferred back to DR, and for damages and costs (“Originating Summons”). As DR is not a Malaysian citizen and is now residing in United Arab Emirates, IEPSB filed an application to serve the Originating Summons out of jurisdiction which was granted by the court on 22 July 2013. This was subsequently followed up with a request to the registry to serve the Originating Summons out of jurisdiction through the appropriate diplomatic channels. However, service was unsuccessful and as the Originating Summons had expired, it was struck out with liberty to file afresh. ICB’s solicitors are awaiting ICB’s further instructions to file a new Originating Summons against DR. ICB’s solicitors are of the view that the prospects for success of this suit is favorable.

24. Material Litigation (cont'd)

(iv) IRIS Eco Power Sdn Bhd vs IPSA Group PLC (Court of Appeal, Civil Appeal No.: W-02(IM)(NCC)-781-05/2014)

On 1 August 2013, IRIS Eco Power Sdn Bhd (“IEPSB”) filed a claim in the Kuala Lumpur High Court (“Court”) against IPSA Group Plc (“IPSA”), a company registered in England and Wales for a breach of the Sale and Purchase Agreement of 2 Gas Turbine Generating Sets with Ancillary Equipment. IEPSB claimed for the sum of USD3,100,000.00 being the deposit paid to IPSA, USD500,000.00 being the purchase price of the shares in Oil Field Services Ltd (a subsidiary of IEPSB) and the sum of RM20,000,000.00 for loss and damages, together with interest and costs (“Claim”). The Court subsequently granted an order in terms for IEPSB to serve the Claim out of jurisdiction as IPSA is based on the United Kingdom. IEPSB managed to serve the Claim to IPSA.

IPSA then filed an application to challenge the jurisdiction of the Court to determine the dispute in this case. On 25 March 2014, the Court struck out IEPSB’s Claim with costs of RM30,000.00 to be paid by IEPSB to IPSA. IEPSB subsequently entered an appeal against this decision to the Court of Appeal on 25 March 2014. A case management for the appeal is fixed on 3 September 2014 with no hearing date fixed yet. ICB’s solicitors are of the view that the prospect for success of the appeal is favorable.

25. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 30th September 2014 RM'000	As at 31st March 2014 RM'000
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	95,698	91,571
- Unrealised profits/(losses)	(20,605)	(19,758)
	75,093	71,813
ii) Associates		
- Realised profits/(losses)	237	1,948
- Unrealised profits/(losses)	-	-
	237	1,948
	75,330	73,761
iii) Group consolidated adjustments	50,918	49,206
Total retained earnings of the Group	126,247	122,967

26. Dividend

The Company did not pay any dividend in the current financial quarter.

27. Earnings Per Ordinary Share

	Individual		Cumulative	
	3 months ended 30th September 2014	3 months ended 30th September 2013	6 months ended 30th September 2014	6 months ended 30th September 2013
(a) Basic earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	5,684	7,308	3,131	14,986
Weighted average number of ordinary shares ('000) at opening	2,040,168	1,576,394	2,040,168	1,576,394
Basic earnings per ordinary share (Sen)	0.28	0.46	0.15	0.95
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	5,684	7,308	3,131	14,986
Adjustment for after tax effects of Warrants A (RM'000)	-	-	-	-
Adjustment for after tax effects of Warrants B (RM'000)	-	-	-	-
Adjusted net profit for the period (RM'000)	5,684	7,308	3,131	14,986
Weighted average number of ordinary shares ('000)	2,040,168	1,576,394	2,040,168	1,576,394
Adjustment for assumed exercise of Warrants A ('000)	28,408	14,419	28,408	14,419
Adjustment for assumed exercise of Warrants B ('000)	132,868	67,543	132,868	67,543
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	2,201,444	1,658,356	2,201,444	1,658,356
Diluted earnings per ordinary share (Sen)	0.26	0.44	0.14	0.90

28. Profit before taxation

	Individual 3 months ended 30th September 2014 RM'000	Cumulative 6 months ended 30th September 2014 RM'000
Profit before taxation is arrived at after charging/(crediting):		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	8,165	15,407
- Net foreign exchange loss	3,462	5,704
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