

# IRIS CORPORATION BERHAD

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

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## Interim Financial Report for the First quarter ended 30<sup>th</sup> June 2015

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## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the First quarter ended 30<sup>th</sup> June 2015

	Individual 3 months ended		Cumulative 3 months ended	
	30 <sup>th</sup> June 2015 RM'000	30 <sup>th</sup> June 2014 RM'000	30 <sup>th</sup> June 2015 RM'000	30 <sup>th</sup> June 2014 RM'000
<b>Revenue</b>	109,741	127,277	109,741	127,277
Cost of sales	(80,476)	(96,051)	(80,476)	(96,051)
Depreciation and amortization	(4,822)	(5,508)	(4,822)	(5,508)
<b>Gross profit</b>	24,443	25,718	24,443	25,718
Other income	5,344	568	5,344	568
Administrative and operating expenses	(20,061)	(19,851)	(20,061)	(19,851)
Depreciation and amortisation	(2,110)	(1,732)	(2,110)	(1,732)
Finance costs	(5,790)	(6,845)	(5,790)	(6,845)
Share of (loss)/profit of associates	(640)	86	(640)	86
<b>Profit/(Loss) before taxation</b>	1,186	(2,056)	1,186	(2,056)
Tax expense	(2,436)	(1,344)	(2,436)	(1,344)
<b>Loss for the period</b>	(1,250)	(3,400)	(1,250)	(3,400)
<b>Other comprehensive loss, net of tax for the period</b>				
Foreign currency translation for foreign operations	(3,408)	-	(3,408)	-
Share of equity accounted reserve	(1,874)	-	(1,874)	-
	(5,282)	-	(5,282)	-
<b>Total comprehensive loss for the period</b>	(6,532)	(3,400)	(6,532)	(3,400)
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	693	(2,554)	693	(2,554)
Non-controlling interests	(1,943)	(846)	(1,943)	(846)
<b>Loss for the period</b>	(1,250)	(3,400)	(1,250)	(3,400)

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the First quarter ended 30<sup>th</sup> June 2015

(continued)

	Individual		Cumulative	
	3 months ended		3 months ended	
	30 <sup>th</sup> June	30 <sup>th</sup> June	30 <sup>th</sup> June	30 <sup>th</sup> June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Total comprehensive income /(loss) attributable to:</b>				
Owners of the Company	1,361	(2,554)	1,361	(2,554)
Non-controlling interests	(7,893)	(846)	(7,893)	(846)
<b>Total comprehensive loss for the period</b>	<b>(6,532)</b>	<b>(3,400)</b>	<b>(6,532)</b>	<b>(3,400)</b>
<b>Earnings/(Loss) per share attributable to owners of the Company:</b>				
Basic (Sen)	0.03	(0.13)	0.03	(0.13)
Diluted (Sen)	0.03	N/A	0.03	N/A

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 31<sup>st</sup> March 2015 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Financial Position**As at 30<sup>th</sup> June 2015

	30 <sup>th</sup> June 2015 RM'000	31 <sup>st</sup> March 2015 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Investment in associates	18,874	21,387
Property, plant and equipment	179,778	179,407
Concession assets	198,880	199,761
Development costs	6,420	6,354
Other intangible assets	38,285	40,150
Available-for-sale financial assets	15,776	14,825
Deferred tax asset	156	157
Goodwill on consolidation	150,700	150,700
	<u>608,869</u>	<u>612,741</u>
<b>CURRENT ASSETS</b>		
Inventories	92,972	88,723
Trade receivables	247,977	299,780
Amount owing by contract customers	147,549	132,972
Other receivables, deposits & prepayments	79,546	70,181
Amount owing by associates	1,852	1,341
Amount owing by related parties	136	119
Property development expenditure	6,550	7,744
Tax refundable	5,753	4,648
Deposits with licensed banks	42,749	40,135
Cash and cash equivalents	42,919	63,413
	<u>668,003</u>	<u>709,056</u>
<b>TOTAL ASSETS</b>	<u><b>1,276,872</b></u>	<u><b>1,321,797</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	306,043	306,042
Share premium	103,249	103,249
Treasury shares	-	-
Warrants reserve	10,592	10,592
Foreign exchange translation reserve	7,323	4,781
Fair value reserve	(5,955)	(4,081)
Revaluation reserve	38,644	38,719
Retained earnings	88,328	87,560
<b>Total equity attributable to owners of the Company</b>	<u><b>548,224</b></u>	<u><b>546,862</b></u>
Non-controlling interests	11,867	19,760
<b>TOTAL EQUITY</b>	<u><b>560,091</b></u>	<u><b>566,622</b></u>

**Condensed Consolidated Statement of Financial Position**As at 30<sup>th</sup> June 2015

(continued)

	<b>30<sup>th</sup> June 2015</b>	<b>31<sup>st</sup> March 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Other payables	74	63
Hire purchase payables	2,517	3,787
Lease payables	323	402
Term loan	224,585	162,800
Deferred tax liabilities	13,990	13,990
	<u>241,489</u>	<u>181,042</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	18,482	28,691
Other payables and accruals	204,591	224,488
Amount owing to associates	1,931	1,927
Hire purchase payables	2,527	1,984
Lease payables	387	382
Short-term borrowings	245,008	315,148
Provision for taxation	2,366	1,513
	<u>475,292</u>	<u>574,133</u>
<b>TOTAL LIABILITIES</b>	<u>716,781</u>	<u>755,175</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,276,872</u>	<u>1,321,797</u>
<b>Net assets per ordinary share</b> <b>attributable to owners of the Company</b> <b>(sen)</b>	<u>26.87</u>	<u>26.80</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 31<sup>st</sup> March 2015 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Changes in Equity**

For the First quarter ended 30<sup>th</sup> June 2015

	← Non-Distributable →					Distributable				
	Ordinary Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Foreign Exchange Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Attributable to the owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 <sup>st</sup> 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)
Realisation on usage of property	-	-	-	-	-	(82)	82	-	-	-
Loss after taxation for the financial period	-	-	-	-	-	-	(2,554)	(2,554)	(846)	(3,400)
Total comprehensive (loss)/income for the financial period	-	-	-	-	-	-	(2,554)	(2,554)	(846)	(3,400)
<b>At 30<sup>th</sup> June 2014</b>	<b>306,025</b>	<b>103,860</b>	<b>(32,238)</b>	<b>10,598</b>	<b>146</b>	<b>38,701</b>	<b>120,495</b>	<b>547,587</b>	<b>67,552</b>	<b>615,139</b>

**Condensed Consolidated Statement of Changes in Equity**

For the First quarter ended 30<sup>th</sup> June 2015

(continued)

	← Non-Distributable →						Distributable		Non-controlling Interests	Total Equity
	Ordinary Share Capital	Share Premium	Warrants Reserve	Foreign Exchange Translation Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earnings	Attributable to the owners of the Company		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 <sup>st</sup> April 2015	306,042	103,249	10,592	4,781	(4,081)	38,719	87,560	546,862	19,760	566,622
Warrant exercise	1	-	-	-	-	-	-	1	-	1
Realisation on usage of property	-	-	-	-	-	(75)	75	-	-	-
Profit/(Loss) after taxation for the financial year	-	-	-	-	-	-	693	693	(1,943)	(1,250)
Other comprehensive income for the financial year, net of tax										
- Foreign currency translation	-	-	-	2,542	-	-	-	2,542	(5,950)	(3,408)
- Share of equity accounted reserves	-	-	-	-	(1,874)	-	-	(1,874)	-	(1,874)
Total comprehensive income / (loss) for the financial period	-	-	-	2,542	(1,874)	-	693	1,361	(7,893)	(6,532)
<b>At 30<sup>th</sup> June 2015</b>	<b>306,043</b>	<b>103,249</b>	<b>10,592</b>	<b>7,323</b>	<b>(5,955)</b>	<b>38,644</b>	<b>88,328</b>	<b>548,224</b>	<b>11,867</b>	<b>560,091</b>

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 31<sup>st</sup> March 2015 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Cash Flow Statement**For the First quarter ended 30<sup>th</sup> June 2015

	<b>Cumulative 30<sup>th</sup> June 2015 RM'000</b>	<b>Cumulative 30<sup>th</sup> June 2014 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	1,186	(2,056)
Adjustments for:		
Non-Cash Items	5,511	8,736
Interest income	(818)	(102)
Finance costs	5,790	6,845
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>11,669</b>	<b>13,423</b>
Changes in working capital		
Net changes in current assets	24,278	(13,367)
Net changes in current liabilities	(30,658)	(27,202)
<b>NET CASH GENERATED FROM/(FOR) OPERATIONS</b>	<b>5,289</b>	<b>(27,146)</b>
Interest received	818	102
Interest paid	(5,790)	(6,845)
Tax paid	(2,687)	(4,964)
<b>NET CASH FOR OPERATING ACTIVITIES</b>	<b>(2,370)</b>	<b>(38,853)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of an intangible asset	-	(14)
Acquisition of subsidiaries, net of cash acquired	-	(13,111)
Acquisition of available for sale investment	(951)	-
Proceeds from disposal of subsidiaries, net of cash	-	2,981
Proceeds from shares subscribed by non-controlling interests	-	49
Purchase of development costs	(66)	(1,467)
Purchase of concession assets	-	(563)
Purchase of plant and equipment	(4,556)	(1,291)
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<b>(5,573)</b>	<b>(13,416)</b>

**Condensed Consolidated Cash Flow Statement**For the First quarter ended 30<sup>th</sup> June 2015

(continued)

	<b>Cumulative 30<sup>th</sup> June 2015 RM'000</b>	<b>Cumulative 30<sup>th</sup> June 2014 RM'000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of ordinary shares	1	-
Net repayment of hire purchase and lease payables	(800)	39
Net proceeds from short term borrowings	-	4,417
Net proceeds from / (repayment of) bankers' acceptances	(15,760)	-
Net proceeds from / (repayment of) trade loans	11,280	-
Proceeds from drawdown of term loans	66,870	94,640
Repayment of term loans	(71,528)	(62,307)
Placement of pledged deposit	(2,614)	(18)
<b>NET CASH (FOR)/FROM FINANCING ACTIVITIES</b>	<b>(12,551)</b>	<b>36,771</b>
Net changes in cash and cash equivalents	(20,494)	(15,498)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the year	66,008	71,160
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>45,514</b>	<b>55,662</b>

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

Deposits with licensed banks	42,919	58,766
Cash and bank balances	42,749	30,380
Less: Deposits pledged with licensed banks	(40,154)	(10,518)
Less: Bank overdrafts	-	(22,966)
	<b>45,514</b>	<b>55,662</b>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the financial year ended 31<sup>st</sup> March 2015 and the accompanying explanatory notes attached to the interim financial report.

## **Notes to the Interim Financial Report**

For the First quarter ended 30<sup>th</sup> June 2015

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### **1. Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 30<sup>th</sup> June 2015 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 31<sup>st</sup> March 2015.

### **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 First quarter.

#### 4. Segment information

The Group's operating segments information for the interim financial report to 30<sup>th</sup> June 2015 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	Education RM'000	Group RM'000
Revenue	82,536	14,363	11,159	1,683	109,741
Segment results	17,107	(6,658)	1,556	(1,861)	10,144
Unallocated corporate expenses					(7,871)
Other income					5,343
Operating profit					7,616
Finance costs					(5,790)
					1,826
Share of loss of associates					(640)
Profit before taxation					1,186
Income tax expense					(2,436)
Loss after taxation					(1,250)

#### 5. Capital Commitments

	As at 30 <sup>th</sup> June 2015 RM'000
<b>Authorised and contracted for:-</b>	
Purchase of property, plant and equipment	8,193

#### 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.

**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 First 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 30<sup>th</sup> June 2015, 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 RM83,947,000.
- ii) A wholly-owned subsidiary with its joint venture partner in Turkey (“both parties are henceforth known as “JVCO”) is defending an action brought by Security General Directorate of Ministry of Interior or Emniyet Genel Mudrlugu (EGM”) in Turkey. If defence against the action is finally unsuccessful, then the estimated potential liability to the JVCO is limited to the total sum of RM9,093,982 which the ICB Group will be liable for 75% of the amount with interest. Further detailed information of this litigation case is disclosed in Note 24 of this report.

**13. Taxation**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax				
- Current financial year	(2,436)	(1,344)	(2,436)	(1,344)
- Over/(Under) provision in prior years	-	-	-	-
	<u>(2,436)</u>	<u>(1,344)</u>	<u>(2,436)</u>	<u>(1,344)</u>
Deferred tax				
- Current financial year	-	-	-	-
	<u>(2,436)</u>	<u>(1,344)</u>	<u>(2,436)</u>	<u>(1,344)</u>
Total tax expense	<u>(2,436)</u>	<u>(1,344)</u>	<u>(2,436)</u>	<u>(1,344)</u>

The Group’s effective tax rate is higher than the statutory tax rate of 24% 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 3 months period ended 30<sup>th</sup> June 2015 were as follows:

	<b>RM'000</b>
<b>Major shareholder of the Company</b>	
The Federal Land Development Authority (“FELDA”)	
- Sales of construction of sustainable development project	<u>7,619</u>

## **Additional information required by the AMLR**

### **15.1 Review of Performance**

For the three (3) months financial period ended 30<sup>th</sup> June 2015, the Group recorded a revenue of RM109.7 million, representing a decrease of 13.8% from RM127.3 million recorded in the previous comparable quarter ended 30<sup>th</sup> June 2014. The profit before taxation for the current financial quarter was RM1.2 million, which represents an increase of 157% as compared to loss before taxation of RM2.1 million recorded in the previous comparable quarter last year.

The performance of the respective business segments for this 3-month financial quarter ended 30<sup>th</sup> June 2015 as compared to the previous comparable quarter is analysed as follows:-

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded higher revenue of RM82.5 million in the current financial quarter ended 30<sup>th</sup> June 2015 from RM79.6 million in the previous comparable quarter, representing an increase of 3.6%. The increase was mainly attributed to higher revenue generated from overseas contracts such as Tanzania e-ID project, Senegal e-Passport Project and Guinea e-Passport project.

The Sustainable Development, Agro and Food Technology and Industrial Building Systems Division recorded revenue of RM14.4 million in the current financial quarter ended 30<sup>th</sup> June 2015 from RM24.6 million. The revenue showed a decrease due to the delay of letters of award for Rimbunan Kaseh and Sentuhan Kasih Programme from State Governments and FELDA respectively.

The Environment & Renewable Division recorded revenue of RM11.2 million from RM9.4 million compared to the same period in the financial quarter ended 30<sup>th</sup> June 2014. The revenue from the division was mainly generated from its Waste-to-Energy Incinerator Plant in Phuket.

No revenue from Printing & Packaging Division was captured in the consolidation account due to the divestment of 25% equity shares in Versatile Creative Berhad (“VCB”) took place during 3<sup>rd</sup> quarter of last financial year. Revenue of RM13.56 million from Printing & Packaging Division was recorded in the previous comparable quarter.

## 15.2 Comparison with Preceding Quarter

For the current financial quarter which ended 30<sup>th</sup> June 2015, the Group recorded revenue of RM109.7 million, representing a decrease of 20.5% (or RM28.3mil) from RM138.0 million recorded in the preceding quarter ended 31<sup>st</sup> March 2015. The decrease of revenue in current financial quarter mainly attributed to lower delivery of Malaysia e-Passport inlays and lower domestic sales.

Whilst the current financial quarter recorded lower revenue, profit before taxation increased to RM1.2 million in the financial quarter ended 30<sup>th</sup> June 2015 representing an increase of 104.8% as compared to loss before taxation of RM25.0 million in the preceding financial quarter ended 31<sup>st</sup> March 2015.

## 16. Prospects

For the financial year ending 31<sup>st</sup> March 2016, the prospects for the core business remains bright. The Trust Identification Divisions revenue is expected to be derived mainly from the 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 projects. For Payment and Transportation Division, the Automatic Fare Collection Project, payment cards and banking cards is expected to contribute positively due to the new security requirements of banking cards imposed by Bank Negara Malaysia. In addition to payment solution, the JV with Global Blue on the GST Tourist Refund Scheme is expected to produce positive results in the financial year ending 31<sup>st</sup> March 2016.

Sustainable Development Division, Food & Agro Technology Division and Koto Industrialised Building Division remain challenging in the financial year ending 31<sup>st</sup> March 2016, these divisions are expected to achieve satisfactory performance if the respective divisions receive its targeted number of letter of award for Rimbunan Kaseh and Sentuhan Kasih projects from the State Governments and FELDA respectively.

For the Environment & Renewable Energy Division, the 700-tonnes Waste-to-Energy Incinerator Plant in Phuket, Thailand is expected to produce positive results in this financial year. The 300-tonnes Food Waste-to-Fertilizer Plant in Weinan, China is expected to contribute earnings in this financial year.

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

For the Education Division, we continue to expand our network of global partnership to build and offer enriching learning experiences for our students. One of the main targets of the division is to enrol more students in the new campus in order to achieve its breakeven point in this financial year.

In view of the above on-going contracts, the Group is optimistic that its performance will generate a more positive result for the financial year ending 31<sup>st</sup> March 2016.

**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.

**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:

	<b>At 30<sup>th</sup> June 2015 RM'000</b>
Investment in an unquoted shares in Malaysia	7,500
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	7,870
Golf Club Membership	406
(Less): Allowance for diminution in value	(3,359)
	15,776

**21. Status of Corporate Proposals and utilisation of proceeds**

There were no corporate proposals announced but not completed as at 18<sup>th</sup> August 2015, 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:

**Private Placement (2013)**

On 13<sup>th</sup> 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 30<sup>th</sup> September 2013, the proposed Private Placement was approved by the shareholders of the Company.

On 6<sup>th</sup> 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 18<sup>th</sup> August 2015 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
<b>Total</b>	<b>110,348</b>	<b>(95,439)</b>	<b>14,909</b>	

## 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:

	<b>Short Term</b>	<b>Long Term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Secured	197,605	224,585	422,190
Unsecured	47,403	-	47,403
	<u>245,008</u>	<u>224,585</u>	<u>469,593</u>

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM125.0million that are denominated in USD dollar.

## 23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 18<sup>th</sup> August 2015 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 18<sup>th</sup> August 2015:

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

IRIS Corporation Berhad (“IRIS”) filed a lawsuit on 28<sup>th</sup> November 2006 against Japan Airlines International Co., Ltd (“JAL”) in the U.S. District Court, Eastern District of New York alleging direct infringement of IRIS’s US Patent No: 6,111,506 entitled “*Method of making an Improved Security Identification Document Including Contactless Communication Insert Unit*” (“506 Patent”). The 506 Patent contains claims directed to a process for manufacturing a secure electronic passport consisting of computer chip embedded in a multi-layered document which contains biographical or biometric data about the passport holder.

IRIS alleged that passports containing these secured electronic computer chips were manufactured outside United States using IRIS’ patented process. Use of these passports would therefore constitute direct clear violation of 35 U.S.C. 271(g) which states:-

*“Whosoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, or use of the product occurs during the term of such process patent.”*

IRIS alleges that 506 Patent infringement by JAL stems from JAL’s examination of passenger passports at its terminal in New York’s John F Kennedy International Airport (“JFK”) an other check-in locations within the USA and IRIS alleged that the passports of JAL passengers were made “Using” their 506 Patent process, that they constitute “Products” as defined by patent laws, and that JAL’s inspection of the passports at their terminal constitutes an infringement.

At the time IRIS filed the litigation there was no basis for an action against the US Government, also the “User” of these electronic passports. The Federal Tort Claims Act -28 U.S.C. 1498 (a) states that whenever a person or company manufactures a product or uses a product for the US Government that entity may not be sued but instead a law suit may be brought against the US Government in a special court, i.e. US Court of Federal Claims. However the governing case law at that time of the commencement of the suit held that the statute permitting patent infringement suits against the US Government did not apply to U.S.C. 271(g) type infringement, that is, it did not apply to situations where the product used in the USA had been manufactured outside of USA.

Hence not being permitted to sue the US Government because the passports in issue were manufactured outside of USA and being impractical to sue the individual passport holder, IRIS targeted JAL which used e-passports as their check-in procedures conducted at airport facilities in the USA.

## 24. Material Litigation (cont'd)

JAL on 1<sup>st</sup> June 2007 filed a motion to dismiss the action. The District Court agreeing with JAL that there is a conflict of law between the Enhanced Border Security Act 8U.S.C. 1221 which requires all airlines examine passports at check-in facilities in US and Patent laws ( 35 U.S.C. 271(g) granted the motion to dismiss IRIS' suit. The District Court however concluded that:

1. A passport is a "product" under patent laws of USA;
2. Reading a passport is a "use";
3. 28U.S.C 1948 cannot be used as a "shield" by JAL; and
4. Declined to opine on JAL's argument that the Doctrine of Foreign Sovereign Compulsion shields JAL from patent infringement relating to electronic passports.

The Solicitors filed a notice to appeal to the United States Court of Appeals for the Federal Circuit in Washington (2010-1051) but the matter was stayed by virtue of Chapter 15 of the US Bankruptcy Code and also due to the corporate reorganization and outcome of the bankruptcy proceedings in Japan. The JAL bankruptcy proceedings have been terminated and an order was made by the US Bankruptcy Court for the Southern District of New York (SDNY) to close the Chapter 15 case.

On 30<sup>th</sup> December 2013 the Federal Circuit vacated the stay in response to JAL's discharge from the bankruptcy. The hearing of the Appeal was reopened for hearing in the US Court of Appeals for the Federal Circuit in Washington.

The case was fully briefed and parties submitted their respective submissions for argument in open court on 8 September 2014. The United States Government then filed a friend of the court (amicus curiae) 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 also filed a friend of the court brief agreeing with the position taken by the United States government.

On October 21<sup>st</sup> 2014 the United States Court of Appeals for the Federal Circuit gave its decision and ruled that JAL's allegedly infringing acts are carried out "for the United States" under 28U.S.C. 1498(a) and affirmed the District Court's decision to dismiss IRIS' suit.

Pursuant to the advice of the US Department of Justice in their amicus brief and our Solicitors, ICB has proceeded on 24<sup>th</sup> February 2015 to file a Complaint against the US Federal Government (Case1:15-cv-00175-EGB) under Section 28 U.S.C. 1498 for reasonable compensation for the unlicensed manufacture and use of ICB's 506 Patent methods, amounts of which shall be based upon the profit ICB would have made had ICB manufactured each of the e-passport inlays that form the subject matter of the suit. By this Complaint, ICB seeks damages based upon the reasonable compensation formula.

On the 27<sup>th</sup> of April 2015 the Defendant, the US Government replied to the Complaint and enclosed a Defense. On 8<sup>th</sup> May 2015, the Defendant filed a Joint Motion to stay the proceedings pending for entry of potential third parties. Order of Stay was granted on even date pending the filing of third party pleadings until 30<sup>th</sup> June 2015 or if a third party submits a pleading or until no later than 30 days after the last third party pleading is submitted.

## 24. Material Litigation (cont'd)

### (ii) (1) IRIS Technologies (M) Sdn Bhd (2) Kunt Electronic Sanayii ve Ticaret A.S (both parties are henceforth known as “JVCO”) vs Security General Directorate of Ministry of Interior or Emniyet Genel Mudurlugu (Turkey)

The Company received the update on the court proceedings of the consolidated Ankara 12<sup>th</sup> Civil Court of First Instance (2009/343) and 23<sup>rd</sup> Civil Court of First Instance Ankara (2010/347) and several merged cases relating thereto from its solicitors in Turkey.

The Company was informed that a decision was declared on 16<sup>th</sup> September 2014 and was duly served on the JVCO on 28<sup>th</sup> January 2015. The Company makes this announcement as soon as the facts and figures in the Judgment which is in the Turkish language is accurately verified and endorsed by its solicitors.

The Judgment declared the following:-

1. The JVCO’s claim for unlawful termination by EGM and payment for the balance amount of (Turkish Lira) TL6.195.000 (equivalent to RM9,014,221) due to the JVCO for works completed was rejected.
2. EGM’s claim for the refund of monies paid to the JVCO for the completion of Phase 1 (delivery of hardware and equipment) of the Project to the amount of TL6.195.000 (equivalent to RM9,014,221) was allowed and declared that the JVCO had to return the said amount to EGM with interest.
3. The JVCO to pay TL5.053,84 (equivalent to RM7,354) as compensation for loss suffered by EGM ; and
4. EGM’s claim of TL49.761,53 (equivalent to RM72,407) as expenses arising from their performance of the contract and loss due to the termination was allowed and the JVCO was ordered to pay the said amount as compensation.

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

On 1<sup>st</sup> 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 being the deposit paid to IPSA, USD500,000 being the purchase price of the shares in Oil Field Services Ltd (a subsidiary of IEPSB) and the sum of RM20,000,000 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.

**24. Material Litigation (cont'd)**

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

IPSA then filed an application to challenge the jurisdiction of the Court to determine the dispute in this case. On 25<sup>th</sup> March 2014, the Court struck out IEPSB's Claim with costs of RM30,000 to be paid by IEPSB to IPSA. IEPSB subsequently entered an appeal against this decision to the Court of Appeal on 25<sup>th</sup> March 2014. The file was pending case management until it fixed the hearing for 16<sup>th</sup> April 2015. On this date upon considering the relevant Records of Appeals filed including the respective submissions and hearing of oral submissions of the counsels, the Court of Appeal dismissed the case with costs of RM20,000 to be paid to the Respondent. (IPSA). The Court of Appeal upheld the decision of the High Court that there was a lack of connecting factors that would allow the Malaysian courts to exercise jurisdiction over the dispute.

IEPSB has been advised by its Solicitors that it may appeal the decision of the Court of Appeal to the Federal Court subject to obtaining the leave of the Federal Court which must be made before 18<sup>th</sup> May 2015. IEPSB has decided to proceed to file the application to obtain the leave of the Federal Court before the 18<sup>th</sup> May 2015 of which was duly filed within the time frame. The Solicitors inform IEPSB that the Federal Court registry has given a Suit Number for the hearing of the Notice of Motion. IEPSB await for the hearing date from the Federal Court.

**(iv) United Logistics Sdn Bhd vs Stamford College (PJ) Sdn Bhd, Stamford College Berhad and IRIS Corporation Berhad (High Court of Kuala Lumpur, Civil Suit No.: 22NCC 312-08/2014)**

On 26<sup>th</sup> August 2014, United Logistics Sdn Bhd ("Plaintiff") had filed a Writ of Summons at the High Court of Kuala Lumpur against Stamford College (PJ) Sdn Bhd ("SCPJ"), a subsidiary of IRIS Corporation Berhad ("ICB"), as the Defendant. The Defendant further filed a Third Party Notice on 13<sup>th</sup> October 2014 against Stamford College Berhad ("SCB") hence adjoining SCB under this Writ.

Under the Statement of Claim, the Plaintiff alleges that it had provided 3 friendly loans to SCPJ wherein the First Loan for the amount of RM500,000 was paid on 23<sup>rd</sup> July 2012; the Second Loan on 3<sup>rd</sup> September 2012 for the sum of RM250,000 and the Third Loan was paid to Maju Institute of Educational Development ("MIED") for the sum RM1,500,000 on the instruction of SCPJ. The total sum claimed by the Plaintiff under the Writ is RM2,224,262.75, interest upon judgement sum at the rate of 5% per annum calculated on a daily basis from the date of filing the writ and costs. The Plaintiff further alleges that ICB had noticed of the 3 friendly loans given to SCPJ before it acquired the 51% shareholding of SCPJ and hence ICB shall be liable to pay the sums loaned by the Plaintiff to SCPJ.

SCB has via its solicitors filed a 4<sup>th</sup> Party Notice against ICB on 12<sup>th</sup> November 2014 and served the same on ICB. The matter was fixed for several case managements until 5<sup>th</sup> February 2015 when the matter was fixed for hearing of the Third Party's (SCB) application to strike out/set aside the 3<sup>rd</sup> Party Notice. Upon considering the respective written submissions and after hearing the oral submissions of the respective counsels, the Court allowed for the striking out with costs of RM40,000. As a consequence the 4<sup>th</sup> party being ICB was also struck out. ICB shall deem this litigation file resolved and closed.

**24. Material Litigation (cont'd)**

**(v) IRIS Corporation Berhad vs Tan Chin Hwang (High Court of Pulau Pinang Saman Pemula No: 24FC-230-04/2015)**

ICB entered into an Equipment Lease Agreement (“Agreement”) with IQPR Sdn, Bhd (“the Defendant”) on 3<sup>rd</sup> May 2011 where a security was given by Mr Tan Chin Hwang to ICB in respect of this Agreement. The Security in question was a charge registered on a piece of land known as GRN 56247 Lot 3635, Bandar Tanjong Bungah, Daerah Timur Laut, Negeri Pulau Pinang (“the Security”) The Charge over the Security was registered on 10<sup>th</sup> June 2011 and no other charges exist on the said Security. Due to the Defendant committing several defaults in its obligations under the Agreement, ICB had sent out letters of demand and intent dated 13<sup>th</sup> December 2013 and 6<sup>th</sup> March 2014 stating its intent to enforce its rights over the Security in view of the Defendant’s continued breaches. By the same letter ICB terminated the Agreement.

ICB via its solicitors had on 28<sup>th</sup> January 2015 issued a letter enclosing the Form 16D Notice under the National Land Act and the Certificate of Indebtedness on the Defendant which was duly acknowledged receipt by the Defendant personally on 31<sup>st</sup> January 2015. On 2<sup>nd</sup> April ICB’s solicitors filed an Originating Motion pursuant to Seksyen 256 and 257 of the National Land Code 1965 and Orders 31 and 83 of Court Rules 2012. The case was fixed for case management on 11<sup>th</sup> May 2015 and on this date the Defendant’s lawyers attended court and requested for additional time to see further instructions from their client in respect of the suit. The case is fixed for further case management on 19<sup>th</sup> August 2015.

**25. Realised and Unrealised retained earnings**

Breakdown of retained earnings of the Group is as follows:

	<b>As at 30<sup>th</sup> June 2015 RM'000</b>	<b>As at 31<sup>st</sup> March 2015 RM'000</b>
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	47,171	47,171
- Unrealised profits/(losses)	(10,765)	(10,765)
	36,406	36,406
ii) Associates		
- Realised profits/(losses)	(8,845)	(7,832)
- Unrealised profits/(losses)	-	-
	(8,845)	(7,832)
	27,561	28,574
iii) Group consolidated adjustments	60,767	58,986
Total retained earnings of the Group	88,328	87,560

**26. Dividend**

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

**27. Earnings/(Loss) Per Ordinary Share**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>3 months ended</b>	<b>3 months ended</b>
	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>(a) Basic earnings/(loss) per ordinary share</b>				
Profit/(loss) attributable to owners of the Company for the period (RM'000)	693	(2,554)	693	(2,554)
Weighted average number of ordinary shares ('000) at opening	2,040,284	2,040,166	2,040,284	2,040,166
Effect of treasury shares ('000)	-	(126,424)	-	(126,424)
Weighted average number of ordinary shares ('000) at end of period	<u>2,040,284</u>	<u>1,913,742</u>	<u>2,040,284</u>	<u>1,913,742</u>
<b>Basic earnings/(loss) per ordinary share (Sen)</b>	<b><u>0.03</u></b>	<b><u>(0.13)</u></b>	<b><u>0.03</u></b>	<b><u>(0.13)</u></b>
<b>(b) Diluted earnings per ordinary share</b>				
Profit attributable to owners of the Company for the period (RM'000)	693		693	
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)	<u>693</u>		<u>693</u>	
Weighted average number of ordinary shares ('000)	2,040,284		2,040,284	
Adjustment for assumed exercise of Warrants A ('000)	19,858		19,858	
Adjustment for assumed exercise of Warrants B ('000)	<u>92,827</u>		<u>92,827</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	<u>2,152,969</u>		<u>2,152,969</u>	
<b>Diluted earnings per ordinary share (Sen)</b>	<b><u>0.03</u></b>	<b><u>N/A*</u></b>	<b><u>0.03</u></b>	<b><u>N/A*</u></b>

*\*The dilution loss per ordinary share is not presented as it has no dilutive effect.*

**28. Profit before taxation**

	<b>Individual 3 months ended 30<sup>th</sup> June 2015 RM'000</b>	<b>Cumulative 3 months ended 30<sup>th</sup> June 2015 RM'000</b>
Profit before taxation is arrived at after charging/(crediting):		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	6,931	6,931
- Net foreign exchange (gain)/loss	(3,953)	(3,953)
	<hr/>	<hr/>