

IRIS CORPORATION BERHAD

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

Interim Financial Report for the Second quarter ended 30th September 2015

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Second quarter ended 30th September 2015

	Individual		Cumulative	
	3 months ended 30 th September 2015 RM'000	30 th September 2014 RM'000	6 months ended 30 th September 2015 RM'000	30 th September 2014 RM'000
Revenue	144,712	157,487	254,453	284,764
Cost of sales	(110,167)	(113,550)	(190,644)	(209,600)
Depreciation and amortization	(4,722)	(6,302)	(9,544)	(11,811)
Gross profit	29,823	37,635	54,265	63,353
Other income	6,382	4,291	11,726	4,859
Administrative and operating expenses	(20,292)	(27,235)	(40,352)	(47,085)
Depreciation and amortisation	(1,732)	(1,863)	(3,842)	(3,596)
Finance costs	(7,067)	(5,514)	(12,858)	(12,358)
Share of (loss)/profit of associates	346	361	(293)	447
Profit before taxation	7,460	7,675	8,646	5,620
Tax expense	(3,526)	(3,347)	(5,962)	(4,692)
Profit for the period	3,934	4,328	2,684	928
Other comprehensive income, net of tax for the period				
Foreign currency translation for foreign operations	32,898	-	29,490	-
Share of equity accounted reserve	(1,619)	-	(3,493)	-
	31,279	-	25,997	-
Total comprehensive income for the period	35,213	4,328	28,681	928
Profit/(Loss) attributable to:				
Owners of the Company	4,759	5,684	5,452	3,131
Non-controlling interests	(825)	(1,356)	(2,768)	(2,203)
Profit for the period	3,934	4,328	2,684	928

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Second quarter ended 30th September 2015

(continued)

	Individual		Cumulative	
	3 months ended 30 th September 2015 RM'000	30 th September 2014 RM'000	6 months ended 30 th September 2015 RM'000	30 th September 2014 RM'000
Total comprehensive income /(loss) attributable to:				
Owners of the Company	27,480	5,684	28,841	3,131
Non-controlling interests	7,733	(1,356)	(160)	(2,203)
Total comprehensive income for the period	35,213	4,328	28,681	928
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.23	0.28	0.27	0.15
Diluted (Sen)	0.22	0.26	0.26	0.14

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2015 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial PositionAs at 30th September 2015

	30th September 2015	31st March 2015
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Investment in associates	17,601	21,387
Property, plant and equipment	185,099	179,407
Concession assets	214,804	199,761
Development costs	8,055	6,354
Other intangible assets	37,566	40,150
Available-for-sale financial assets	15,776	14,825
Deferred tax asset	312	157
Goodwill on consolidation	150,700	150,700
	<u>629,913</u>	<u>612,741</u>
CURRENT ASSETS		
Inventories	80,366	88,723
Trade receivables	318,532	299,780
Amount owing by contract customers	166,745	132,972
Other receivables, deposits & prepayments	89,131	70,181
Amount owing by associates	1,582	1,341
Amount owing by related parties	119	119
Property development expenditure	9,806	7,744
Tax refundable	6,086	4,648
Deposits with licensed banks	50,706	40,135
Cash and cash equivalents	34,558	63,413
	<u>757,631</u>	<u>709,056</u>
	<u>1,387,544</u>	<u>1,321,797</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
EQUITY		
Share capital	306,043	306,042
Share premium	103,249	103,249
Warrants reserve	10,592	10,592
Foreign exchange translation reserve	31,663	4,781
Fair value reserve	(7,574)	(4,081)
Revaluation reserve	38,569	38,719
Retained earnings	93,162	87,560
Total equity attributable to owners of the Company	<u>575,704</u>	<u>546,862</u>
Non-controlling interests	19,600	19,760
TOTAL EQUITY	<u>595,304</u>	<u>566,622</u>

Condensed Consolidated Statement of Financial PositionAs at 30th September 2015

(continued)

	30 th September 2015 RM'000	31 st March 2015 RM'000
NON-CURRENT LIABILITIES		
Other payables	93	63
Hire purchase payables	2,342	3,787
Lease payables	243	402
Term loan	226,579	162,800
Deferred tax liabilities	13,990	13,990
	243,247	181,042
CURRENT LIABILITIES		
Trade payables	32,965	28,691
Other payables and accruals	259,158	224,488
Amount owing to associates	938	1,927
Hire purchase payables	2,329	1,984
Lease payables	288	382
Short-term borrowings	250,805	315,148
Provision for taxation	2,510	1,513
	548,993	574,133
TOTAL LIABILITIES	792,240	755,175
TOTAL EQUITY AND LIABILITIES	1,387,544	1,321,797
Net assets per ordinary share attributable to owners of the Company (sen)	28.22	26.80

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 2015 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 2015

	← Non-Distributable →						Distributable		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	Attributable to the owners of the Company 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	-	-	-
Loss after taxation for the financial Period	-	-	-	-	-	-	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

Condensed Consolidated Statement of Changes in Equity

For the Second quarter ended 30th September 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 st 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
De-consolidation of subsidiaries	-	-	-	-	-	-	-	-	-	-
Realisation on usage of property	-	-	-	-	-	(150)	150	-	-	-
Profit/(Loss) after taxation for the financial year	-	-	-	-	-	-	5,452	5,452	(2,768)	2,684
Other comprehensive income for the financial year, net of tax										
- Foreign currency translation	-	-	-	26,882	-	-	-	26,882	2,608	29,490
- Share of equity accounted reserves	-	-	-	-	(3,493)	-	-	(3,493)	-	(3,493)
Total comprehensive income / (loss) for the financial period	-	-	-	26,882	(3,493)	-	5,452	28,841	(160)	28,681
At 30th September 2015	306,043	103,249	10,592	31,663	(7,574)	38,569	93,162	575,704	19,600	595,304

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 2015 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow StatementFor the Second quarter ended 30th September 2015

	Cumulative 30th September 2015 RM'000	Cumulative 30th September 2014 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,646	5,620
Adjustments for:		
Non-Cash Items	39,854	14,625
Interest income	(220)	(414)
Finance costs	12,858	12,358
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	61,138	32,189
Changes in working capital		
Net changes in current assets	(65,420)	(38,912)
Net changes in current liabilities	37,985	(32,715)
NET CASH GENERATED FROM/(FOR) OPERATIONS	33,703	(39,438)
Interest received	220	414
Interest paid	(12,858)	(12,358)
Tax paid	(6,557)	(7,794)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	14,508	(59,176)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of an intangible asset	-	(14)
Acquisition of subsidiaries, net of cash acquired	-	(13,111)
Acquisition of available for sale investment	(952)	-
Divestment of a subsidiary, net of cash acquired	-	13,658
Proceeds from disposal of subsidiaries, net of cash	-	2,981
Proceeds from disposal of plant and equipment	205	-
Proceeds from shares subscribed by non-controlling interests	-	49
Purchase of development costs	(1,702)	(1,296)
Purchase of concession assets	(1,550)	(3,346)
Purchase of plant and equipment	(6,499)	(6,182)
NET CASH FOR INVESTING ACTIVITIES	(10,498)	(7,261)

Condensed Consolidated Cash Flow StatementFor the Second quarter ended 30th September 2015

(continued)

	Cumulative 30th September 2015 RM'000	Restated Cumulative 30th September 2014 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from issuance of ordinary shares	1	-
Net repayment of hire purchase and lease payables	(1,353)	(722)
Net proceeds from / (repayment of) bankers' acceptances	(9,966)	(3,663)
Net proceeds from / (repayment of) trade loans	(186)	(59,792)
Proceeds from drawdown of term loans	72,556	229,312
Repayment of term loans	(83,346)	(116,505)
Placement of pledged deposits	(7,622)	(17)
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(29,916)	48,613
Net changes in cash and cash equivalents	(25,906)	(17,824)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the period	66,008	71,160
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	40,102	53,336

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

Deposits with licensed banks	50,706	29,402
Cash and bank balances	34,558	34,451
Less: Deposits pledged with licensed banks	(45,162)	(10,517)
	40,102	53,336

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 2015 and the accompanying explanatory notes attached to the interim financial report.

Notes to the Interim Financial Report

For the Second quarter ended 30th September 2015

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30th September 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 31st 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 Second quarter.

4. Segment information

The Group's operating segments information for the interim financial report to 30th September 2015 was as follows:-

	Trusted Identification & Payment and Transportation RM'000	Sustainable development, & Koto Industrial Building Systems RM'000	Food & Agro Technology RM'000	Environment & Renewable Energy RM'000	Education RM'000	Elimination RM'000	Group RM'000
Revenue from external customers	181,641	40,678	1,357	27,779	2,998	-	254,453
Inter-segment revenue	-	-	2,786	-	-	(2,786)	-
Total Revenue	181,641	40,678	4,143	27,779	2,998	(2,786)	254,453
Segment results	36,055	(7,128)	(6,835)	6,551	(4,268)	-	24,375
Unallocated corporate expenses							(14,304)
Other income							11,726
Operating profit							21,797
Finance costs							(12,858)
							8,939
Share of loss of associates							(293)
Profit before taxation							8,646
Income tax expense							(5,962)
Profit after taxation							2,684

5. Capital Commitments

	As at 30 th September 2015 RM'000
Authorised and contracted for:-	
Purchase of property, plant and equipment	2,216

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 except as below:

Disposal of entire 75% equity interest in PJT Technology Co., Ltd

The Company had on 6th November, 2015 entered into a Sale and Purchase of Shares Agreement for the disposal of a total of 5,550,000 ordinary shares of THB100 each (the “Sale Shares”) representing 75% of PJT Technology Co., Ltd’s (“PJT”) fully and paid up capital of THB740,000,000 divided into 7,4000,000 ordinary shares at a consideration of USD24,000,000, or equivalent to RM103,152,000 (“Proposed Disposal”). Upon the completion of the proposed disposal, PJT will cease as a subsidiary of the Company.

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 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 RM84,337,000.
- 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

	Individual		Cumulative	
	3 months ended		6 months ended	
	30th	30th	30th	30th
	September	September	September	September
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current financial year	(3,681)	(3,347)	(6,117)	(4,692)
- Over/(Under) provision in prior years	-	-	-	-
	<u>(3,681)</u>	<u>(3,347)</u>	<u>(6,117)</u>	<u>(4,692)</u>
Deferred tax				
- Current financial year	155	-	155	-
	<u>(3,526)</u>	<u>(3,347)</u>	<u>(5,962)</u>	<u>(4,692)</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 6 months period ended 30th September 2015 were as follows:

	RM'000
Major shareholder of the Company	
The Federal Land Development Authority (“FELDA”)	
- Sales of construction of sustainable development project	<u>15,370</u>

Additional information required by the AMLR

15.1 Review of Performance

For the three (3) months financial period ended 30th September 2015, the Group recorded a revenue and profit before taxation of RM144.7 million and RM7.5 million, representing a decrease of 8.1% and 2.6% from RM157.5 million and RM7.7 million respectively recorded in the previous comparable quarter ended 30th September 2014.

The performance of the respective business segments for this 3-month financial quarter ended 30th September 2015 (“this quarter”) as compared to the previous comparable quarter ended 30th September 2014 (“previous comparable quarter”) is analysed as follows:-

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded slightly lower revenue of RM99.1 million in this quarter from RM105.1 million in the previous comparable quarter, representing a decrease of 5.7%. The revenue for this quarter was mainly generated from overseas contracts such as Tanzania e-ID project, Nigeria e-Passport Project, Senegal e-Passport Project, Guinea e-Passport project and the Malaysia e-Passport inlays project.

The Sustainable Development and Koto Industrial Building Systems Division recorded revenue of RM27.1 million in this quarter, representing a decrease of 10.6% (or RM3.2 million) from RM30.3 million in previous comparable quarter. The revenue showed a decrease due to the lower sales of Rimbunan Kaseh and Sentuhan Kasih Programmes from the State Governments and FELDA respectively in this quarter.

The Food and Agro Technology Division recorded revenue of RM3.4million in this quarter, which is an increase of RM2.2 million as compared to the previous comparable quarter of RM1.2 million. The increase in sales was mainly derived from the higher implementation for Rimbunan Kaseh and Sentuhan Kasih Programmes in this quarter.

The Environment & Renewable Division recorded revenue of RM16.6 million this quarter from RM9.5 million compared to the previous comparable quarter. The increase in revenue from the division was mainly generated by its Waste-to-Energy Incinerator Plant in Phuket.

No revenue from the Printing & Packaging Division was captured in the consolidation account this quarter due to the divestment of 25% equity shares in Versatile Creative Berhad (“VCB”), which took place during the 3rd quarter of last financial year. Revenue of RM11.0 million from the Printing & Packaging Division was recorded in the previous comparable quarter.

15.2 Comparison with Preceding Quarter

For the current financial quarter which ended 30th September 2015, the Group recorded revenue of RM144.7 million, representing an increase of 31.9% (or RM35.0 million) from RM109.7 million recorded in the preceding quarter ended 30th June 2015. The increased revenue in the current financial quarter was mainly attributed to the higher delivery of Malaysia e-Passport inlays and overseas projects.

With the higher revenue achieved in the current financial quarter, profit before taxation thereof increased to RM7.5 million, representing a RM6.3 million increase as compared to profit before taxation of RM1.2 million in the preceding financial quarter ended 30th June 2015.

16. Prospects

For the financial year ending 31st March 2016 (“FYE 2016”), the prospects for the core business remains bright. The Trusted 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.

Sustainable Development Division & Koto Industrialised Building Division and Food & Agro Technology Division remain challenging in FYE 2016. These divisions are expected to achieve satisfactory performance if the respective divisions receive its targeted number of letters of award for Rimbunan Kaseh and Sentuhan Kasih projects from the State Governments and FELDA respectively.

In our maiden venture in Papua New Guinea (“PNG”), the high-end residential project called Gerehu Heights consisting of 245 units landed villas has emerged as another growth opportunity for the Group. The Division is in the midst of finalising its term loan facility. Pending drawdown of its term loan and subsequent billings, the property development in PNG is expected to produce positive results in this 2nd half of financial year.

For the Environment & Renewable Energy Division, the Company and its wholly-owned subsidiary, Northern Shine Holdings Limited had on 6th November 2015 entered into a Sale and Purchase of Shares Agreement for the disposal of its 75% shares in PJT which currently owns and operates the 700-tonnes Waste-to-Energy Incinerator Plant in Phuket, Thailand. Upon the completion of the proposed disposal, PJT shall cease to become a subsidiary of ICB. As a result, the earnings of this division is expected to decline in the 4th quarter 2016. However, the 300-tonnes Food Waste-to-Fertilizer Plant in Weinan, China is expected to generate positive results for this Division.

For the Education Division, we will 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 achieve a positive result for the financial year ending 31st 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 period to date.

19. Quoted Securities

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

20. Available-for-sale financial assets

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

	At 30th September 2015 RM'000
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 18th November 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 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 18th November 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
Total	110,348	(95,439)	14,909	

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	190,416	226,579	416,995
Unsecured	60,389	-	60,389
	<u>250,805</u>	<u>226,579</u>	<u>477,384</u>

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM130.6million that are denominated in USD dollar.

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 18th November 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 18th November 2015:

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

IRIS Corporation Berhad (“IRIS”) filed a lawsuit on 28th 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 1st 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 30th 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 21st 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 24th 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 27th of April 2015 the Defendant, the US Government replied to the Complaint and enclosed a Defense. On 8th 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 30th 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)

On 19th June, 2015 and 10th July, 2015 were the last date for 3rd Parties to accept the Government's invitation to join the Defence. They did not file any pleading. IRIS is now in the process of appointing a Damages Expert to evaluate the total amount of damages that can be claimed from potential infringers and a Technical Expert to advice on the technical aspect of the 506 Patent in the event of success.

On 30th October 2015, ICB's US Counsel was served with deposition notices for the witnesses previously identified in the Government's initial disclosures. Depositions will generally commence on the 14th December 2015 in US. On 3rd November 2015, ICB's US Counsel was served with the Government's initial discovery demands. They are asking for one deposition from ICB which will be made in US sometime end of the year.

(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 12th Civil Court of First Instance (2009/343) and 23rd 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 16th September 2014 and was duly served on the JVCO on 28th 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.

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)**

On 1st 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.

IPSA then filed an application to challenge the jurisdiction of the Court to determine the dispute in this case. On 25th 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 25th March 2014. The file was pending case management until it fixed the hearing for 16th 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 filed an appeal on 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 18th May 2015. IEPSB has decided to proceed to file the application to obtain the leave of the Federal Court which was duly filed within the time frame. The motion for leave was heard on 3rd November 2015. IEPSB was given another date for the hearing of the Motion on 20th February 2016.

(iv) **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 3rd 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 Tanjung Bungah, Daerah Timur Laut, Negeri Pulau Pinang (“the Security”) The Charge over the Security was registered on 10th 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 13th December 2013 and 6th 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 28th 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 31st January 2015. On 2nd April 2015, ICB’s solicitors filed an Originating Motion pursuant to Seksyen 256 and 257 of the National.

24. Material Litigation (cont'd)

Land Code 1965 and Orders 31 and 83 of Court Rules 2012. On 11th May 2015, the Defendant's lawyers attended court and requested for additional time to see further instructions from their client in respect of the suit.

The Defendant had made an application for Stay and Reference to Arbitration (Encl 8). The matter was adjourned several times for case management pending parties filing of their respective written submissions until a hearing date was given on 20th November 2015. Counsels were prepared but were informed on that day that the Judge was going on transfer and the hearing was postponed to January 2016 and the date will be confirmed by the Court at a later date.

25. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 30th September 2015 RM'000	As at 31st March 2015 RM'000
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	32,187	47,171
- Unrealised profits/(losses)	9,820	(10,765)
	42,007	36,406
ii) Associates		
- Realised profits/(losses)	(11,618)	(7,832)
- Unrealised profits/(losses)	-	-
	(11,618)	(7,832)
	30,389	28,574
iii) Group consolidated adjustments	62,773	58,986
Total retained earnings of the Group	93,162	87,560

26. Dividend

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

27. Earnings Per Ordinary Share

	Individual		Cumulative	
	3 months ended 30 th September 2015	3 months ended 30 th September 2014	6 months ended 30 th September 2015	6 months ended 30 th September 2014
(a) Basic earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	4,759	5,684	5,452	3,131
Weighted average number of ordinary shares ('000) at opening	2,040,284	2,040,168	2,040,284	2,040,166
Effect of treasury shares ('000)	-	-	-	-
Weighted average number of ordinary shares ('000) at end of period	2,040,284	2,040,168	2,040,284	2,040,168
Basic earnings per ordinary share (Sen)	0.23	0.28	0.27	0.15
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	4,759	5,684	5,452	3,131
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)	4,759	5,684	5,452	3,131
Weighted average number of ordinary shares ('000)	2,040,284	2,040,168	2,040,284	2,040,168
Adjustment for assumed exercise of Warrants A ('000)	13,253	28,408	13,253	28,408
Adjustment for assumed exercise of Warrants B ('000)	61,952	132,868	61,952	132,868
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	2,115,490	2,201,444	2,115,490	2,201,444
Diluted earnings per ordinary share (Sen)	0.22	0.26	0.26	0.14

28. Profit before taxation

	Individual 3 months ended 30th September 2015 RM'000	Cumulative 6 months ended 30th September 2015 RM'000
Profit before taxation is arrived at after charging/(crediting):		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	6,455	13,386
- Net foreign exchange (gain)/loss	(6,335)	(10,288)
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