

# IRIS CORPORATION BERHAD

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

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## Interim Financial Report for the Fourth quarter ended 31<sup>st</sup> March 2013

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**Condensed Consolidated Statement of Comprehensive Income**For the Fourth quarter ended 31<sup>st</sup> March 2013

	<b>Individual 3 months ended</b>		<b>Cumulative 12 months ended</b>	
	<b>31<sup>st</sup> March 2013 RM'000</b>	<b>31<sup>st</sup> March 2012 RM'000</b>	<b>31<sup>st</sup> March 2013 RM'000</b>	<b>31<sup>st</sup> March 2012 RM'000</b>
<b>Revenue</b>	187,258	76,617	537,066	410,731
Cost of sales	(158,025)	(52,896)	(413,396)	(287,517)
Depreciation and amortisation	(4,517)	(3,031)	(17,380)	(8,528)
<b>Gross profit</b>	24,716	20,690	106,290	114,686
Other income	2,209	1,339	3,722	4,001
Administrative and operating expenses	(12,750)	(12,112)	(55,655)	(55,018)
Depreciation and amortisation	(2,586)	(1,246)	(6,403)	(4,911)
Finance costs	(3,801)	(2,581)	(13,262)	(10,839)
Share of loss of associates	382	(1,062)	(652)	(1,844)
<b>Profit before taxation</b>	8,170	5,028	34,040	46,075
Tax expense	(5,427)	(335)	(15,593)	(11,667)
<b>Profit for the period</b>	2,743	4,693	18,447	34,408
<b>Other comprehensive income for the period</b>	(1,076)	-	(1,076)	-
<b>Total comprehensive income for the period</b>	1,667	4,693	17,371	34,408
<b>Profit attributable to:</b>				
Owners of the Company	5,910	6,348	21,071	37,217
Non-controlling interests	(3,167)	(1,655)	(2,624)	(2,809)
<b>Profit for the period</b>	2,743	4,693	18,447	34,408

**Condensed Consolidated Statement of Comprehensive Income**For the Fourth quarter ended 31<sup>st</sup> March 2013

(continued)

	<b>Individual 3 months ended</b>		<b>Cumulative 12 months ended</b>	
	<b>31<sup>st</sup> March 2013</b>	<b>31<sup>st</sup> March 2012</b>	<b>31<sup>st</sup> March 2013</b>	<b>31<sup>st</sup> March 2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	5,123	6,348	20,284	37,217
Non-controlling interests	(3,456)	(1,655)	(2,913)	(2,809)
<b>Total comprehensive income for the period</b>	<b>1,667</b>	<b>4,693</b>	<b>17,371</b>	<b>34,408</b>
<b>Earnings per share attributable to owners of the Company:</b>				
Basic (Sen)	0.38	0.42	1.34	2.41
Diluted (Sen)	0.34	0.48	1.20	2.43

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> March 2012 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> March 2013

	31 <sup>st</sup> March 2013 RM'000	31 <sup>st</sup> March 2012 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Concession assets	185,892	10,229
Property, plant and equipment	161,564	117,146
Development Costs	-	336
Intellectual properties	7,628	9,008
Goodwill on consolidation	141,511	135,403
Investment in associates	7,728	40,802
Available-for-sale financial assets	406	406
	504,729	313,330
<b>CURRENT ASSETS</b>		
Inventories	93,837	57,411
Trade receivables	224,539	210,542
Amount owing by contract customers	75,084	30,850
Other receivables, deposits & prepayments	108,113	66,652
Amount owing by associates	2,090	17,016
Amount owing by related parties	215	176
Tax refundable	9,211	1,764
Deposits with licensed banks	21,604	27,063
Cash and cash equivalents	37,162	61,761
	571,855	473,235
	1,076,584	786,565
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	236,459	236,257
Share premium	35,211	35,211
Warrants reserve	10,609	10,616
Foreign exchange translation reserve	(787)	-
Revaluation reserve	26,904	27,233
Retained earnings	107,674	93,361
<b>Total equity attributable to owners of the Company</b>	416,070	402,678
Non-controlling interests	41,141	(1,000)
<b>TOTAL EQUITY</b>	457,211	401,678

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> March 2013

(continued)

	31 <sup>st</sup> March 2013 RM'000	31 <sup>st</sup> March 2012 RM'000
<b>NON-CURRENT LIABILITIES</b>		
Other payables	168	-
Hire purchase & lease payables	4,551	3,395
Term loan	98,498	72,978
Deferred tax liabilities	13,534	12,580
	<u>116,751</u>	<u>88,953</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	33,756	33,465
Other payables and accruals	286,595	182,308
Amount owing to an associate	418	36
Amount owing to related parties	5	5
Hire purchase & lease payables	2,336	1,252
Short-term borrowings	167,836	72,753
Provision for taxation	11,676	6,115
	<u>502,622</u>	<u>295,934</u>
<b>TOTAL LIABILITIES</b>	<u>619,373</u>	<u>384,887</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,076,584</u>	<u>786,565</u>
<b>Net assets per ordinary share attributable to owners of the Company (sen)</b>	<u>26.39</u>	<u>25.50</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> March 2012 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Changes in Equity**

For the Fourth quarter ended 31<sup>st</sup> March 2013

	← 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	ICPS* 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 <sup>st</sup> April 2011 (as previously reported)	212,621	3,795	35,052	10,616	(518)	27,561	63,833	352,960	-	352,960	
Effect of adopting MFRS	-	-	-	-	518	-	(518)	-	-	-	
At 1 <sup>st</sup> April 2011 (as adjusted)	212,621	3,795	35,052	10,616	-	27,561	63,315	352,960	-	352,960	
Issue of share capital	19,841	-	159	-	-	-	-	20,000	-	20,000	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,421	1,421	
Shares subscribed by non-controlling interests	-	-	-	-	-	-	-	-	388	388	
Conversion of ICPS into ordinary shares	3,795	(3,795)	-	-	-	-	-	-	-	-	
Realisation on usage of property	-	-	-	-	-	(328)	328	-	-	-	
Foreign currency translation, net of tax	-	-	-	-	-	-	(412)	(412)	-	(412)	
Dividend paid	-	-	-	-	-	-	(7,087)	(7,087)	-	(7,087)	
Total comprehensive income for the financial period	-	-	-	-	-	-	37,217	37,217	(2,809)	34,408	
<b>At 31<sup>st</sup> March 2012</b>	<b>236,257</b>	<b>-</b>	<b>35,211</b>	<b>10,616</b>	<b>-</b>	<b>27,233</b>	<b>93,361</b>	<b>402,678</b>	<b>(1,000)</b>	<b>401,678</b>	

**Condensed Consolidated Statement of Changes in Equity**

For the Fourth quarter ended 31<sup>st</sup> March 2013

(continued)

	← Non-Distributable →					Distributable		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	Attributable to the owners of the Company RM'000		
At 1 <sup>st</sup> April 2012 (as previously reported)	236,257	35,211	10,616	(930)	27,233	94,291	402,678	(1,000)	401,678
Effect of adopting MFRS	-	-	-	930	-	(930)	-	-	-
At 1 <sup>st</sup> April 2012 (as adjusted)	236,257	35,211	10,616	-	27,233	93,361	402,678	(1,000)	401,678
Warrant exercised	202	-	(7)	-	-	7	202	-	202
Acquisition/Issue of share in subsidiaries	-	-	-	-	-	-	-	33,476	33,476
Shares subscribed by non-controlling interests	-	-	-	-	-	-	-	11,578	11,578
Foreign currency translation, net of tax	-	-	-	(787)	-	-	(787)	(289)	(1,076)
Realisation on usage of property	-	-	-	-	(329)	329	-	-	-
Dividend paid	-	-	-	-	-	(7,094)	(7,094)	-	(7,094)
Total comprehensive income for the financial period	-	-	-	-	-	21,071	21,071	(2,624)	18,447
<b>At 31<sup>st</sup> March 2013</b>	<b>236,459</b>	<b>35,211</b>	<b>10,609</b>	<b>(787)</b>	<b>26,904</b>	<b>107,674</b>	<b>416,070</b>	<b>41,141</b>	<b>457,211</b>

\* ICPS define as Non-Cumulative Irredeemable Convertible Preference Share

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> March 2012 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Cash Flow Statement**For the Fourth quarter ended 31<sup>st</sup> March 2013

	<b>Cumulative 31<sup>st</sup> March 2013 RM'000</b>	<b>Cumulative 31<sup>st</sup> March 2012 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	34,040	46,075
Adjustments for:		
Non-Cash Items	23,872	25,170
Interest income	(2,162)	(508)
Finance costs	13,262	10,839
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>69,012</b>	<b>81,576</b>
Changes in working capital		
Net changes in current assets	(83,320)	(78,095)
Net changes in current liabilities	60,701	140,067
<b>NET CASH GENERATED FROM OPERATIONS</b>	<b>46,393</b>	<b>143,548</b>
Dividend received	-	75
Interest received	2,162	508
Interest paid	(13,262)	(10,839)
Tax paid	(16,530)	(19,225)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>18,763</b>	<b>114,067</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of investment in associates	(500)	(1,000)
Acquisition of subsidiaries, net of cash acquired	(3,250)	-
Net cash flows from additional investment in a subsidiary	11,578	-
Proceeds from disposal of plant and equipment	-	36
Proceeds from share subscribed by non-controlling interests	-	388
Purchase of plant and equipment	(44,260)	(14,135)
Purchase of concession assets	(78,975)	(1,426)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(115,407)</b>	<b>(16,137)</b>



**Condensed Consolidated Cash Flow Statement**For the Fourth quarter ended 31<sup>st</sup> March 2013

(continued)

	<b>Cumulative 31<sup>st</sup> March 2013 RM'000</b>	<b>Cumulative 31<sup>st</sup> March 2012 RM'000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid to owners of the Company	(7,094)	(7,087)
Proceeds from issuance of ordinary shares	202	20,000
Net (repayment of)/proceeds from hire purchase and lease payables	(1,026)	413
Net proceeds/(repayment of) short term borrowings	11,847	(21,456)
Proceeds from drawdown of trade and term loans	216,299	24,393
Repayment of trade and term loans	(153,642)	(31,575)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>66,586</b>	<b>(15,312)</b>
Net changes in cash and cash equivalents	(30,058)	82,618
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the year	88,824	6,206
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>58,766</b>	<b>88,824</b>

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

Deposits with licensed banks	21,604	27,063
Cash and bank balances	37,162	61,761
	<b>58,766</b>	<b>88,824</b>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the financial period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> March 2012 and the accompanying explanatory notes attached to the interim financial report.

## Notes to the Interim Financial Report

For the Fourth quarter ended 31<sup>st</sup> March 2013

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### 1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31<sup>st</sup> March 2013 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”). For the periods up to and including the financial period ended 31<sup>st</sup> March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”) with effective from 1<sup>st</sup> April 2012. This condensed consolidated interim financial report is the Group’s first MFRS compliant condensed report. The transition from FRS framework to MFRS framework under the MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards does not have any significant financial impact on to the financial statements of the Group, except as disclosed in Note 1(a) below.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> March 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31<sup>st</sup> March 2012.

- (a) As the requirements of FRSs are equivalent to the MFRSs, the significant accounting policies adopted by the Group for this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> March 2012 except as discussed below:

#### **Foreign currency translation reserves**

Prior to 1<sup>st</sup> April 2012, the Group recognised translation differences on foreign operations as a separate component of equity. Upon the changes in Framework effective 1<sup>st</sup> April 2012, the Group used the transitional provision of first-time adoption whereby the cumulative foreign currency translation differences on all foreign operations are deemed to be zero at the date of transition as of 1<sup>st</sup> January 2011 to MFRS. Accordingly, at the date of transition to MFRS the cumulative foreign currency translation differences were adjusted to retained earnings and the impact of adopting this accounting policy is disclosed as below:

**1. Basis of preparation (Cont'd)**

The reconciliation of equity for comparative periods and of equity at the date of transition reported under FRS for those periods and at the date of transition under MFRS are shown as below:

	As previously report “FRS” RM’000	Adjustment RM’000	As restated “MFRS” RM’000
<i>Statements of Financial Position / Statement of Changes in Equity</i>			
<u>As at 1<sup>st</sup> April 2011</u>			
Foreign currency translation reserve	(518)	518	-
Retained earnings	63,833	(518)	63,315
<u>As at 1<sup>st</sup> April 2012</u>			
Foreign currency translation reserve	(930)	930	-
Retained earnings	94,291	(930)	93,361

- (b) The Group has not applied in advance the accounting standards (and its consequential amendments) and interpretations that have been issued by the MASB but are not yet effective for the current financial year. The initial application of the above mentioned standards (and its consequential amendments) and interpretations are not expected to have material financial impacts on the financial statements of the Group upon their first adoption.

**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 Fourth quarter.

#### 4. Segment information

The Group's operating segments information for the interim financial report to 31<sup>st</sup> March 2013 was as follows:-

	Trusted Identification & Payment and Transportation	Sustainable development, Agro and Food & Industrial Building Systems	Environment & Renewable Energy	Others	Inter- segment Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	425,689	83,617	27,657	103	-	537,066
Segment results	120,915	(17,497)	3,106	(234)	-	106,290
Unallocated corporate expenses						(62,058)
Other income						3,722
Operating profit						47,954
Finance costs						(13,262)
						34,692
Share of loss of associates						(652)
Profit before taxation						34,040
Income tax expense						(15,593)
Profit after taxation						18,447

#### 5. Capital Commitments

	As at 31 <sup>st</sup> March 2013 RM'000
<b>Authorised and contracted for:-</b>	
Purchase of property, plant and equipment	NIL

#### 6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities except for the following:

**(a) Exercise of 2006/2016 free detachable warrants (“Warrants A”)**

For the financial period from 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013, a total of 1,299,516 units of Warrants A have been exercised and converted into ordinary shares of RM0.15 each.

**(b) Exercise of 2010/2016 warrants (“Warrants B”)**

For the financial period from 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013, a total of 48,000 units of Warrants B have been exercised and converted into ordinary shares of RM0.15 each.

**7. Changes in the composition of the Group**

**(a) Acquisition of paid-up share capital of IRIS Land (PNG) Limited**

IRIS Land Sdn Bhd, a subsidiary of the Company, had on 5<sup>th</sup> February 2013 received documentary confirmation of its acquisition of 1,000 ordinary shares, value at Papua New Guinea Kina (“PGK”) 1.00 each, which represents 100% of the equity interest of IRIS Land (PNG) Limited for a total cash consideration of PGK1,000 (equivalent to RM1,453 at an exchange rate of PGK1:RM1.453).

IRIS Land (PNG) Limited was incorporated in Papua New Guinea and is currently dormant. The intended principal activity of IRIS LAND (PNG) Limited shall be to carry on the business of construction and development of residential houses and commercial buildings and any other construction related business activities.

**(b) Acquisition of the issued and paid-up share capital of IRIS Cafe Kaseh Sdn Bhd (formerly known as Aspirasi Hartajaya Sdn Bhd)**

The Company had on 14<sup>th</sup> March 2013 acquired 2 ordinary shares of RM1.00 each representing 100% equity interest of IRIS Cafe Kaseh Sdn Bhd (formerly known as Aspirasi Hartajaya Sdn Bhd) for a total cash consideration of RM2.00.

IRIS Cafe Kaseh is to carry out business as to operate and manage cafés, café outlets and restaurants.

**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 the current 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 Fourth 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**

On 14<sup>th</sup> 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 14<sup>th</sup> May 2010 that has been entered into between PJT and the Bank.

**13. Taxation**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31<sup>st</sup> March</b>	<b>31<sup>st</sup> March</b>	<b>31<sup>st</sup> March</b>	<b>31<sup>st</sup> March</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax				
- Current financial year	(4,473)	(1,534)	(13,652)	(12,866)
- Over/(Under) provision in prior years	-	420	(987)	420
	(4,473)	(1,114)	(14,639)	(12,446)
Deferred tax				
- Current financial year	(954)	779	(954)	779
Total tax expense	(5,427)	(335)	(15,593)	(11,667)

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 12 months period ended 31<sup>st</sup> March 2013 were as follows:

<b>(a) Associates</b>	<b>RM'000</b>
PJT Technology Co. Ltd ("PJT") *	
- Sales	3,002
GMPC Corporation Sdn Bhd	
- Sales	3,696
- Rental	<u>6</u>

\* PJT was previously an associate company of the Company, of which the Company holds 49% of its equity shares. Following the additional acquisition on 13<sup>th</sup> July 2012, the Company has now owned 51% of equity interests of PJT and PJT become the subsidiary of the Company.

**15. Comparative figures**

Certain comparative figures as shown in the condensed consolidated statement of comprehensive income have been reclassified in order to conform with the current financial period's presentation.

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

### **16.1 Review of Performance**

For the twelve (12) months financial period ended 31<sup>st</sup> March 2013, the Group recorded a revenue of RM537.1 million representing an increase of 30.8% as compared to the revenue of RM410.7 million for the previous comparable 12 months financial period from 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2012.

Whilst the current financial year recorded higher revenue, profit before taxation decreased to RM34.0 million for the financial year ended 31<sup>st</sup> March 2013 representing a decrease of 26.2% as compared to profit before taxation of RM46.1 million in the previous comparable 12 months financial period from 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2012. The higher expenses incurred in setting up new operation units for new businesses and charging out of R&D expenditures in the Food and Agro Technology Division during the current financial year and the completion of certain higher margin projects in the previous comparable period resulted in the lower profit before taxation.

The traditional Core Business - Trusted Identification Division and Payment & Transportation Division were the main revenue contributor with a higher revenue of RM425.7 million for the reporting financial year ending 31<sup>st</sup> March 2013, which representing an increase of 4.9% as compared to the same period in the last financial year 2012.

The Environment & Renewable Division recorded a revenue of RM27.7 million from RM1.7 million compared to the same period in financial year 2012. The increase was mainly due to the commencement of operation of the new Waste-to-Energy Incinerator Plant in Phuket, Thailand.

The newly set up division - Sustainable Development Division is able to secure three modern rural projects in the financial year 2013. The division recorded revenue of RM67.1 million from the two Rimbunan Kaseh projects and one Sentuhan Kasih project. The Rimbunan Kaseh project and Sentuhan Kasih project are a modern rural project which consists of Koto houses and amenities, supported by modern and integrated farming activities.

For the current financial quarter ended 31<sup>st</sup> March 2013, the Group recorded revenue of RM187.3 million and profit before taxation of RM8.2 million from RM76.6 million and RM5.0 million in the previous comparable quarter ended 31<sup>st</sup> March 2012, which is 144.5% and 64.0% higher respectively.

The main contributions to the Group's performance for the current financial quarter came from its existing projects, namely Malaysian e-Passport inlays, Tanzania e-ID cards project, Nigeria e-Passport inlays, Turkey e-Passport inlays and the first sustainable development project with Felda in Johor namely Sentuhan Kasih project.

## **16.2 Comparison with Preceding Quarter**

For the current financial quarter ended 31<sup>st</sup> March 2013, the Group recorded revenue of RM187.3 million and profit before taxation of RM8.2 million from RM122.8 million and RM4.0 million in the preceding financial quarter ended 31<sup>st</sup> December 2012, which is 52.5% and 105.0% higher respectively.

The increase in revenue and profit before taxation was mainly attributable to higher delivery in the Tanzania e-ID project, Bangladesh MRP Passport Project, Rimbunan Kaseh project in Melaka and Sentuhan Kasih project in Johor.

## **17. Prospects**

For the coming financial year 2014, the prospects for the core business remain bright. The division's revenue is expected to be derived mainly from the trusted identification's projects, namely Malaysia e-Passport inlays, Nigeria e-Passport inlays, Tanzania e-ID cards project and Bangladesh MRP Passport project. The Automatic Fare Collection Project and banking cards will contribute positively to the Payment and Transportation's performance.

In line with the Government's ETP initiatives, more affordable housing programmes and modern rural projects are expected to be launched by the Government. For the Sustainable Development, Food and Agro Technology Division and Koto Industrialised Building Division, they are expected to benefit from the modern rural projects and affordable housing programmes in the coming financial year 2014.

For the Environment & Renewable Energy Division, the 700-tonnes Waste-to-Energy Incinerator Plant in Phuket, Thailand and the newly set up 300-tonnes Food Waste-to-Fertilizer Plant in Weinan, China are expected to produce positive results in the coming financial year 2014.

In view of the above on-going contracts, the Group is optimistic that its performance will remain satisfactory for the financial year ending 31<sup>st</sup> March 2014.

## **18. 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.

## **19. 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.

## **20. Quoted Securities**

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



**21. Available-for-sale financial assets**

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

	<b>At 31<sup>st</sup> March 2013 RM'000</b>
Investment in an unquoted shares in Malaysia	273
Investment in an unquoted shares in Singapore	2,378
Investment in an unquoted shares in Hong Kong	981
Golf Club Membership	406
(Less): Allowance for diminution in value	(3,632)
	<u>406</u>

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

There were no corporate proposals announced but not completed as at 24<sup>th</sup> May 2013, being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report.

**23. Group Borrowings and Debt Securities**

The Group's borrowings from financial institutions at the end of the current quarter were:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
Secured	167,837	98,498	266,335

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM30.2 million, RM2.8 million and RM57.0 million that are denominated in USD dollar, EURO and Thai Bath respectively.

**24. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at 24<sup>th</sup> May 2013 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

## 25. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 24<sup>th</sup> May 2013:

- (a) On 29<sup>th</sup> November 2006, ICB had filed a lawsuit against Japan Air Lines (“JAL”) in the U.S. District Court, Eastern District of New York for JAL’s infringement of IRIS’s US patent. This claim is based on the allegation that JAL’s inspection of passports at United States airports infringes IRIS’s patent over a method of manufacturing a secure electronic passport.

JAL has filed a motion to dismiss the claim. IRIS’s solicitors, Messrs Moses & Singer LLP (the “**Solicitors**”), has opposed the motion to dismiss. The briefs on the motion had been filed in June 2007. The District Court had on 30<sup>th</sup> September 2009 granted JAL’s motion to dismiss the claim and the decision stated that the patent protections conferred on IRIS conflicted with, and were superseded by JAL’s federal legal obligation to inspect passenger passports. The Solicitors had, on behalf of IRIS, filed a notice to appeal to the United States Court of Appeals for the Federal Circuit in Washington and the matter is currently stayed pending the outcome of the JAL’s bankruptcy proceedings in Japan.

The Solicitors of the Company stated that there are no US case precedents to indicate the likelihood of success on appeal. However, by analogy, the Solicitors pointed out that there are many regulations affecting airlines, such as JAL, as well as affecting other commercial operations, requiring these commercial entities to use intellectual property and other property that they do not own. These commercial entities do not get such property for free, and must buy them, even though regulations require that they use them. The Solicitors argued further that JAL should not be able to use IRIS’ intellectual property for free, as part of their commercial operations.

The Solicitors further informed that in any event, it does not appear that this case will be heard within the next year or two, as the Federal Circuit in Washington proceedings are dependent upon the outcome of the Japanese bankruptcy proceedings. Until these proceedings are complete there is nothing for IRIS to do with respect to the JAL litigation.

Regarding the bankruptcy proceedings, pursuant to the latest Appellee’s Status Report dated 26<sup>th</sup> April 2013, JAL stated that the stay issued by the US Bankruptcy Court still remains in effect. On 28<sup>th</sup> March 2011, Japan Airlines completed its corporate reorganization proceedings in Japan.

- (b) IRIS Technologies (M) Sdn Bhd (“**ITSB**”), a wholly owned subsidiary of IRIS, and its joint venture Turkish partner Kunt Elektronik San.Ve Tic. A.S (“**KUNT**”) (“**JV Company**”) had on 17<sup>th</sup> September 2009 received a Letter of Termination dated 14<sup>th</sup> September 2009 (“**Letter of Termination**”), from Emniyet Genel Mudurlugu (“**EGM**”), known as General Directorate of Security in relation to the provision of Electronic Passport Issuing Systems in Turkey (“**The Agreement**”).

Pursuant to the Letter of Termination, EGM requested for refund of New Turkish Lira (“YTL”) 6.195 million (equivalent to approximately RM14.6 million at an exchange rate of YTL 1: RM2.36 as at 18<sup>th</sup> September 2009) which is equivalent to the first phase payment received by the Joint Venture Company between ITSB and KUNT. Subsequently, all the hardware and equipment delivered shall be returned to the JV Company.

On 18<sup>th</sup> September 2009, Messrs Sen & Arpacı had on behalf of the JV Company, made an application to the Ankara Civil Court of Turkey (“Court”), for an injunction to restrain EGM from claiming on the performance bond submitted by the JV Company in year 2007.

On 24<sup>th</sup> September 2009, an interlocutory injunction was obtained by the JV Company from the Court. Subsequently, on behalf of the JV Company, Messrs Sen & Arpacı had on 5<sup>th</sup> October 2009 filed a lawsuit against EGM in Ankara Court of First Instance (“Ankara Court”) for the unlawful termination of the Agreement. The JV Company is claiming a total of YTL 5 million from EGM and the return of the performance bond. This matter was first heard on 22<sup>nd</sup> December 2009.

On 23<sup>rd</sup> March 2010, EGM presented a counter claim, claiming approximately YTL 5.25 million from the JV Company. Specifically, the EGM is seeking to return all the hardware and equipments to the JV Company in exchange for a refund of YTL 5.25 million paid to the JV Company. The Fourth hearing was held on 10<sup>th</sup> June 2010. The outcome of the hearing was that the judge had requested the JV Company to submit the precise damages amount(s) to be claimed against EGM so that the judge can decide which component court will hear the matter.

On 5<sup>th</sup> October 2010, JV Company had submitted new evidences for the case. The Courts accepted JV Company’s submission and ordered EGM to reply to the new evidences submitted by JV Company within 20 days from 5<sup>th</sup> October 2010. However, no decision was granted at this stage to the EGM for their claims of refund of YTL 5.25 million they paid for the completion of phase 1 of the Project (for hardware and equipments delivered). At the same hearing, the Courts appointed three expert witnesses to study and analyze the case and the submissions of both Parties on commercial and technical grounds since the case is highly technical in nature. The Courts then fixed 23<sup>rd</sup> December 2010 to hear the reports from the Court’s appointed specialists or expert witnesses before giving out further directions.

On 20<sup>th</sup> March 2012, the Expert Report submitted was unfavourable towards the JV Company. The JV Company proceeded to file an appeal against the findings of the said Expert Technical Report. The Court decided that the file is to be sent to the same Court Experts for an additional technical report to be prepared on the grounds that the appeal is to be evaluated.

In parallel, EGM filed additional claims of loss of opportunity amounting to MYR 13.041 million against the JV Company on 14<sup>th</sup> September 2010. On 30<sup>th</sup> November 2010, JV Company submitted evidences substantiating grounds for the rebuttal of this EGM's additional claims. On 8<sup>th</sup> February 2011's hearing, the Court granted 20 days for EGM to respond to the JV Company's earlier submitted rebuttal. On 12<sup>th</sup> April 2011 hearing, the Court appointed two experts who are experienced in law and finance matters to prepare a report on the case.

The Expert Report was submitted on 27<sup>th</sup> March 2012. The JV Company then appointed lawyers Messrs Sen & Arpaci to appeal against the submission of the negative indemnity provision reported in the said Expert Report. The Court has further adjourned pending the submission of an additional Expert Report.

On 4<sup>th</sup> October 2012, the Court decided to merge both the cases as mentioned above so that it can be heard concurrently.

Messrs Sen & Arpaci is of opinion that the JV Company has a good chance of recovering the amount claimed. Messrs Sen & Arpaci is also of the view that the counter claim filed by EGM is likely to be rejected by the Ankara Court based on multiple legal issues that will be contemplated by the additional report.

- (c) IRIS Corporation Berhad ("the Company") had on 4<sup>th</sup> October 2012 entered into a Share Sale Agreement with Stamford College Berhad ("SCB") whereby Company agreed to purchase 51% of the fully paid up ordinary shares of Stamford College (PJ) Sdn Bhd ("SCPJ") and Stamford College (Malacca) Sdn Bhd ("SCM") (collectively referred to as the "Sale Shares") to the Company for a total purchase consideration of RM2,500,000 ("the Agreement").

Pursuant to the terms and conditions of the Agreement, the Company paid a sum of RM250,000 ("Deposit") representing 10% of the Purchase Consideration and agreed to pay the balance Purchase Consideration subject to fulfillment of parties obligations under Clause 4 of the Agreement. The Plaintiff avers that it has fulfilled its obligations under Clause 4 and sent a letter of demand for the balance Purchase Consideration via their then solicitors Messrs Tee, Tan & Partner. Upon not receiving the balance Purchase Consideration, the Plaintiff's filed the Writ and Statement of Claim praying for the following:-

- (a) balance Purchase Consideration of RM2,250,000;
- (b) interest thereon at 5% per annum from the date of Judgement to full realization;
- (c) interest on RM2,250,000.00 at 5% per annum from date of Judgement to full date of realization; and
- (d) cost in the action and other such relief as the Court deems fit.

The Company, upon seeking legal advice from its solicitors, Messrs Chellam & Wong, decided to defend the suit. The Company has filed its Defence and Counterclaim. The Company as the Defendant prays for the following under the Defence and Counterclaim.

- (a) The Plaintiff refund the sum of RM250,000 being the forfeited deposit and RM3,380,000 as advance monies paid by for debts on behalf of the Defendant;
- (b) General damages; and
- (c) Interest at such rate the Courts deem fit, costs and other relief.

The matter was now fixed for hearing by Kuala Lumpur High Court of the Plaintiff's application for Summary Judgment on 28<sup>th</sup> June 2013 wherein the parties are required to submit their respective Skeletal Submissions on or before 7<sup>th</sup> June 2013. The trial dates for the Plaintiff's Claim and the Company's Counter Claim is now fixed on 23<sup>rd</sup> - 25<sup>th</sup> September 2013.

## 26. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	<b>As at 31<sup>st</sup> March 2013 RM'000</b>	<b>As at 31<sup>st</sup> March 2012 RM'000</b>
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	74,143	47,359
- Unrealised profits/(losses)	(17,220)	(19,330)
	56,923	28,029
ii) Associates		
- Realised profits/(losses)	3,090	(3,487)
- Unrealised profits/(losses)	-	-
	3,090	(3,487)
iii) Group consolidated adjustments	60,013	24,542
	47,661	68,819
Total retained earnings of the Group	107,674	93,361

## 27. Dividend

A first and final tax-exempt dividend of 0.45 sen per ordinary share in respect of the financial period ended 31 March 2012 was paid on 28<sup>th</sup> November 2012.

**28. Earnings Per Share**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31<sup>st</sup> March</b>	<b>31<sup>st</sup> March</b>	<b>31<sup>st</sup> March</b>	<b>31<sup>st</sup> March</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>(a) Basic earnings per ordinary share</b>				
Profit attributable to owners of the Company for the period (RM'000)	5,910	6,348	21,071	37,217
Weighted average number of ordinary shares ('000)	1,575,669	1,501,702	1,575,669	1,501,702
<b>Basic earnings per ordinary share (Sen)</b>	<b>0.38</b>	<b>0.42</b>	<b>1.34</b>	<b>2.48</b>
<b>(b) Diluted earnings per ordinary share</b>				
Profit attributable to owners of the Company for the period (RM'000)	5,910	6,348	21,071	37,217
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)	5,910	6,348	21,071	37,217
Weighted average number of ordinary shares ('000)	1,575,669	1,501,702	1,575,669	1,501,702
Adjustment for assumed exercise of Warrants A ('000)	31,723	5,484	31,723	5,484
Adjustment for assumed exercise of Warrants B ('000)	148,595	24,980	148,595	24,980
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	1,755,987	1,532,166	1,755,987	1,532,166
<b>Diluted earnings per ordinary share (Sen)</b>	<b>0.34</b>	<b>0.41</b>	<b>1.20</b>	<b>2.43</b>

**29. Profit before taxation**

	<b>Individual 3 months ended 31<sup>st</sup> March 2013 RM'000</b>	<b>Cumulative 12 months ended 31<sup>st</sup> March 2013 RM'000</b>
Profit before taxation is arrived at after charging/(crediting):		
- Amortisation of concession assets and depreciation of property, plant and equipment	11,458	22,227
- Impairment loss on receivables	1,065	1,065
- Net foreign exchange (gain)/loss	2,915	2,338
	<hr/>	<hr/>