

# IRIS CORPORATION BERHAD

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

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## Interim Financial Report for the Third quarter ended 31<sup>st</sup> December 2015

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

For the Third quarter ended 31<sup>st</sup> December 2015

	Individual		Cumulative	
	3 months ended 31 <sup>st</sup> December 2015 RM'000	31 <sup>st</sup> December 2014 RM'000	9 months ended 31 <sup>st</sup> December 2015 RM'000	31 <sup>st</sup> December 2014 RM'000
<b>Continuing operations</b>				
Revenue	145,141	130,544	371,473	396,453
Cost of sales	(115,824)	(90,245)	(297,769)	(294,752)
Depreciation and amortization	(2,912)	(2,839)	(7,783)	(8,327)
<b>Gross profit</b>	<b>26,405</b>	<b>37,460</b>	<b>65,921</b>	<b>93,374</b>
Other income	23,994	5,972	35,661	10,078
Administrative and operating expenses	(25,729)	(28,798)	(61,330)	(74,570)
Depreciation and amortisation	(1,494)	(531)	(5,266)	(4,058)
Finance costs	(8,323)	(5,470)	(19,562)	(16,328)
Share of profit/(loss) of associates	821	(1,323)	527	(876)
<b>Profit before taxation</b>	<b>15,674</b>	<b>7,310</b>	<b>15,951</b>	<b>7,620</b>
Tax expense	(11,848)	(759)	(17,802)	(5,450)
<b>Profit/(Loss) from continuing operations</b>	<b>3,826</b>	<b>6,551</b>	<b>(1,851)</b>	<b>2,170</b>
<b>Discontinued operations</b>				
(Loss)/Profit from discontinued operations, net of tax	(8,290)	(5,201)	72	109
<b>(Loss)/Profit for the period</b>	<b>(4,464)</b>	<b>1,350</b>	<b>(1,779)</b>	<b>2,279</b>
<b>Other comprehensive (loss)/income, net of tax</b>				
Foreign currency translation for foreign operations	(16,330)	-	13,160	-
Share of equity accounted reserve	(56)	-	(3,549)	-
	(16,386)	-	9,611	-
<b>Total comprehensive (loss)/income for the period</b>	<b>(20,850)</b>	<b>1,350</b>	<b>7,832</b>	<b>2,279</b>

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

For the Third quarter ended 31<sup>st</sup> December 2015

(continued)

	Individual		Cumulative	
	3 months ended 31 <sup>st</sup> December 2015 RM'000	31 <sup>st</sup> December 2014 RM'000	9 months ended 31 <sup>st</sup> December 2015 RM'000	31 <sup>st</sup> December 2014 RM'000
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(922)	2,321	4,530	5,452
Non-controlling interests	(3,542)	(971)	(6,309)	(3,173)
<b>(Loss)/Profit for the period</b>	<b>(4,464)</b>	<b>1,350</b>	<b>(1,779)</b>	<b>2,279</b>
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(18,403)	2,321	10,439	5,452
Non-controlling interests	(2,447)	(971)	(2,607)	(3,173)
<b>Total comprehensive (loss)/income for the period</b>	<b>(20,850)</b>	<b>1,350</b>	<b>7,832</b>	<b>2,279</b>
<b>(Loss)/Earnings per share attributable to owners of the Company:</b>				
Basic (Sen)				
- continuing operations	0.36	0.37	0.22	0.26
- discontinued operations	(0.41)	(0.26)	-	0.01
	<b>(0.05)</b>	<b>0.11</b>	<b>0.22</b>	<b>0.27</b>
Diluted (Sen)				
- continuing operations	0.34	0.35	0.21	0.25
- discontinued operations	N/A	(0.24)	-	-
	<b>N/A</b>	<b>0.11</b>	<b>0.21</b>	<b>0.25</b>

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 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 31<sup>st</sup> December 2015

	31 <sup>st</sup> December 2015 RM'000	31 <sup>st</sup> March 2015 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Investment in associates	18,365	21,387
Property, plant and equipment	176,035	179,407
Concession assets	15,395	199,761
Development costs	8,170	6,354
Other intangible assets	38,832	40,150
Available-for-sale financial assets	15,776	14,825
Deferred tax asset	286	157
Goodwill on consolidation	145,421	150,700
	<u>418,280</u>	<u>612,741</u>
<b>CURRENT ASSETS</b>		
Inventories	72,318	88,723
Trade receivables	305,029	299,780
Amount owing by contract customers	131,725	132,972
Other receivables, deposits & prepayments	87,675	70,181
Amount owing by associates	2,211	1,341
Amount owing by related parties	119	119
Property development expenditure	5,043	7,744
Tax refundable	450	4,648
Deposits with licensed banks	48,767	40,135
Cash and cash equivalents	152,934	63,413
	<u>806,271</u>	<u>709,056</u>
<b>TOTAL ASSETS</b>	<u><b>1,224,551</b></u>	<u><b>1,321,797</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	306,130	306,042
Share premium	103,276	103,249
Warrants reserve	10,565	10,592
Foreign exchange translation reserve	7,612	4,781
Fair value reserve	(7,630)	(4,081)
Revaluation reserve	38,495	38,719
Retained earnings	98,941	87,560
<b>Total equity attributable to owners of the Company</b>	<u><b>557,389</b></u>	<u><b>546,862</b></u>
Non-controlling interests	(6,685)	19,760
<b>TOTAL EQUITY</b>	<u><b>550,704</b></u>	<u><b>566,622</b></u>

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> December 2015

(continued)

	31 <sup>st</sup> December 2015 RM'000	31 <sup>st</sup> March 2015 RM'000
<b>NON-CURRENT LIABILITIES</b>		
Other payables	-	63
Hire purchase payables	2,225	3,787
Lease payables	162	402
Term loan	162,485	162,800
Deferred tax liabilities	14,221	13,990
	<u>179,093</u>	<u>181,042</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	42,139	28,691
Other payables and accruals	256,509	224,488
Amount owing to associates	426	1,927
Hire purchase payables	2,391	1,984
Lease payables	293	382
Short-term borrowings	188,575	315,148
Provision for taxation	4,421	1,513
	<u>494,754</u>	<u>574,133</u>
<b>TOTAL LIABILITIES</b>	<u>673,847</u>	<u>755,175</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,224,551</u>	<u>1,321,797</u>
<b>Net assets per ordinary share attributable to owners of the Company (sen)</b>	<u>27.31</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 Third quarter ended 31<sup>st</sup> December 2015

	← Non-Distributable →				Distributable		Retained Earnings RM'000	Attributable to the owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Foreign Exchange Reserve RM'000	Revaluation Reserve 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)
De-consolidation of subsidiaries	-	-	32,238	-	-	234	-	32,472	(18,378)	14,094
Realisation on usage of property	-	-	-	-	-	(224)	224	-	-	-
Profit after taxation for the financial period	-	-	-	-	-	-	5,452	5,452	(3,173)	2,279
Total comprehensive income/(loss) for the financial period	-	-	-	-	-	-	5,452	5,452	(3,173)	2,279
<b>At 31<sup>st</sup> December 2014</b>	<b>306,025</b>	<b>103,860</b>	<b>-</b>	<b>10,598</b>	<b>146</b>	<b>38,793</b>	<b>128,643</b>	<b>588,065</b>	<b>46,847</b>	<b>634,912</b>

**Condensed Consolidated Statement of Changes in Equity**

For the Third quarter ended 31<sup>st</sup> December 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	88	27	(27)	-	-	-	-	88	-	88
Disposal of a subsidiary	-	-	-	(6,627)	-	-	6,627	-	(23,838)	(23,838)
Realisation on usage of property	-	-	-	-	-	(224)	224	-	-	-
Profit/(Loss) after taxation for the financial period	-	-	-	-	-	-	4,530	4,530	(6,309)	(1,779)
Other comprehensive income for the financial year, net of tax										
- Foreign currency translation	-	-	-	9,458	-	-	-	9,458	3,702	13,160
- Share of equity accounted reserves	-	-	-	-	(3,549)	-	-	(3,549)	-	(3,549)
Total comprehensive income / (loss) for the financial period	-	-	-	9,458	(3,549)	-	4,530	10,439	(2,607)	7,832
<b>At 31<sup>st</sup> December 2015</b>	<b>306,130</b>	<b>103,276</b>	<b>10,565</b>	<b>7,612</b>	<b>(7,630)</b>	<b>38,495</b>	<b>98,941</b>	<b>557,389</b>	<b>(6,685)</b>	<b>550,704</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 Third quarter ended 31<sup>st</sup> December 2015

	<b>Cumulative 31<sup>st</sup> December 2015 RM'000</b>	<b>Cumulative 31<sup>st</sup> December 2014 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation		
- continuing operations	15,951	7,621
- discontinued operations	79	108
	<u>16,030</u>	<u>7,729</u>
Adjustments for:		
Non-Cash Items	(26,982)	29,825
Interest income	(411)	(696)
Finance costs	21,868	18,541
	<u>10,505</u>	<u>55,399</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		
Changes in working capital		
Net changes in current assets	(18,086)	(61,056)
Net changes in current liabilities	48,567	(72,297)
	<u>40,986</u>	<u>(77,954)</u>
<b>NET CASH GENERATED FROM/(FOR) OPERATIONS</b>		
Dividend received	-	120
Interest received	411	696
Interest paid	(21,868)	(18,541)
Tax paid	(10,614)	(14,818)
	<u>8,915</u>	<u>(110,497)</u>
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of an intangible asset	-	(1,501)
Acquisition of subsidiaries, net of cash acquired	-	(36,474)
Acquisition of available for sale investment	(951)	
Divestment of a subsidiary, net of cash acquired	-	13,658
Proceeds from disposal of subsidiaries, net of cash	93,773	2,981
Proceeds from disposal of plant and equipment	456	5,346
Proceeds from settlement of debts of a subsidiary	117,835	-
Proceeds from shares subscribed by non-controlling interests	-	49
Purchase of development costs	(1,817)	(2,393)
Purchase of concession assets	(3,192)	(3,468)
Purchase of plant and equipment	(5,479)	(9,050)
	<u>200,625</u>	<u>(30,852)</u>
<b>NET CASH FROM/(FOR) INVESTING ACTIVITIES</b>		



**Condensed Consolidated Cash Flow Statement**For the Third quarter ended 31<sup>st</sup> December 2015

(continued)

	<b>Cumulative 31<sup>st</sup> December 2015 RM'000</b>	<b>Restated Cumulative 31<sup>st</sup> December 2014 RM'000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of ordinary shares	88	-
Net repayment of hire purchase and lease payables	(1,484)	(1,314)
Net proceeds from / (repayment of) bankers' acceptances	(33,147)	8,751
Net proceeds from / (repayment of) trade loans	3,465	-
Proceeds from drawdown of term loans	98,296	418,210
Repayment of term loans	(178,605)	(309,492)
Placement of pledged deposits	(7,429)	(17)
<b>NET CASH (FOR)/FROM FINANCING ACTIVITIES</b>	<b>(118,816)</b>	<b>116,138</b>
Net changes in cash and cash equivalents	90,724	(25,211)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the period	66,008	71,160
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>156,732</b>	<b>45,949</b>

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

Deposits with licensed banks	48,767	25,245
Cash and bank balances	152,934	31,221
Less: Deposits pledged with licensed banks	(44,969)	(10,517)
	<b>156,732</b>	<b>45,949</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 Third quarter ended 31<sup>st</sup> December 2015

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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> December 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 Third quarter.

**4. Segment information**

The Group's operating segments information for the interim financial report to 31<sup>st</sup> December 2015 was as follows:-

	← Continuing operations →						Discontinued operations		Total RM'000
	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	Total continuing operations RM'000	Environment & Renewable Energy RM'000	
Revenue from external customers	259,546	95,440	1,707	9,531	5,249	-	371,473	43,322	414,795
Inter-segment revenue	-	786	2,786	-	-	(3,572)	-	-	-
<b>Total Revenue</b>	<b>259,546</b>	<b>96,226</b>	<b>4,493</b>	<b>9,531</b>	<b>5,249</b>	<b>(3,572)</b>	<b>371,473</b>	<b>43,322</b>	<b>414,795</b>
Segment results	55,432	(5,108)	(11,422)	(6,264)	(5,752)	-	26,886	2,303	29,189
Unallocated corporate expenses							(27,561)	-	(27,561)
Other income							35,661	82	35,743
Operating profit							34,986	2,385	37,371
Finance costs							(19,562)	(2,306)	(21,868)
Share of profit of associates							15,424	79	15,503
							527	-	527
Profit before taxation							15,951	79	16,030
Income tax expense							(17,802)	(7)	(17,809)
(Loss)/Profit after taxation							(1,851)	72	(1,779)

**5. Capital Commitments**

**As at  
31<sup>st</sup> December  
2015  
RM'000**

**Authorised and contracted for:-**

Purchase of property, plant and equipment	<u>2,230</u>
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**6. Debt and equity securities**

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

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

There were no changes in the composition of the Group for this quarter except 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.

On 30<sup>th</sup> December 2015, the Company gave away the management and the financial control of PJT, thus, rendered PJT ceased as a subsidiary of the Company on that date.

**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 Third 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 31<sup>st</sup> December 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 RM99,309,000.
- 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 31 <sup>st</sup> December 2015 RM'000	31 <sup>st</sup> December 2014 RM'000	9 months ended 31 <sup>st</sup> December 2015 RM'000	31 <sup>st</sup> December 2014 RM'000
<u>Continuing operations</u>				
Income tax				
- Current financial year	(4,868)	(1,904)	(10,985)	(6,595)
- Over/(Under) provision in prior years	(6,593)	1,145	(6,586)	1,145
	(11,461)	(759)	(17,571)	(5,450)
Deferred tax				
- Current financial year	(387)	-	(231)	-
	(11,848)	(759)	(17,802)	(5,450)
<u>Discontinued operations</u>				
Income tax				
- Over/(Under) provision in prior years	-	-	(7)	-
	(11,848)	(759)	(17,809)	(5,450)

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 9 months period ended 31<sup>st</sup> December 2015 were as follows:

	RM'000
<b>Major shareholder of the Company</b>	
The Federal Land Development Authority (“FELDA”)	
- Sales of construction of sustainable development project	32,099

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

### **15.1 Review of Performance**

#### *Continuing operations*

For the three (3) months financial period ended 31<sup>st</sup> December 2015, the Group recorded a revenue and profit before taxation of RM145.1 million and RM15.7 million, representing an increase of 11.2% and 115.1% from RM130.5 million and RM7.3 million respectively recorded in the previous comparable quarter ended 31<sup>st</sup> December 2014.

The performance of the respective business segments for this financial quarter ended 31<sup>st</sup> December 2015 (“this quarter”) as compared to the previous comparable quarter ended 31<sup>st</sup> December 2014 (“previous comparable quarter”) is analysed as follows:-

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded lower revenue of RM77.9 million in this quarter from RM101.9 million in the previous comparable quarter, representing a decrease of 23.6%. 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, and the Malaysia e-Passport inlays project.

The Sustainable Development and Koto Industrial Building Systems Division recorded revenue of RM54.7 million in this quarter, representing an increase of 118.8% (or RM29.7 million) from RM25.0 million in previous comparable quarter. The revenue showed an increase due to the higher progressive billing for 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 RM0.4 million in this quarter, which remains constant as compared to the previous comparable quarter of RM0.4 million. The lower sales in this quarter was mainly due to no progressive billing for Rimbunan Kaseh and Sentuhan Kasih Programmes.

The Environment & Renewable Division recorded revenue of RM9.5 million this quarter from RM1.7 million compared to the previous comparable quarter. The increase in revenue from the division was mainly due to the completion of landfill project in Bentong and the beginning of commercial operation of the Food waste-to-Fertilizer Plant in Weinan, China.

The Education Division recorded revenue of RM2.3 million in this quarter, representing an increase of 53.3% (or RM0.8 million) from RM1.5 million in previous comparable quarter. The revenue showed an increase due to the higher student number in both KL and Melaka campus.

#### *Discontinued operations*

A sub-business division in Environment & Renewable Energy was disclosed as discontinued operations in the current financial quarter and the respective comparative figures in view of the Company disposed one of its subsidiary, PJT Technology Co. Ltd (“PJT”), as disclosed in Note 7. PJT recorded revenue of RM15.6 million this quarter from RM11.2 million compared to the previous comparable quarter. The increase in revenue was mainly due to higher yield generated from Waste-to-Energy Incinerator Plant in Phuket.

## 15.2 Comparison with Preceding Quarter

For the current financial quarter ended 31<sup>st</sup> December 2015, the Group recorded revenue of RM145.1 million from continuing operations, representing an increase of 13.3% (or RM17.0 million) from RM128.1 million recorded in the preceding quarter ended 30<sup>th</sup> September 2015. The increased revenue in the current financial quarter was mainly attributed to higher progressive billings from Rimbunan Kaseh Projects.

As a result of current financial quarter recorded higher revenue, profit before taxation from continuing operations recorded an increase by RM15.3 million to RM15.7 million from RM0.4 million achieved in the preceding quarter this year.

## 16. Prospects

For the financial year ending 31<sup>st</sup> March 2016 (“FYE 2016”), the performance of the core business remains healthy. The Trusted Identification Divisions revenue is expected to be derived mainly from its overseas projects, namely Nigeria e-Passport project, Tanzania e-ID cards project, Senegal e-Passport project, Guinea e-Passport project and Bangladesh MRP Passport projects. For Payment and Transportation Division, the payment and banking card sector is expected to grow stronger due to higher demand of banking cards resulted from 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. For the overseas property development project, 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. However the delay in drawdown of term loan has affected the commencement of construction of this project. The performance of the project is subject to the drawdown of term loan which is expected to be completed in the next three months.

For the Environment & Renewable Energy Division, the Company and its wholly-owned subsidiary, Northern Shine Holdings Limited had completed the Sale and Purchase of Shares Agreement for the disposal of its 75% shares in PJT which owns and operates the 700-tonnes Waste-to-Energy Incinerator Plant in Phuket, Thailand and PJT has ceased to become a subsidiary of ICB. As a result, the earnings of this division is expected to decline in the 4<sup>th</sup> quarter 2016. However, the 300-tonnes Food Waste-to-Fertilizer Plant in Weinan, China is expected to contribute in term of revenue for this Division in the 2<sup>nd</sup> half of this financial year.

For the Education Division, we will continue to expand our network of global partnership to build and offer enriching learning experiences for our students.

Barring unforeseen circumstances, the Group is optimistic that its performance will achieve a satisfactory 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 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:

	<b>At 31<sup>st</sup> December 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 16<sup>th</sup> February 2016, 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 16<sup>th</sup> February 2016 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	144,208	162,485	306,693
Unsecured	44,367	-	44,367
	<u>188,575</u>	<u>162,485</u>	<u>351,060</u>

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM46.3million that are denominated in USD dollar.

**23. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at 16<sup>th</sup> February 2016 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 16<sup>th</sup> February 2016:

### (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)

On 19<sup>th</sup> June, 2015 and 10<sup>th</sup> July, 2015 were the last date for 3<sup>rd</sup> 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 30<sup>th</sup> 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 14<sup>th</sup> December 2015 in US. On 3<sup>rd</sup> 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. ICB has made it's deposition and further depositions were made and pending. The case is at the Interrogatory stage.

The U.S. Government in defending the lawsuit, as part of the Defence have filed a petition with the US Patent and Trademark office to invalidate the patent, alleging that IRIS' invention is obvious in light of the prior art. The petition was on 22<sup>nd</sup> January 2016. The petition requires ICB to file a response within 90 days, after which there is a trial in the Patent and Trademark office on the sole issue of validity. This is a separate trial from the trial that will take place in the U.S. Court of Federal Claims where IRIS is seeking compensation for use of it's patented invention.

### (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

## 24. Material Litigation (cont'd)

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.

There is no update on the status since Judgement obtained.

### (iii) **IRIS Eco Power Sdn Bhd vs IPSA Group PLC (Court of Appeal, Civil Appeal No.: W-02(IM)(NCC)-781-05/2014 and Civil Application No 08(i)-211-05/2015(W))**

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.

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 filed an appeal on the decision of the Court of Appeal to the Federal Court. A Notice of Motion for leave to appeal before the Federal Court was fixed on 3<sup>rd</sup> January, 2016. At the Hearing, the Learned Panel of Judges of the Federal Court dismissed the Notice of Motion for Leave with costs of RM10,000 to be paid by IESB as the Applicant to the Respondent (IPSA) and further directions that the court deposit is to be refunded to the Applicant.

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

**(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 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. (Enclosure 1) 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 was fixed for further case management on 19<sup>th</sup> August 2015.

The Defendant had made an application for Stay and Reference to Arbitration (Encl 8). Hence there were 2 proceedings before the High Court, namely the Plaintiff’s foreclosure proceedings (Enclosure 1) and the Defendant’s application to obtain a stay of Enclosure 1 and to refer the proceedings to arbitration (Enclosure 8). The cases were adjourned several times for case management pending parties filing of their respective written submissions until a hearing date was given on 20<sup>th</sup> November, 2015. Counsels were prepared but were informed on that day that the Judge was going on transfer and the hearing was postponed. The matter was fixed for hearing both Enclosures 1 and 8 on 21<sup>st</sup> January 2016.

The High Court dismissed the Defendant’s application in Enclosure 8 with costs of RM3,000 for the Plaintiff, and had granted Order in Terms in respect of the Plaintiff’s originating summons for foreclosure in Enclosure 1. ICB as the Plaintiff is pending filing the Summons for Directions at the High Court to fix an auction date for the property.

**25. Realised and Unrealised retained earnings**

Breakdown of retained earnings of the Group is as follows:

	<b>As at 31<sup>st</sup> December 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)	62,723	47,171
- Unrealised profits/(losses)	(14,935)	(10,765)
	47,788	36,406
ii) Associates		
- Realised profits/(losses)	(10,853)	(7,832)
- Unrealised profits/(losses)	-	-
	(10,853)	(7,832)
	36,935	28,574
iii) Group consolidated adjustments	62,006	58,986
Total retained earnings of the Group	98,941	87,560

**26. Dividend**

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



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

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended 31<sup>st</sup> December 2015</b>	<b>31<sup>st</sup> December 2014</b>	<b>9 months ended 31<sup>st</sup> December 2015</b>	<b>31<sup>st</sup> December 2014</b>
<b>(a) Basic (loss)/earnings per ordinary share</b>				
(Loss)/Profit attributable to owners of the Company for the period (RM'000)				
- continuing operations	7,368	7,522	4,458	5,344
- discontinued operations	(8,290)	(5,201)	72	108
	<u>(922)</u>	<u>2,321</u>	<u>4,530</u>	<u>5,452</u>
Weighted average number of ordinary shares ('000) at end of period	2,040,370	2,040,168	2,040,370	2,040,168
<b>Basic (loss)/earnings per ordinary share (Sen)</b>				
- continuing operations	0.36	0.37	0.22	0.26
- discontinued operations	(0.41)	(0.26)	-	0.01
	<u><b>(0.05)</b></u>	<u><b>0.11</b></u>	<u><b>0.22</b></u>	<u><b>0.27</b></u>
<b>(b) Diluted earnings per ordinary share</b>				
(Loss)/Profit attributable to owners of the Company for the period (RM'000)				
- continuing operations	7,368	7,522	4,458	5,344
- discontinued operations	(8,290)	(5,201)	72	108
	<u>(922)</u>	<u>2,321</u>	<u>4,530</u>	<u>5,452</u>
Adjustment for after tax effects of Warrants A & Warrants B (RM'000)	-	-	-	-
Adjusted net profit for the period (RM'000)				
- continuing operations	7,368	7,522	4,458	5,344
- discontinued operations	(8,290)	(5,201)	72	108
	<u>(922)</u>	<u>2,321</u>	<u>4,530</u>	<u>5,452</u>
Weighted average number of ordinary shares ('000)	2,040,168	2,040,168	2,040,370	2,040,168
Adjustment for assumed exercise of Warrants A ('000)	23,175	23,175	16,127	23,175
Adjustment for assumed exercise of Warrants B ('000)	108,394	108,394	75,270	108,394
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	<u>2,171,737</u>	<u>2,171,737</u>	<u>2,131,767</u>	<u>2,171,737</u>
<b>Diluted earnings per ordinary share (Sen)</b>				
- continuing operations	0.34	0.35	0.21	0.25
- discontinued operations	N/A *	(0.24)	-	-
	<u><b>N/A *</b></u>	<u><b>0.11</b></u>	<u><b>0.21</b></u>	<u><b>0.25</b></u>

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

**28. Profit before taxation**

	<b>Individual 3 months ended 31<sup>st</sup> December 2015 RM'000</b>	<b>Cumulative 9 months ended 31<sup>st</sup> December 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	7,093	20,478
- Net foreign exchange (gain)/loss	899	(9,389)
	<hr/>	<hr/>

**29. Comparative figures**

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