IRIS CORPORATION BERHAD

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

Interim Financial Report for the Third quarter ended 31st December 2013

Contents: -

Condensed Consolidated Statement of Comprehensive Income

For the Third quarter ended 31st December 2013

	Individual 3 months ended		Cumulative 9 months ended	
	31st December 2013 RM'000	31st December 2012 RM'000	31st December 2013 RM'000	31st December 2012 RM'000
Revenue	149,543	122,798	414,814	349,808
Cost of sales	(103,052)	(96,868)	(297,517)	(259,772)
Depreciation and amortization	(8,387)	(2,753)	(19,365)	(8,462)
Gross profit	38,103	23,177	97,932	81,574
Other income	1,037	(1,491)	1,964	1,514
Administrative and operating expenses	(21,183)	(11,735)	(50,597)	(43,043)
Depreciation and amortisation	(1,957)	(1,246)	(5,237)	(3,678)
Finance costs	(5,414)	(3,902)	(15,220)	(9,462)
Share of profit/(loss) of associates	(357)	(773)	(45)	(1,034)
Profit before taxation	10,229	4,030	28,797	25,871
Tax expense	(3,835)	(2,098)	(9,638)	(10,166)
Profit for the period	6,394	1,932	19,159	15,705
Other comprehensive income for the period				
Foreign currency translation	(32)	-	(32)	-
Fair value for available-for-sales financial assets	2,845	-	2,845	-
	2,813	-	2,813	-
Total comprehensive income for the period	9,207	1,932	21,972	15,705
Profit attributable to:				
Owners of the Company	5,444	642	20,429	15,161
Non-controlling interests	950	1,290	(1,270)	544
Profit for the period	6,394	1,932	19,159	15,705

Condensed Consolidated Statement of Comprehensive Income

For the Third quarter ended 31st December 2013
(continued)

	Individual 3 months ended		Cumulative 9 months ended	
	31st December 2013 RM'000	31st December 2012 RM'000	31st December 2013 RM'000	31st December 2012 RM'000
Total comprehensive income attributable to:				
Owners of the Company	7,249	642	22,235	15,161
Non-controlling interests	1,958	1,290	(263)	544
Total comprehensive income for the period	9,207	1,932	21,972	15,705
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.33	0.04	1.23	0.96
Diluted (Sen)	0.31	0.04	1.15	0.86

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2013 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial Position

As at 31st December 2013

	31st December 2013 RM'000	31st March 2013 RM'000
ASSETS		
NON-CURRENT ASSETS		
Investment in associates	7,610	7,728
Property, plant and equipment	209,611	162,354
Concession assets	176,944	185,892
Intellectual properties	18,119	7,628
Available-for-sale financial assets	32,265	406
Goodwill on consolidation	141,511	141,511
	586,060	505,519
CURRENT ASSETS		
Inventories	110,561	94,616
Trade receivables	259,235	224,790
Amount owing by contract customers	133,012	87,576
Other receivables, deposits & prepayments	109,089	109,094
Amount owing by associates	16	2,089
Amount owing by related parties	-	215
Tax refundable	2,211	9,211
Asset classified as held for sales	3,540	-
Deposits with licensed banks	63,042	21,687
Cash and cash equivalents	29,527	37,163
	710,233	586,441
TOTAL ASSETS	1,296,293	1,091,960
EQUITY AND LIABILITIES		
EQUITY		
Share capital	295,575	236,459
Share premium	79,443	35,211
Warrants reserve	10,609	10,609
Fair value reserve	1,838	-
Foreign exchange translation reserve	(1,231)	(1,199)
Revaluation reserve	26,658	26,904
Retained earnings	119,883	108,075
Total equity attributable to owners of the Company	532,775	416,059
Non-controlling interests	60,711	41,141
TOTAL EQUITY	593,486	457,200

Condensed Consolidated Statement of Financial Position

As at 31st December 2013
(continued)

	31st December 2013 RM'000	31st March 2013 RM'000
NON-CURRENT LIABILITIES		
Other payables	185	168
Hire purchase payables	8,685	4,309
Lease payables	45	242
Term loan	75,175	98,498
Deferred tax liabilities	16,450	13,534
	100,540	116,751
CURRENT LIABILITIES		
Trade payables	39,075	42,163
Other payables and accruals	263,996	293,574
Amount owing to associates	422	418
Amount owing to related parties	-	5
Hire purchase payables	3,737	2,096
Lease payables	259	240
Short-term borrowings	286,265	167,837
Provision for taxation	8,513	11,676
	602,267	518,009
TOTAL LIABILITIES	702,807	634,760
TOTAL EQUITY AND LIABILITIES	1,296,293	1,091,960
Net assets per ordinary share attributable to owners of the Company (sen)	27.04	26.39

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 2013 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity
For the Third quarter ended 31st December 2013

	← Non-Distributable			→		Distributable			
	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**	**Non-controlling Interests RM'000**	**Total Equity RM'000**
At 1st April 2012	236,257	35,211	10,616	(412)	27,233	93,773	402,678	(1,000)	401,678
Warrant exercised	202	-	(7)	-	-	7	202	-	202
Acquisition/Issue of share in subsidiaries	-	-	-	-	-	-	-	43,817	43,817
Realisation on usage of property	-	-	-	-	(246)	246	-	-	-
Dividend paid	-	-	-	-	-	(7,094)	(7,094)	-	(7,094)
Total comprehensive income for the financial period	-	-	-	-	-	15,161	15,161	544	15,705
At 31st December 2012	236,459	35,211	10,609	(412)	26,987	102,093	410,947	43,361	454,308

Condensed Consolidated Statement of Changes in Equity
For the Third quarter ended 31st December 2013
(continued)

	← Non-Distributable					→	Distributable			
	Ordinary Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Attributable to the owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1st April 2013	236,459	35,211	10,609	(1,199)	-	26,904	108,075	416,059	41,141	457,200
Issuance of new shares	59,115	44,232	-	-	-	-	-	103,347	-	103,347
Warrant exercise	1	-	-	-	-	-	-	1	-	1
Acquisition/additional acquisition in a subsidiary	-	-	-	-	-	-	-	-	19,573	19,573
Shares subscribed by non-controlling interest	-	-	-	-	-	-	-	-	260	260
Realisation on usage of property	-	-	-	-	-	(246)	246	-	-	-
Dividend paid	-	-	-	-	-	-	(8,867)	(8,867)	-	(8,867)
Profits after taxation for the financial period	-	-	-	-	-	-	20,429	20,429	(1,270)	19,159
Other comprehensive income for the financial period										
- Foreign currency translation	-	-	-	(32)	-	-	-	(32)	-	(32)
- Fair value for available-for-sales financial assets	-	-	-	-	1,838	-	-	1,838	1,007	2,845
Total comprehensive income for the financial period	-	-	-	(32)	1,838	-	20,429	22,235	(263)	21,972
At 31st December 2013	295,575	79,443	10,609	(1,231)	1,838	26,658	119,883	532,775	60,711	593,486

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 2013 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow Statement

For the Third quarter ended 31st December 2013

	Cumulative 31st December 2013 RM'000	Cumulative 31st December 2012 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	28,797	25,871
Adjustments for:		
Non-Cash Items	25,087	17,587
Interest income	(245)	(239)
Finance costs	15,220	9,462
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	68,859	52,681
Changes in working capital		
Net changes in current assets	(60,158)	(42,492)
Net changes in current liabilities	(55,386)	42,593
NET CASH GENERATED (FOR)/FROM OPERATIONS	(46,685)	52,782
Dividend received	85	-
Interest received	245	239
Interest paid	(15,220)	(9,462)
Tax paid	(6,022)	(15,831)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(67,597)	27,728
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of an intangible asset	(12,240)	-
Acquisition of subsidiaries, net of cash acquired	(31,073)	4,174
Net cash flows from additional investment in subsidiaries	(6,964)	4,849
Net paid on acquisition of investment in an associate	(12)	(500)
Proceed from shares subscribed by non-controlling interests	260	-
Purchase of concession assets	(778)	(345)
Purchase of plant and equipment	(17,980)	(121,183)
NET CASH FOR INVESTING ACTIVITIES	(68,787)	(113,005)

Condensed Consolidated Cash Flow Statement

For the Third quarter ended 31st December 2013
(continued)

	Cumulative 31st December 2013 RM'000	Cumulative 31st December 2012 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(8,867)	(7,094)
Net proceeds from issuance of ordinary shares	103,348	202
Net repayment of hire purchase and lease payables	(155)	(950)
Net proceeds from short term borrowings	56,586	1,171
Proceeds from drawdown of trade and term loans	218,440	169,538
Repayment of trade and term loans	(224,033)	(104,372)
NET CASH FROM FINANCING ACTIVITIES	145,319	58,495
Net changes in cash and cash equivalents	8,935	(26,782)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the year	50,398	88,824
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	59,333	62,042

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

Deposits with licensed banks	63,042	28,661
Cash and bank balances	29,527	33,381
Less: Deposits pledged with licensed banks	(9,147)	-
Less: Bank overdrafts	(24,089)	-
	59,333	62,042

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 2013 and the accompanying explanatory notes attached to the interim financial report.

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31st December 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").

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2013.

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 31st December 2013 was as follows:-

	Trusted Identification & Payment and Transportation RM'000	Sustainable development, Agro and Food & Industrial Building Systems RM'000	Environment & Renewable Energy RM'000	Other segments RM'000	Paper and plastic products, colour separation & printing RM'000	Group RM'000
Revenue	314,060	65,586	29,851	448	4,869	414,814
Segment results	108,470	(19,572)	7,676	231	1,127	97,932
Unallocated corporate expenses						(55,834)
Other income						1,964
Operating profit						44,062
Finance costs						(15,220)
						28,842
Share of losses of associates						(45)
Profit before taxation						28,797
Income tax expense						(9,638)
Profit after taxation						19,159

5. Capital Commitments

Authorised and contracted for:-	As at 31st December 2013 RM'000
Purchase of property, plant and equipment	21,648

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

(a) Acquisition of Versatile Creative Berhad

IRIS Healthcare Sdn Bhd, a wholly-owned subsidiary of the Company, had on 25th November 2013 acquired of approximately 52.01% equity interest in Versatile Creative Berhad ("VCB"), a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad, through a voluntary take-over offer exercise ("the Offer").

Subsequently after the final closing date of the Offer on 13th December 2013, the equity interest of VCB held by IRIS Healthcare Sdn Bhd was then increased to 64.60%, being marked as the completion of the Offer. VCB and its subsidiaries have now become the subsidiaries of the Company.

Detailed information of the Offer is disclosed in Note 21(b) of this report.

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 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 31st December 2013, 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 RM104,838,000.

ii) On 14th May 2010, the Company had entered into a Guarantee Agreement with PJT as the guarantor of PJT for the benefit of Government Savings Bank in Thailand ("The Bank") for up to Thai Baht 640 million (equivalent to RM64.5 million), which is equivalent to the facilities limit of the Credit Facilities Agreement dated 14th May 2010 that has been entered into between PJT and the Bank.

13. Taxation

	Individual 3 months ended		Cumulative 9 months ended	
	31st December 2013 RM'000	31st December 2012 RM'000	31st December 2013 RM'000	31st December 2012 RM'000
Income tax				
- Current financial year	(1,966)	(1,111)	(7,769)	(9,179)
- Over/(Under) provision in prior years	(1,869)	(987)	(1,869)	(987)
	(3,835)	(2,098)	(9,638)	(10,166)
Deferred tax				
- Current financial year	-	-	-	-
Total tax expense	(3,835)	(2,098)	(9,638)	(10,166)

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 9 months period ended 31st December 2013 were as follows:

A company in which a key management of the Company has financial interest	**RM'000**
MCS Microsystems Sdn Bhd	
- Acquisition of an intangible asset	12,240

Major shareholder of the Company	
The Federal Land Development Authority ("FELDA")	
- Sales of construction of sustainable development project	14,822

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Additional information required by the AMLR

15.1 Review of Performance

For the current financial quarter ended 31st December 2013, the Group recorded revenue and profit before tax of RM149.5 million and RM10.2 million, representing an increase of 21.7% and 153.8% from RM122.8 million and RM4.0 million respectively recorded in the previous comparable quarter.

The increased revenue and profit before taxation were mainly due to higher revenue generated from Trusted Identification Division and Payment & Transportation Division. The increase in the contribution from these Divisions however was off-set partially by the higher corporate exercise expenses incurred by the Group in the current reporting quarter.

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded higher revenue of RM121.5 million in the current financial quarter ended 31st December 2013 from RM96.0 million in the previous comparable quarter, representing an increase of 26.6%. The higher revenue was mainly attributed to the higher deliveries under the Tanzania e-ID project, Nigeria e-Passport Project, Senegal e-Passport Project and Malaysia e-Passport Inlay in the current reporting quarter.

The Sustainable Development, Agro and Food Technology and Industrial Building Systems Division recorded revenue of RM14.8 million in the current financial quarter ended 31st December 2013 from RM15.9 million. The revenue showed a slight decrease due to the delay of letters of award for Rimbunan Kaseh and Sentuhan Kasih Programme from State Governments and FELDA respectively.

The Environment & Renewable Division recorded revenue of RM8.4 million from RM10.4 million compared to the same period in the financial quarter ended 31st December 2012. The decrease was mainly due to the temporary shutdown of one production line in the Waste-to-Energy Incinerator Plant in Phuket, Thailand due to Steam Turbine problems. The production is expected to resume by end of February 2014 and part of the income loss during this period would be recovered from the insurance claim which is being processed by the insurance adjustor.

Versatile Creative Berhad (“VCB”) has become a subsidiary of ICB in the current reporting quarter as disclosed in Note 7 of this report. The revenue contribution from VCB in this financial quarter was RM4.9 million and no comparison is available as the acquisition took place during this reporting quarter.

15.2 Comparison with Preceding Quarter

For the current financial quarter ended 31st December 2013, the Group recorded revenue and profit before taxation of RM149.5 million and RM10.2 million, representing an increase of 13.2% and 0.3% from RM131.4 million and RM9.6 million respectively recorded in the preceding financial quarter ended 30th September 2013.

The increase in revenue and profit before taxation were mainly due to higher revenue generated from Trusted Identification Division and Payment & Transportation Division. The increase in the contribution from these Divisions, however was off-set partially by the higher corporate exercise expenses incurred by the Group in the current reporting quarter.

16. Prospects

For the coming financial year 2014, the prospects for the core business remains 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. The Management believes that the aforesaid initiatives would benefit the relevant divisions within the ICB Group such as its Sustainable Development Division, Food & Agro Technology Division and Koto Industrialised Building Division in the coming FYE 31 March 2014 whereby the Group may use its expertise in integrated farming systems and IRIS Koto Industrial Building Systems ("IBS") with the successful implementation of the two Rimbunan Kaseh and one Sentuhan Kasih Programme in FY 2013, which are the modern rural programmes launched and undertaken by the Company. A sub-division will be established in the coming financial year under the Food & Agro Technology Division for marketing and distribution of farm produce generated from the Rimbunan Kaseh and Sentuhan Kasih farms. The company anticipates that the various marketing and distribution mechanism would help the Division to improve its performance 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 31st March 2014.

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

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

18. Unquoted Securities and/or Properties

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

19. Quoted Securities

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

20. Available-for-sale financial assets

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

	At 31st December 2013 RM'000
Investment in an quoted shares in Malaysia	31,859
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)
	32,265

21. Status of Corporate Proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 19th February 2014, being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report except as disclosed below:

a) Private Placement

On 13 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 September 2013, the proposed Private Placement was approved by the shareholders of the Company.

On 6 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 19th February 2014 are as follows:

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

21. Status of Corporate Proposals and utilisation of proceeds

b) *Conditional Voluntary Take-Over Offer of Versatile Creative Berhad*

On 23 September 2013, IRIS Healthcare Sdn Bhd (“IHSB”), a wholly-owned subsidiary of the Company, together with Versatile Credit & Leasing Sdn Bhd (‘VCLSB”), Datuk Tan Say Jim (“Datuk Tan”), Dato’ Lee Kwee Hiang (“Dato’ Lee”) (IHSB, VCLSB, Datuk Tan and Dato’ Lee collectively referred to as the “Joint Offerors”), served a notice of condition voluntary take-over offer to the Board of Directors of Versatile Creative Berhad (“VCB”) to acquire the remaining 83,102,560 ordinary shares of RM1.00 each in Versatile Creative Berhad (“VCB Share(s)”) (“Offer Share(s)”) not already known owned by the Joint Offerors for a cash offer price of RM0.50 per Offer Share (“Offer Price”) (“Offer”).

The offer document dated 14th October 2013 set out the details of the Offer and the first offer closing date was determined on 4th November 2013, then extended to 2nd December 2013.

On 25th November 2013, the Offer become unconditional upon all the conditions have been met and the Joint Offerors had then fixed the final offer closing date on 13th December 2013 and marked the completion of the Offer on the final offer closing date.

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 RM’000	Long Term RM’000	Total RM’000
Secured	286,265	75,175	361,440

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM41.9 million, RM1.6 million and RM44.5 million that are denominated in USD dollar, EURO and Thai Baht respectively.

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 19th February 2014 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

24. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 19th February 2014:

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

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

Subsequent to this, JAL filed for bankruptcy protection in the United States based on a bankruptcy filing it had initiated in Japan. The Appeal was stayed pursuant to United States' bankruptcy laws on 22 January 2010. ICB's solicitors ("Solicitors") have informed that the attorneys for JAL had filed an application with the bankruptcy court to terminate proceedings in the United States, providing that any party wanting to object to the said termination would have to file their objections on or before 16 October 2013. No objection had been filed and on 18 October 2013, the attorneys of JAL notified the bankruptcy court of this. The Solicitors anticipate that an order terminating the bankruptcy without further notice may be entered by the bankruptcy court, which has not been signed as at 23 October 2013. Once the order is signed, the stay of the Appeal would likely be lifted and the Appeal proceedings would resume. If ICB is successful at the United States Court of Appeals for the Federal Circuit, the matter will be remanded to the United States District Court for further proceedings, which will involve discovery relating to the merits of the litigation including potential damages and the retention of experts.

The Solicitors are of the view that until input from technical and damage experts are obtained, neither the scope of infringement by JAL nor potential damages can be estimated except that under United States patent laws, damages are to be no less than a reasonable royalty based on a question of fact. The Solicitors are of the view that should ICB's Patent be found invalid or not infringed, ICB could be held liable on JAL's costs, disbursements and legal fees. As litigation is at an early stage, it is not possible to estimate ICB's costs or potential liability. It is unlikely that ICB's appeal will exceed USD 150,000 in costs.

24. Material Litigation (cont'd)

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

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

According to Article 10 of the Contract, the lump sum price of the Contract is New Turkish Lira ("YTL") 10.5million (equivalent to RM24.8million at an exchange rate of YTL 1 to RM2.36). The Project requires the JVCo to prepare the first, second and third phases of work which would be ready for acceptance not later than 6 months, 12 months and 16 months respectively from the commencement date of 11 July 2009 ("Commencement Date"), not later than a maximum of 20 months for delivery of the Project, a period of which includes potential penalty periods which could be taken. The guarantee amount for the work is YTL0.63million pursuant to Article 12.1 of the Contract. Each phase was subject to evaluation in accordance to the Technical Specifications of the Project. JVCo had completed the third phase of the Project in compliance of the said Technical Specifications, which was delivered to EGM not later than 20 months from the Commencement Date. However, EGM had requested JVCo to make adjustments to the delivery due to the occurrence of material conditions. EGM subsequently alleged that the adjustments did not comply with the expectations of EGM and did not meet the conditions of the said specifications.

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

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

On 5 October 2009, JVCo filed a lawsuit against EGM in the Ankara Court of First Instance for unlawful termination of the Contract, claiming for YTL5 million million (equivalent to RM11.8 million at an exchange rate of YTL 1 to RM2.36) and return of the Guarantee Letters ("Claim"). On 23 March 2013, EGM filed a counter claim against JVCo claiming approximately YTL5.25 million (equivalent to RM12.4 million at an exchange rate of YTL 1 to RM2.36) from JVCo ("Counter Claim"). On 10 June 2010, a hearing was conducted whereby the judge requested JVCo to submit precise damage amount(s) to be claimed against EGM so as to determine which component court would hear the matter. At a hearing on 5 October 2010, the Courts appointed three (3) expert witnesses to submit reports on the case and the submissions of both parties on commercial and technical grounds since the case is highly technical in nature ("Expert Technical Reports").

24. Material Litigation (cont'd)

(b) ***(1) IRIS Technologies (M) Sdn Bhd (2) Kunt Electronic Sanayii ve Ticaret A.S v. Security General Directorate of Ministry of Interior or Emniyet Genel Mudurlugu (Turkey) (cont'd)***

The Expert Technical Reports came in on 10 January 2012 which stated that EGM has the right to reject the second phase of the operations and that EGM cannot pass the third phase without the completion of the second phase and EGM is entitled to be paid YTL5.25 million by the JVCo and they had subsequently appealed against those reports on 20 March 2012.

Apart from the Counter Claim filed by EGM, on 14 September 2010 EGM filed another suit for additional claims for loss of opportunity amounting to YTL13.0 million against JVCo ("Additional Claims"). On 30 November 2010, JVCo submitted evidence substantiating grounds for rebuttal of the Additional Claims. On 12 April 2011, the court appointed two (2) experts who are experienced in law and finance matters to resubmit a report on the case ("Financial Expert Report"). The Financial Expert Report was submitted on 27 March 2012. In the Financial Expert Report there was the issue of negative indemnity and JVCo appealed against the submission of the negative indemnity provision reported in the said Financial Expert Report. The case was further adjourned pending the submission of an additional Financial Expert Report ("Additional Financial Expert Report").

On 4 October 2012, the cases for the Claim, the Counter Claim and Additional Claims were merged so that they can be heard concurrently under the Ankara 12th Civil Court under Case No. 2009/343 and fixed to be heard on 5 March 2013. On the 5 March 2013, the Additional Financial Expert Report was submitted with findings which were unfavourable to the JVCo. JVCo requested the court for a further expert report on 26 June 2013 and the court granted a hearing date of 7 November 2013 with the EGM to reply to the JVCo's said request in the interim. In addition, the Court upon the request of the JVCo granted in favour of JVCo, a visit to the premises of EGM to undertake searches and gather evidence in relation to Case No. 2009/343. This visit took place on 26 September 2013 and JVCo is awaiting an expert report on the visit to be issued.

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

Pursuant to Case No. 2012/510 filed by EGM on 24 September 2012 against the JVCo, EGM also claimed from JVCo an interest of YTL250,048 due to them not being able to cash in the Guarantee Letters as a result of the Injunction. JVCo has filed a defence against this claim under the Turkish Law of Obligations which does not hold it liable to pay this interest. This matter is pending decision with no date furnished to the Solicitors thus far.

The Solicitors are of the view that the above suits filed by EGM are frivolous and vexatious under Turkey jurisdiction. The Solicitors are now seeking the advice of the JVCo if the above cases are to be further litigated. The JVCo is currently in discussions with its representatives and the Solicitors to arrive at a decision. The estimated legal costs for the conduct of the above matters is USD500,000 as to date.

24. Material Litigation (cont'd)

(c) ***Stamford College Berhad v. ICB (Kuala Lumpur High Court Case No. 22NCC-126-01/2013)***

On 30 January 2013, Stamford College Berhad ("SCB") brought a suit against ICB for the sum of RM2,225,000, being the balance sum of the purchase price for the sale of shares pursuant to a sale and purchase agreement dated 4 October 2012 together with interest and costs. ICB had on 8 February 2013 filed a defence and counterclaim for the sum of RM250,000, which was the deposit paid, and the sum of RM3,380,086, which was an advance paid by ICB at the request of SCB. On 18 September 2013, the application for summary judgment filed by SCB on 8 March 2013 and the application to strike out SCB's claim filed by ICB on 9 April 2013 were dismissed with costs of RM3,000 to be borne by the parties filing the applications respectively. On 18 September 2013 as well, the court allowed ICB's application for security for costs filed by ICB on 9 April 2013 with costs of RM3,000 to be borne by SCB. The court directed that SCB deposit RM250,000 into court within 30 days ("Deposit"), that all proceedings are stayed pending the disposal of any appeals save for ICB's counterclaim, and that ICB is granted liberty to file an application to strike out SCB's claim in the event of SCB's non-compliance of the court orders. After the 30 day period, SCB failed to comply with the court's order regarding the Deposit. The solicitors of ICB ("Solicitors") are thus preparing to file an application to strike out SCB's claim. SCB however has filed a notice of appeal against the court's order and a notice of application for a stay of execution. Court has fixed a case management for SCB's application for a stay of proceeding and ICB's Counterclaim against SCB.

The Solicitors are of the view that the probable outcome would be that SCB's claim is dismissed and that ICB's counterclaim is allowed. Should SCB be successful, the sum payable by ICB would be RM2,250,000.00. However, should ICB be successful, the sum receivable would be RM3,630,086.00. The Solicitors have informed that it is likely the court will award costs of RM100,000.00 as the sum to be paid at the end of the trial to the successful party.

(d) ***Stamford College Berhad v. ICB (Appeal Court Civil Appeal No. W-02(IM) (NCC)-2279-10/2013)***

Stamford College Berhad ("SCB") filed an appeal to the Court of Appeal against the Kuala Lumpur High Court Order dated 18 September 2013 granted to ICB's application for security for costs. Pursuant to the case management on 21 November 2013, the court directed SCB to file in the Record of Appeal and Memorandum of Appeal by 6 December 2013. The case is now fixed for Hearing.

The Solicitors are of the view that the probable outcome would be that SCB's appeal may be dismissed since SCB is still impecunious. Should SCB's appeal be allowed, the only implication is that SCB does not have to deposit RM250,000.00 for security for costs pursuant to Kuala Lumpur High Court Case No. 22NCC-126-01/2013. The Solicitors have informed that it is likely the court will award costs of RM50,000.00 as the sum to be paid at the end of the hearing to the successful party.

24. Material Litigation (cont'd)

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

On 14 May 2013, IRIS Eco Power Sdn Bhd ("IEPSB"), a subsidiary of ICB filed an originating summons against Durairaj Raja ("DR") claiming for a declaration that the sale and purchase agreement dated 20 July 2012 ("Agreement") between the parties is terminated under Clause 9 of the said agreement, for an order that the sum of USD 500,000 (equivalent to RM1,547,500 at an exchange rate of 3.095) be refunded to IEPSB by DR, for an order that the 2,550,000 shares in Oil Field Services Ltd to be transferred back to DR, and for damages and costs ("Originating Summons"). As DR is not a Malaysian citizen and is now residing in United Arab Emirates, IEPSB filed an application to serve the Originating Summons out of jurisdiction which was granted by the court. ICB's solicitors ("Solicitors") are attempting the said service. The case management for this matter was on 4 September 2013 and the next date given by the court is 8 November 2013 to update the courts on the service of the Originating Summons.

ICB's solicitors are of the view that the probable outcome would be that the court would grant the declaration that the Agreement would be terminated and that it would order the refund of the sum of USD500,000 and costs to IEPSB.

(f) ***IRIS Eco Power Sdn Bhd v. IPSA Group PLC (Kuala Lumpur High Court Case No. 24NCC-510-0582013)***

On 1 August 2013, IRIS Eco Power Sdn Bhd ("IEPSB") filed a claim 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 (equivalent to RM9,594,500 at an exchange rate of 3.095) 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 has managed to serve the Claim to IPSA. The matter is fixed for case management to enable IPSA to file in their Defence.

ICB's solicitors ("Solicitors") are unable to advise on the probable outcome at this stage. The Solicitors are of the view that IEPSB's exposure to liabilities is the sums stated in the Claim.

25. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 31st December 2013 RM'000	**As at 31st March 2013 RM'000**
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	85,482	74,140
- Unrealised profits/(losses)	(16,753)	(17,220)
	68,729	56,920
ii) Associates		
- Realised profits/(losses)	1,960	3,090
- Unrealised profits/(losses)	-	-
	1,960	3,090
	70,689	60,010
iii) Group consolidated adjustments	49,194	48,065
Total retained earnings of the Group	119,883	108,075

26. Dividend

A first and final tax-exempt dividend of 0.45 sen per ordinary share amounting to approximately RM8.87million in respect of the financial year ended 31st March 2013 was paid on 29th November 2013.

27. Earnings Per Ordinary Share

	Individual 3 months ended		Cumulative 9 months ended	
	31st December 2013	31st December 2012	31st December 2013	31st December 2012
(a) Basic earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	5,444	642	20,429	15,161
Weighted average number of ordinary shares ('000)	1,655,504	1,575,431	1,655,504	1,575,431
Basic earnings per ordinary share (Sen)	**0.33**	**0.04**	**1.23**	**0.96**
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	5,444	642	20,429	15,161
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)	5,444	642	20,429	15,161
Weighted average number of ordinary shares ('000)	1,655,504	1,575,431	1,655,504	1,575,431
Adjustment for assumed exercise of Warrants A ('000)	21,040	31,989	21,040	31,989
Adjustment for assumed exercise of Warrants B ('000)	98,554	149,844	98,554	149,844
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	1,775,098	1,757,264	1,775,098	1,757,264
Diluted earnings per ordinary share (Sen)	**0.31**	**0.04**	**1.15**	**0.86**

28. Profit before taxation

	Individual 3 months ended 31st December 2013 RM'000	**Cumulative 9 months ended** 31st December 2013 RM'000
Profit before taxation is arrived at after charging/(crediting):		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	10,344	24,602
- Net foreign exchange (gain)/loss	2,145	1,726