

# IRIS CORPORATION BERHAD

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

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## Interim Financial Report for the First quarter ended 30<sup>th</sup> June 2017

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**Condensed Consolidated Statement of Comprehensive Income**For the First quarter ended 30<sup>th</sup> June 2017

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>3 months ended</b>	<b>3 months ended</b>
	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>
	<b>June 2017</b>	<b>June 2016</b>	<b>June 2017</b>	<b>June 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Continuing operations</i></b>				
Revenue	102,711	79,755	102,711	79,755
Cost of sales	(89,791)	(66,681)	(89,791)	(66,681)
Depreciation and amortisation	(1,173)	(2,345)	(1,173)	(2,345)
<b>Gross profit</b>	<b>11,747</b>	<b>10,729</b>	<b>11,747</b>	<b>10,729</b>
Other income	8,634	7,620	8,634	7,620
Administrative, operating and other expenses	(12,757)	(15,575)	(12,757)	(15,575)
Depreciation and amortisation	(1,287)	(1,541)	(1,287)	(1,541)
Finance costs	(2,739)	(4,696)	(2,739)	(4,696)
Share of profit/(loss) of associates	393	(222)	393	(222)
<b>Profit/(Loss) before taxation</b>	<b>3,991</b>	<b>(3,685)</b>	<b>3,991</b>	<b>(3,685)</b>
Tax expense	40	(718)	40	(718)
<b>Profit/(Loss) from continuing operations</b>	<b>4,031</b>	<b>(4,403)</b>	<b>4,031</b>	<b>(4,403)</b>
<b><i>Discontinued operations</i></b>				
Loss from discontinued operations, net of tax	(559)	(662)	(559)	(662)
<b>Profit/(Loss) for the period/year</b>	<b>3,472</b>	<b>(5,065)</b>	<b>3,472</b>	<b>(5,065)</b>
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation for foreign operations	1,475	1,724	1,475	1,724
Share of equity accounted reserve	-	553	-	553
	<b>1,475</b>	<b>1,171</b>	<b>1,475</b>	<b>1,171</b>
<b>Total comprehensive income/(loss) for the period/year</b>	<b>4,947</b>	<b>(3,894)</b>	<b>4,947</b>	<b>(3,894)</b>

**Condensed Consolidated Statement of Comprehensive Income**For the First quarter ended 30<sup>th</sup> June 2017

(continued)

	Individual 3 months ended		Cumulative 3 months ended	
	30 <sup>th</sup> June 2017 RM'000	30 <sup>th</sup> June 2016 RM'000	30 <sup>th</sup> June 2017 RM'000	30 <sup>th</sup> June 2016 RM'000
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	5,209	(3,948)	5,209	(3,948)
Non-controlling interests	(1,737)	(1,117)	(1,737)	(1,117)
<b>Profit/(Loss) for the period/year</b>	<b>3,472</b>	<b>(5,065)</b>	<b>3,472</b>	<b>(5,065)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	5,594	(3,183)	5,594	(3,183)
Non-controlling interests	(647)	(711)	(647)	(711)
<b>Total comprehensive income/(loss) for the period/year</b>	<b>4,947</b>	<b>(3,894)</b>	<b>4,947</b>	<b>(3,894)</b>
<b>Earnings/(Loss) per share attributable to owners of the Company:</b>				
Basic (Sen)				
- continuing operations	0.26	(0.18)	0.26	(0.18)
- discontinued operations	(0.03)	-	(0.03)	-
	<b>0.23</b>	<b>(0.18)</b>	<b>0.23</b>	<b>(0.18)</b>
Diluted (Sen)				
- continuing operations	0.26	(0.18)	0.26	(0.18)
- discontinued operations	(0.03)	-	(0.03)	-
	<b>0.23</b>	<b>(0.18)</b>	<b>0.23</b>	<b>(0.18)</b>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31<sup>st</sup> March 2017 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Financial Position**As at 30<sup>th</sup> June 2017

	30 <sup>th</sup> June 2017 RM'000	31 <sup>st</sup> March 2017 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	113,392	115,282
Development costs	15	16
Goodwill on consolidation	128,268	128,268
Other intangible assets	35,959	35,436
Operating financial assets	7,769	9,354
Investment in associates	6,991	6,597
Available-for-sale financial assets	406	406
Deferred tax assets	1	21
	292,801	295,380
<b>CURRENT ASSETS</b>		
Inventories	41,056	72,481
Operating financial assets	2,750	2,750
Trade receivables	246,188	204,578
Other receivables, deposits & prepayments	47,543	55,263
Amount owing by associates	37	290
Amount owing by related parties	7,116	11,036
Amount owing by contract customers	58,828	52,368
Tax recoverables	8,717	7,715
Short-term deposits placed	7,661	11,538
Cash and bank balances	30,416	43,341
	450,312	461,360
Assets of a disposal group classified as held for sale	10,815	10,940
	461,127	473,300
<b>TOTAL ASSETS</b>	753,928	767,680
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	448,816	448,816
Foreign exchange translation reserve	7,707	7,322
Revaluation reserve	36,865	37,129
Accumulated losses	(199,636)	(205,109)
<b>Total equity attributable to owners of the Company</b>	293,752	288,158
Non-controlling interests	(32,306)	(31,659)
<b>TOTAL EQUITY</b>	261,446	256,499

**Condensed Consolidated Statement of Financial Position**As at 30<sup>th</sup> June 2017

(continued)

	<b>30<sup>th</sup> June 2017</b>	<b>31<sup>st</sup> March 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Term loans	77,285	88,785
Hire purchase and lease payables	615	906
Deferred tax liabilities	14,940	14,940
	<u>92,840</u>	<u>104,631</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	114,440	113,698
Other payables and accruals	205,313	191,091
Short-term loans and borrowings	67,961	90,056
Hire purchase and lease payables	1,883	1,848
Tax payables	4,566	4,637
	<u>394,163</u>	<u>401,330</u>
Liabilities of a disposal group classified as held for sales	5,479	5,220
	<u>399,642</u>	<u>406,550</u>
<b>TOTAL LIABILITIES</b>	<u>492,482</u>	<u>511,181</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>753,928</u>	<u>767,680</u>
<b>Net assets per ordinary share attributable to owners of the Company (sen)</b>	<u>13.07</u>	<u>12.82</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 2017 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Changes in Equity**

For the First quarter ended 30<sup>th</sup> June 2017

	← 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	Warrants Reserve RM'000	Foreign Exchange Reserve RM'000	Fair Value Reserve RM'000	Revaluation Reserve RM'000				
At 1 <sup>st</sup> April 2016	311,561	105,068	8,773	3,470	(9,929)	38,184	92,902	550,029	(12,185)	537,844
Issuance of new shares	7,500	1,432	-	-	-	-	-	8,932	-	8,932
Warrants exercised	18,017	5,238	(5,238)	-	-	-	-	18,017	-	18,017
Transfer of unexercised warrant reserve	-	-	(3,535)	-	-	-	3,535	-	-	-
Effect of change in equity interest in subsidiaries	-	-	-	-	-	-	(8,374)	(8,374)	8,284	(90)
Realisation on usage of property	-	-	-	-	-	(264)	264	-	-	-
Loss after taxation for the financial period	-	-	-	-	-	-	(3,948)	(3,948)	(1,117)	(5,065)
Other comprehensive income for the financial period, net of tax										
- foreign currency translation	-	-	-	1,318	-	-	-	1,318	406	1,724
- share of equity accounted reserves	-	-	-	-	(553)	-	-	(553)	-	(553)
Total comprehensive income/(loss) for the financial period	-	-	-	1,318	(553)	-	(3,948)	(3,183)	(711)	(3,894)
<b>At 30<sup>th</sup> June 2016</b>	<b>337,078</b>	<b>111,738</b>	<b>-</b>	<b>4,788</b>	<b>(10,482)</b>	<b>37,920</b>	<b>84,379</b>	<b>565,421</b>	<b>(4,612)</b>	<b>560,809</b>

**Condensed Consolidated Statement of Changes in Equity**

For the First quarter ended 30<sup>th</sup> June 2017

(continued)

	← Non-Distributable →					Distributable				Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Revalua- tion Reserve RM'000	Retained Earnings / (Accumulated losses) RM'000	Attributable to the owners of the Company RM'000	Non- controlling Interests RM'000	
At 1 <sup>st</sup> April 2017	448,816	-	-	7,322	-	37,129	(205,109)	288,158	(31,659)	256,499
Realisation on usage of property	-	-	-	-	-	(264)	264	-	-	-
Profit/(Loss) after taxation for the financial period	-	-	-	-	-	-	5,209	5,209	(1,737)	3,472
Other comprehensive income for the financial period, net of tax - foreign currency translation	-	-	-	385	-	-	-	385	1,090	1,475
Total comprehensive income/(loss) for the financial period	-	-	-	385	-	-	5,209	5,594	(647)	4,947
<b>At 30<sup>th</sup> June 2017</b>	<b>448,816</b>	<b>-</b>	<b>-</b>	<b>7,707</b>	<b>-</b>	<b>36,865</b>	<b>(199,636)</b>	<b>293,752</b>	<b>(32,306)</b>	<b>261,446</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 2017 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Cash Flow Statement**For the First quarter ended 30<sup>th</sup> June 2017

	<b>Cumulative 30<sup>th</sup> June 2017 RM'000</b>	<b>Cumulative 30<sup>th</sup> June 2016 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation		
- continuing operations	3,991	(4,347)
- discontinued operations	(559)	-
	3,432	(4,347)
Adjustments for:		
Non-Cash Items	2,354	1,460
Interest income	(78)	(164)
Finance costs	2,739	4,696
<b>OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>8,447</b>	<b>1,645</b>
Changes in working capital:		
Net changes in current assets	(2,958)	10,257
Net changes in current liabilities	14,965	695
<b>NET CASH GENERATED FROM OPERATIONS</b>	<b>20,454</b>	<b>12,597</b>
Interest received	78	164
Interest paid	(2,739)	(4,696)
Tax paid	(1,013)	(3,142)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>16,780</b>	<b>4,923</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of development expenditure	-	(47)
Acquisition of investments in subsidiaries	-	(90)
Acquisition of financial operating assets	-	(279)
Proceeds from partial disposal of an associate	-	6,040
Purchase of plant and equipment	(37)	(348)
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>	<b>(37)</b>	<b>5,276</b>

**Condensed Consolidated Cash Flow Statement**For the First quarter ended 30<sup>th</sup> June 2017

(continued)

	<b>Cumulative 30<sup>th</sup> June 2017 RM'000</b>	<b>Cumulative 30<sup>th</sup> June 2016 RM'000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of ordinary shares	-	26,949
Net repayment of hire purchase and lease payables	(257)	(1,712)
Net repayment of bankers' acceptances	(8,133)	(2,367)
Net repayment of trade loans	(15,390)	(19,948)
Repayment of term loans	(9,765)	(10,928)
Withdrawal of pledged deposits	2,814	16,523
<b>NET CASH (FOR)/FROM FINANCING ACTIVITIES</b>	<b>(30,731)</b>	<b>8,517</b>
Net changes in cash and cash equivalents	(13,988)	(32,542)
Effects of exchange rate changes	-	3,852
Cash and cash equivalents at beginning of the period	44,584	66,008
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>30,596</b>	<b>37,318</b>

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

Cash and bank balances	30,416	32,609
Short-term deposits placed	7,661	29,240
	<b>38,077</b>	<b>62,029</b>
Less: Short-term deposits pledged to licensed banks	(7,481)	(24,711)
	<b>30,596</b>	<b>37,138</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 2017 and the accompanying explanatory notes attached to the interim financial report.

## Notes to the Interim Financial Report

For the First quarter ended 30<sup>th</sup> June 2017

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### 1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30<sup>th</sup> June 2017 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 2017.

### 2. Audit report of preceding annual financial statement

The auditors’ report on the financial statements for the preceding financial year ended 31<sup>st</sup> March 2017 was qualified due to the use of unaudited management accounts for five (5) subsidiary companies for the purpose of consolidation rendering the auditors being unable to determine adjustments, if any, that may have been necessary in respect of the consolidated financial statements. The details of the qualification had been announced on 31<sup>st</sup> July 2017.

The management accounts for these five (5) subsidiary companies for the financial year ended 31<sup>st</sup> March 2017 are currently in the midst of being audited. As at the reporting date of the quarter ended 30<sup>th</sup> June 2017, the Company has not been made aware of any material variances to these management accounts. The audits for the management accounts of these subsidiary companies are expected to be finalized by the next quarter ending 30<sup>th</sup> September 2017.

### 3. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the First quarter.

4. Segment information

The Group's operating segments information for the interim financial report to 31<sup>st</sup> March 2017 was as follows:-

	← Continuing operations →						Discontinued operations		
	Sustainable Development Division								
	Trusted Identification Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Environment & Renewable Energy sub-division RM'000	Education Division RM'000	Elimination RM'000	Total continuing operations RM'000	Property development & construction sub-division RM'000	Total RM'000
Revenue from external customers	100,628	166	255	-	1,662	-	102,711	-	102,711
Inter-segment revenue	-	-	-	-	178	(178)	-	-	-
<b>Total Revenue</b>	<b>100,628</b>	<b>166</b>	<b>255</b>	<b>-</b>	<b>1,840</b>	<b>(178)</b>	<b>102,711</b>	<b>-</b>	<b>102,711</b>
Segment results <i>(Note A)</i>	19,411	(321)	(6,352)	(596)	(2,203)	-	9,939	(559)	9,380
Unallocated corporate expenses							(6,341)	-	(6,341)
Unallocated other income							-	-	-
Operating profit/(loss)							3,598	(559)	3,039
Share of profit of associates							393	-	393
<b>Profit/(Loss) before taxation</b>							<b>3,991</b>	<b>(559)</b>	<b>3,432</b>
Income tax expense							40	-	40
<b>Profit/(Loss) after taxation</b>							<b>4,031</b>	<b>(559)</b>	<b>3,472</b>

4. Segment information (cont'd)

**Note A:** The following are exceptional items included in Segment results:

	← Continuing operations →						Discontinued operations		
	<u>Sustainable Development Division</u>								
	Trusted Identification Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Environment & Renewable Energy sub-division RM'000	Education Division RM'000	Elimination RM'000	Total continuing operations RM'000	Property development & construction sub-division RM'000	Total RM'000
Operating results	16,602	(240)	(2,819)	-	(622)	-	12,921	(12)	12,909
<b>Add/(Less):</b>									
- Depreciation and amortization	(2,142)	(27)	(155)	-	(136)	-	(2,460)	(75)	(2,535)
- Interest income	65	-	13	-	-	-	78	-	78
- Other operating income	8,556	-	-	-	-	-	8,556	-	8,556
- Finance costs	(2,481)	(1)	(10)	(244)	(3)	-	(2,739)	-	(2,739)
- Administrative and operating expenses	(1,189)	(53)	(3,381)	(352)	(1,442)	-	(6,417)	(472)	(6,889)
	2,809	(81)	(3,533)	(596)	(1,581)	-	(2,982)	(547)	(3,529)
Segment results	19,411	(321)	(6,352)	(596)	(2,203)	-	9,939	(559)	9,380

**5. Capital Commitments**

**As at  
30<sup>th</sup> June 2017  
RM'000**

**Authorised and contracted for:-**

Purchase of property, plant and equipment	7,396
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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.

**8. Material changes in estimates**

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial period.

**9. Material events subsequent to the end of the interim period**

There were no material events subsequent to the end of this quarter.

**10. Items of an unusual nature**

There were no items of unusual nature, which affects assets, liabilities, equity, net income or cash flows in the First quarter.

**11. Valuations of property, plant and equipment**

There were no valuations made on property, plant and equipment for this quarter.

**12. Changes in contingent liabilities and contingent assets**

**Contingent Liabilities**

There are no contingent liabilities incurred or known to be incurred by the Company and/or the Group as at 30<sup>th</sup> June 2017, except as disclosed below:

- i) 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 Group will be liable for 75% of the amount with interest. Detailed information of this litigation case is disclosed in Note 24 of this report.

**13. Taxation**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>	<b>30<sup>th</sup> June</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Continuing operations</u>				
Income tax				
- Current financial year	-	(711)	-	(711)
- Under provision in prior years	40	(7)	40	(7)
	40	(718)	40	(718)
Deferred tax				
- Current financial year	-	-	-	-
	40	(718)	40	(718)
<u>Discontinued operations</u>				
Income tax				
- Under provision in prior years	-	-	-	-
	40	(718)	40	(718)

The Group's effective tax rate is lower than the statutory tax rate of 24% mainly due to anticipated unutilised tax losses and capital allowance to be utilised for this quarter.

**14. Related Party Transactions**

There are no significant transactions with related parties of the Group identified for the cumulative 3 months period ended 30<sup>th</sup> June 2017 under review.

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

### **15.1 Review of Performance**

#### *Continuing operations*

For the three (3) months financial period ended 30<sup>th</sup> June 2017, the Group recorded a revenue of RM102.7 million, representing an increase of 28.9% from RM79.7 million recorded in the previous comparable quarter ended 30<sup>th</sup> June 2016. The Group achieved a profit before taxation of RM4.0 million which represents an increase of 190.9% as compared to loss before taxation of RM4.4 million recorded in the previous comparable quarter ended 30<sup>th</sup> June 2016.

The performance of the respective business segments for this 3-month financial quarter ended 30<sup>th</sup> June 2017 as compared to the previous comparable quarter is analysed as follows:-

#### **Trusted Identification Division**

Trusted Identification recorded a higher revenue of RM100.6 million in the current financial quarter ended 30<sup>th</sup> June 2016 from RM50.5 million in the previous comparable quarter, representing an increase of 99.2%. The increase was mainly attributed to higher delivery of Senegal eID cards and Nigeria ePassports in the current reporting quarter.

#### **Sustainable Development Division**

The revenue of Sustainable Development is not significant to the Group due to the completion of most of its Rimbunan Kaseh and Sentuhan Kasih projects. As per the Corporate Restructuring Plan (“CRP”), the Group has started the divestments of its property development projects in overseas.

#### **Education Division**

The Education Division recorded a revenue of RM1.8 million in the current financial quarter ended 30<sup>th</sup> June 2017 from RM1.9 million in the previous comparable quarter. As per the CRP, the Group has started the divestments of its Education Division.

#### *Discontinued operations*

IRIS Land (PNG) Ltd, a wholly-owned subsidiary of the Company that incorporated in Papua New Guinea, has discontinued its business operations since January 2017. The three (3) months financial period ended 30<sup>th</sup> June 2017’s segment losses of RM0.6 million were reclassified under discontinued operations.

## 15.2 Comparison with Preceding Quarter

### *Continuing operations*

For the current financial quarter which ended on 30<sup>th</sup> June 2017, the Group recorded revenue of RM102.7 million, representing a decrease of 23.6% from RM134.5 million recorded in the preceding quarter ended 31<sup>st</sup> March 2017. The Group achieved a profit before taxation of RM4.0 million this quarter which represents an increase of RM290.6 million as compared to loss before taxation of RM286.6 million recorded in the preceding quarter.

The loss before taxation of RM286.6 million recorded the preceding quarter was mainly due to a one-time non-cash impairment of RM247.1 million was made resulting from the CRP.

## 16. Prospects

The current business environment for financial year 2018 is expected to remain challenging for the Group.

For financial year 2018, the Group continuously implement its CRP including strengthen its core business, focus efforts on divesting non-core businesses and raise more funds via a holistic funding strategy. Meanwhile, the Group will continue to look for new opportunity to enhance its recurring income stream.

**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 30<sup>th</sup> June 2017 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	7,055
Golf Club Membership	406
(Less): Allowance for diminution in value	<u>(17,914)</u>
	<u>406</u>

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

There were no corporate proposals announced but not completed as at 17<sup>th</sup> August 2017, 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 (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 IRIS Corporation Berhad (“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 subsequently on 30<sup>th</sup> September 2013, the 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 17<sup>th</sup> August 2017 are as follows:

<b>Description</b>	<b>Proposed utilisation (RM'000)</b>	<b>Actual utilisation (RM'000)</b>	<b>Balance to be utilised (RM'000)</b>	<b>Intended Timeframe for Utilisation</b>
Partial repayment of short term borrowings	30,000	(30,000)	-	Within 12 months
Capital expenditure of ICB Group	25,000	(11,477)	13,523	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>(96,825)</b>	<b>13,523</b>	

**B) Private Placement (2017)**

The Company had on 29<sup>th</sup> May 2017 announced the Private Placement exercise which entails the issuance of new ordinary shares of RM0.15 in the Company up to ten percent (10%) of the issued and paid-up share capital of the Company (“Private Placement II”).

224,718,405 new ordinary shares were issued at an issue price of RM0.14 each share pursuant to the Private Placement II and were subsequently listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad on 7<sup>th</sup> July 2017.

**21. Status of Corporate Proposals and utilisation of proceeds (cont'd)**

The details of the utilisation of the proceeds from the Private Placement II up to 17<sup>th</sup> August 2017 are as follows:

<b>Description</b>	<b>Proposed utilisation (RM'000)</b>	<b>Actual utilisation (RM'000)</b>	<b>Balance to be utilised (RM'000)</b>	<b>Intended Timeframe for Utilisation</b>
Working capital of ICB Group	31,332	(26,667)	4,665	Within 12 months
Estimated expenses in relation to the Private Placement II	129	(129)	-	Within 1 month
<b>Total</b>	<b>31,461</b>	<b>(26,796)</b>	<b>4,665</b>	

**22. Group Borrowings and Debt Securities**

The Group's bank borrowings (exclude hire purchase and finance lease) 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	67,961	77,285	145,246
Unsecured	-	-	-
	<u>67,961</u>	<u>77,285</u>	<u>145,246</u>

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM10.3 million that are denominated in USD dollar.

**23. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at 17<sup>th</sup> August 2017 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 17<sup>th</sup> August 2017:

### (i) IRIS Corporation Berhad (“ICB”) v. The Government of the United States

The lawsuit was commenced on February 24, 2015. The gravamen of the lawsuit is a claim for patent infringement of IRIS’ U.S. Patent No. 6,111,506, “Method of Making an Improved Security Identification Document Including Contactless Communication Insert Unit”. It is alleged that U.S. electronic passports manufactured for the U.S. Government, as well as use of foreign and U.S. Passports by the U.S. Government and by entities acting on behalf of the U.S. Government constitute infringements of that aforementioned IRIS patent, for which infringements IRIS is claiming just compensation.

The Government has filed their answer, and the litigation is in the discovery phase. In February 2016 the Government filed a petition with the United States Patent and Appeals Board, (the PTAB), to have the aforementioned IRIS patent declared invalid. While the PTAB proceedings are pending, the litigation in the United States Court of Federal Claims is on hold. At the time the litigation was put on hold, we were still in the discovery phase. As of this date, the PTAB proceedings are pending, and therefore it is too early to give an opinion as to the likelihood of success and/or as the quantity of compensation if IRIS is successful. Until a decision is rendered by the PTAB on the patent validity issues, it is also impossible to know how long the litigation will last. If IRIS is successful in defeating the validity challenge to any of the claims in issue before the PTAB, the Government will probably appeal, and if IRIS is not successful in defending validity of any of the patent claims, IRIS will have the right to appeal. During the PTAB process and appeals (if any), the Court of Federal Claims litigation remains stayed. With that in mind it is impossible to estimate future costs and disbursements, although there will be no further billing for legal services prior to the PTAB decision and the filing of a notice of appeal by either party thereafter. Any appeals will be heard by the United States Court of Appeals for the Federal Circuit in Washington.

The U.S. Department of Justice’s (DOJ) petition with the US Patent Trial and Appeal Board was dismissed on grounds that the DOJ’s petition was time barred. Under the America Invents Act, a petitioner must file a request for review within one year of being sued for infringement. With the dismissal of the petition, the trial for the infringement of Iris’ e-passport patent against the US Government will go on. However, on 17<sup>th</sup> August 2017, DOJ filed their appeal requesting for rehearing to the Patent Trial and Appeal Board against the dismissal of their Petition earlier.

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

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

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

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

The Judgment declared the following:-

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

The judgment is pending enforcement against the JVCO.

**(iii) 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 Tanjung 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.

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

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 the matter was fixed for hearing both Enclosures 1 and 8 on 21<sup>st</sup> January 2016.

The High Court then dismissed the Defendant's application in Enclosure 8 and had granted Order in Terms in respect of the Plaintiff's originating summons for foreclosure in Enclosure 1. ICB has obtained the Order for Sale on the Security from the High Court of Penang. The Auction was scheduled to be on 23<sup>rd</sup> August 2016 at the Court premises.

However, on 18<sup>th</sup> August 2016, the Defendant obtained a stay for the Auction, challenging the Valuation Report obtained by the Plaintiff. The Court fixed 13<sup>th</sup> March 2017 for hearing to fix the auction price. The first auction was scheduled to take place on 17<sup>th</sup> May 2017. As there were no bidders, the relevant applications have been made to reduce 10% of the reserve price. The Court has set 7<sup>th</sup> September 2017 for second auction with 10% reduction in the reserved price of the Security.

#### (iv) **Kuala Lumpur High Court Suit No. WA-22NCC-302-08/2016, Dipon Group (M) Sdn Bhd vs Bitara Abadi Sdn Bhd & IRIS Corporation Berhad;**

Dipon Group (M) Sdn Bhd ("Plaintiff") had filed a Writ of Summons ("Writ") dated 22<sup>nd</sup> August 2016 at the High Court of Kuala Lumpur against Bitara Abadi Sdn Bhd ("Bitara") being the first defendant and ICB being the second defendant. The Writ was received by ICB on 5<sup>th</sup> September 2016.

Bitara entered into a subcontract agreement with Data-edge-i-People Consortium in 2014 ("Subcontract Agreement") for "The Collection of MRP Enrolment Data and Related Services Incidental To and Distribution of MRP among Bangladesh Citizens at Sites in Malaysia in 2014.

Bitara also executed another subcontract agreement in 2014 with the Plaintiff ("Bitara-Dipon Subcontract Agreement") where the Plaintiff was contracted to provide and supply Bangladeshi workers at the application receiving centres.

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

The Plaintiff alleges that the payment received under the Subcontract Agreement was controlled by ICB. The Plaintiff claims that they have not been paid for the performance of their obligations under the Bitara-Dipon Subcontract Agreement.

The Plaintiff is now suing for the monies owing and payable under the Bitara-Dipon Subcontract Agreement. IRIS being the 2nd Defendant filed an application to strike out the Order by the Court in striking out the Judgment in Default against Bitara Abadi Sdn Bhd (“1st Defendant”). Hearing for the application is fixed on 29<sup>th</sup> June 2017. Trial date has been set to take place in October 2017.

**(v) Dipon Gulf Infotech Consultancy LLC v IRIS Corporation Berhad (“ICB”)**

The Plaintiff filed its amended Statement of Claim against the Defendants for an amount of USD3,226,056 (at rate 4.0896 as 13<sup>th</sup> June 2016 totalling RM13,193,278) for the alleged non-payment of goods and services rendered under a sub-contract agreement titled ‘For the Collection of MRP Enrolment Data and Related Services Incidental to and Distribution of DRP Among Bangladesh Citizen at Sites in the Kingdom of Saudi Arabia (‘MRP Saudi Project’) and USD712,989 (at the rate of 4.0896 as at the 13 June 2016 totalling RM2,915,359) for the alleged non-payment of goods and services rendered under a sub-contract agreement titled :For the Collection of MRP Enrolment Data and Related Services Incidental to and Distribution of MRP Among Bangladesh Citizen at Sites in the United Arab Emirates (‘MRP UAE Project’). Trial has ended on 2<sup>nd</sup> May 2017 and parties are directed to file their respective submissions. The Court delivered its verbal decision on 31<sup>st</sup> July 2017 and parties are awaiting for the sealed order which will spell out the terms of the judgement. However, both ICB and the Plaintiff are in the midst of discussion to stay the execution order and vary judgement. In the meantime, ICB has filed a Notice of Appeal against the decision of the High Court.

**(vi) Saudi Arabia Quad Communication & Security Solutions v IRIS Corporation Berhad**

The Plaintiff filed its claim against the Defendant for the alleged non-payment of goods and service rendered arose from an agreement and contractual relationship to implement a project with the Ministry of Interiors, Department of Passports and Immigration, People’s Republic of Bangladesh for the Enrolment of Bangladeshi Citizens in Kingdom of Saudi Arabia for Machine Readable Passports (MRP) (the “Project”) for the amount of USD3,477,522. Trial date has not been fixed yet as the matter is still in the primary stage in the commercial court.

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

- (vii) In the High Court of Malaya at Kuala Lumpur Suit No. WA-22NCVC-126-03/2017; Roxwell Group Sdn Bhd (755819-U) against (1) IRIS Corporation Berhad (302232-X) (“ICB”), (2) Tan Say Jim (“D2”), (3) Su Thai Ping (“D3”), (4) Hamdan Bin Mohd Hassan (“D4”) & (5) Sylla Ibrahima Sory (“D5”)**

The Plaintiff and D1 entered into a Cooperation Agreement (“Agreement”) on 17<sup>th</sup> November 2011 and among the salient terms of the Agreement was for the Plaintiff to identify for ICB for potential projects in the Republic of Guinea and Guinea Bissau (“Territory”) for a period of three (3) years from the date of the Agreement. In consideration of any and all services in respect of the Agreement involving the sale of plant, equipment, machinery or asset arranged by the Plaintiff, ICB agreed to pay the Plaintiff a commission of 15% on the value or price of the plant, equipment, machinery or asset sold.

The Plaintiff is claiming for an alleged commission payment in the amount of RM169,480,350.00 (together with interest deemed appropriate by the court) under the Agreement calculated based on the formula of 15% on the reported value of the BOT Passport Contract awarded by the Government of the Republic of Guinea to ICB in 2013 (“Project”). The Plaintiff is also alleging that ICB has colluded with D2, D3, D4 and D5 to deprive of its contractual rights under the Agreement.

It is relevant to note that the Project does not involve the sale of plant and equipment and no deposit was received from the Republic of Guinea. There was also no commission payment agreed between the Plaintiff and ICB as to the securement of the Project. ICB denies it has breached the Agreement and wishes to reiterate that the Plaintiff had never in any way facilitated to secure any contract whatsoever in favour of ICB within the two years from the execution of the Agreement. By virtue of clause 7.1 of the Agreement, the same in effect became redundant and was never pursued.

In addition to the above claims, the Plaintiff also alleges that ICB interfered with the contractual relations between the Plaintiff and its employee, Sylla (who is also the 5<sup>th</sup> defendant) by recruiting Sylla to assist ICB directly in dealing with the Government of the Republic of Guinea. The Plaintiff does not make a specific claim for damages for this allegation which arises out of the same facts as the Conspiracy Claim.

The Plaintiff via its solicitors served ICB a letter of demand in relation to the alleged commission payable for the securement of the Project in 21<sup>st</sup> July 2014 which was categorically denied and refuted by ICB’s solicitors via letter dated 19<sup>th</sup> September 2014. ICB therefore deems the Plaintiff’s action as nothing but retaliatory in nature.

ICB has appointed Messrs Raslan Loong to act on behalf and the memorandum of appearance was filed on 28<sup>th</sup> March 2017. ICB has filed in its defence and an application for security for cost which will be heard on 18<sup>th</sup> September 2017.

**25. Realised and Unrealised (accumulated losses)/retained earnings**

Breakdown of (accumulated losses)/retained earnings of the Group is as follows:

	<b>As at 30<sup>th</sup> June 2017 RM'000</b>	<b>As at 31<sup>st</sup> March 2017 RM'000</b>
Total (accumulated losses)/retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	(553,966)	(260,866)
- Unrealised profits/(losses)	(4,765)	(5,326)
	(558,731)	(266,192)
ii) Associates		
- Realised profits/(losses)	1,491	1,097
- Unrealised profits/(losses)	-	-
	1,491	1,097
	(557,240)	(265,095)
iii) Group consolidated adjustments	357,604	59,986
Total (accumulated losses)/retained earnings of the Group	(199,636)	(205,109)

**26. Dividend**

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

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

	<b>Individual 3 months ended</b>		<b>Cumulative 3 months ended</b>	
	<b>30<sup>th</sup> June 2017</b>	<b>30<sup>th</sup> June 2016</b>	<b>30<sup>th</sup> June 2017</b>	<b>30<sup>th</sup> June 2016</b>
<b>(a) Basic earnings/(loss) per ordinary share</b>				
Profit/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	5,768	(3,948)	5,768	(3,948)
- discontinued operations	(559)	-	(559)	-
	<u>5,209</u>	<u>(3,948)</u>	<u>5,209</u>	<u>(3,948)</u>
Weighted average number of ordinary shares ('000) at end of period	2,247,184	2,235,233	2,247,184	2,235,233
<b>Basic earnings/(loss) per ordinary share (Sen)</b>				
- continuing operations	0.26	(0.18)	0.26	(0.18)
- discontinued operations	(0.03)	-	(0.03)	-
	<u><b>0.23</b></u>	<u><b>(0.18)</b></u>	<u><b>0.23</b></u>	<u><b>(0.18)</b></u>
<b>(b) Diluted earnings/(loss) per ordinary share</b>				
Profit/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	5,768	(3,948)	5,768	(3,948)
- discontinued operations	(559)	-	(559)	-
	<u>5,209</u>	<u>(3,948)</u>	<u>5,209</u>	<u>(3,948)</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	2,247,184	2,235,233	2,247,184	2,235,233
<b>Diluted earnings/(loss) per ordinary share (Sen)</b>				
- continuing operations	0.26	(0.18)	0.26	(0.18)
- discontinued operations	(0.03)	-	(0.03)	-
	<u><b>0.23</b></u>	<u><b>(0.18)</b></u>	<u><b>0.23</b></u>	<u><b>(0.18)</b></u>

**28. Profit before taxation**

	<b>Individual 3 months ended 30<sup>th</sup> June 2017 RM'000</b>	<b>Cumulative 3 months ended 30<sup>th</sup> June 2017 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	2,535	2,535
- Net foreign exchange (gain)/loss	(2,857)	(2,857)
	<hr/>	<hr/>

**29. Comparative figures**

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