

# IRIS CORPORATION BERHAD

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

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## Interim Financial Report for the Fourth quarter ended 31<sup>st</sup> March 2017

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**Condensed Consolidated Statement of Comprehensive Income**For the Fourth quarter ended 31<sup>st</sup> March 2017

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>12 months ended</b>	<b>12 months ended</b>
	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>
	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</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>
<b>Continuing operations</b>				
Revenue	119,346	104,838	422,485	476,311
Cost of sales	(129,720)	(76,665)	(397,902)	(374,434)
Depreciation and amortisation	(1,998)	(2,123)	(9,283)	(9,905)
<b>Gross (loss)/profit</b>	<b>(12,372)</b>	<b>26,050</b>	<b>15,300</b>	<b>91,972</b>
Other income	5,770	15,508	31,053	21,237
Administrative, operating and other expenses	(280,541)	(31,513)	(329,707)	(92,845)
Depreciation and amortisation	(1,304)	(1,505)	(5,915)	(6,771)
Finance costs	(3,953)	(6,248)	(16,854)	(25,810)
Share of profit/(loss) of associates	475	(502)	(6,056)	25
<b>(Loss)/Profit before taxation</b>	<b>(291,925)</b>	<b>1,790</b>	<b>(312,179)</b>	<b>(12,192)</b>
Tax expense	(370)	(3,096)	(6,170)	(20,898)
<b>Loss from continuing operations</b>	<b>(292,295)</b>	<b>(1,306)</b>	<b>(318,349)</b>	<b>(33,090)</b>
<b>Discontinued operations</b>				
Profit/(loss) from discontinued operations, net of tax	(5,083)	-	(9,207)	30,003
<b>Loss for the period/year</b>	<b>(297,378)</b>	<b>(1,306)</b>	<b>(327,556)</b>	<b>(3,087)</b>
<b>Other comprehensive income/(loss), net of tax</b>				
Foreign currency translation for foreign operations	(1,814)	(13,439)	7,032	(279)
Share of equity accounted reserve	-	(2,299)	(553)	(5,848)
Reclassification of equity accounted reserve to profit or loss on disposal of associated company	-	-	10,482	-
	<b>(1,814)</b>	<b>(15,738)</b>	<b>16,961</b>	<b>(6,127)</b>
<b>Total comprehensive loss for the period/year</b>	<b>(299,192)</b>	<b>(17,044)</b>	<b>(310,595)</b>	<b>(9,214)</b>

**Condensed Consolidated Statement of Comprehensive Income**For the Fourth quarter ended 31<sup>st</sup> March 2017

(continued)

	Individual 3 months ended 31 <sup>st</sup> March 2017 RM'000		Cumulative 12 months ended 31 <sup>st</sup> March 2016 RM'000	
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(291,919)	1,523	(318,951)	6,052
Non-controlling interests	(5,459)	(2,829)	(8,605)	(9,139)
<b>Loss for the period/year</b>	<b>(297,378)</b>	<b>(1,306)</b>	<b>(327,556)</b>	<b>(3,087)</b>
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company	(292,878)	(11,545)	(304,207)	(1,107)
Non-controlling interests	(6,314)	(5,499)	(6,388)	(8,107)
<b>Total comprehensive loss for the period/year</b>	<b>(299,192)</b>	<b>(17,044)</b>	<b>(310,595)</b>	<b>(9,214)</b>
<b>(Loss)/Earnings per share attributable to owners of the Company:</b>				
Basic (Sen)				
- continuing operations	(12.83)	0.07	(13.86)	(1.17)
- discontinued operations	(0.23)	-	(0.41)	1.47
	<b>(13.06)</b>	<b>0.07</b>	<b>(14.27)</b>	<b>0.30</b>
Diluted (Sen)				
- continuing operations	(12.83)	0.07	(13.86)	(1.17)
- discontinued operations	(0.23)	-	(0.41)	1.47
	<b>(13.06)</b>	<b>0.07</b>	<b>(14.27)</b>	<b>0.30</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 2016 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> March 2017

	31 <sup>st</sup> March 2017 RM'000	31 <sup>st</sup> March 2016 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	115,282	180,649
Development costs	17	20
Goodwill on consolidation	128,268	145,421
Other intangible assets	26,945	39,090
Operating financial assets	17,845	9,328
Investment in associates	7,489	9,197
Available-for-sale financial assets	7,906	14,961
Deferred tax assets	22	151
	303,774	398,817
<b>CURRENT ASSETS</b>		
Inventories	52,378	63,809
Property under development	-	4,785
Operating financial assets	2,750	2,750
Assets classified as held for sale	10,940	5,893
Trade receivables	203,331	269,508
Other receivables, deposits & prepayments	56,283	96,172
Amount owing by associates	290	2,211
Amount owing by related parties	11,035	27,527
Amount owing by contract customers	71,730	142,359
Current tax assets	7,714	719
Short-term deposits placed	11,537	29,420
Cash and bank balances	43,342	32,609
	471,330	677,762
<b>TOTAL ASSETS</b>	<b>775,104</b>	<b>1,076,579</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	337,078	311,561
Share premium	111,738	105,068
Warrants reserve	-	8,773
Foreign exchange translation reserve	8,285	3,470
Fair value reserve	-	(9,929)
Revaluation reserve	37,129	38,184
(Accumulated losses)/Retained earnings	(231,919)	92,902
<b>Total equity attributable to owners of the Company</b>	<b>262,311</b>	<b>550,029</b>
Non-controlling interests	(8,203)	(12,185)
<b>TOTAL EQUITY</b>	<b>254,108</b>	<b>537,844</b>

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> March 2017

(continued)

	31 <sup>st</sup> March 2017 RM'000	31 <sup>st</sup> March 2016 RM'000
<b>NON-CURRENT LIABILITIES</b>		
Term loans	88,785	136,400
Hire purchase and lease payables	834	3,493
Deferred tax liabilities	14,940	14,940
	104,559	154,833
<b>CURRENT LIABILITIES</b>		
Trade payables	113,598	40,761
Other payables and accruals	187,817	206,962
Amount owing to associates	-	1,021
Liabilities classified as held for sales	19,922	-
Short-term loans and borrowings	90,056	133,043
Hire purchase and lease payables	1,888	1,851
Current tax liabilities	3,156	264
	416,437	383,902
<b>TOTAL LIABILITIES</b>	520,996	538,735
<b>TOTAL EQUITY AND LIABILITIES</b>	775,104	1,076,579
<b>Net assets per ordinary share attributable to owners of the Company (sen)</b>	11.67	26.48

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 2016 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Changes in Equity**

For the Fourth quarter ended 31<sup>st</sup> March 2017

	← Non-Distributable →					Distributable		Attributable to the owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Reserve RM'000	Fair Value Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000			
At 1 <sup>st</sup> April 2015	306,042	103,249	10,592	4,781	(4,081)	38,719	85,795	545,097	19,760	564,857
Warrants exercised	5,519	1,819	(1,819)	-	-	-	-	5,519	-	5,519
Effect of changes in tax rate	-	-	-	-	-	520	-	520	-	520
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(23,838)	(23,838)
Realisation on usage of property	-	-	-	-	-	(1,055)	1,055	-	-	-
Profit/(loss) after taxation for the financial period	-	-	-	-	-	-	6,052	6,052	(9,139)	(3,087)
Other comprehensive income for the financial period, net of tax										
- foreign currency translation	-	-	-	(1,311)	-	-	-	(1,311)	1,032	(279)
- share of equity accounted reserves	-	-	-	-	(5,848)	-	-	(5,848)	-	(5,848)
Total comprehensive income/(loss) for the financial period	-	-	-	(1,311)	(5,848)	-	6,052	(1,107)	(8,107)	(9,214)
<b>At 31<sup>st</sup> March 2016</b>	<b>311,561</b>	<b>105,068</b>	<b>8,773</b>	<b>3,470</b>	<b>(9,929)</b>	<b>38,184</b>	<b>92,902</b>	<b>550,029</b>	<b>(12,185)</b>	<b>537,844</b>

**Condensed Consolidated Statement of Changes in Equity**

For the Fourth quarter ended 31<sup>st</sup> March 2017

(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	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	Total Equity 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
Warrant exercise	18,017	5,238	(5,238)	-	-	-	-	18,017	-	18,017
Transfer of unexercised warrant reserve	-	-	(3,535)	-	-	-	3,535	-	-	-
Effect of change in equity in subsidiaries	-	-	-	-	-	-	(10,460)	(10,460)	10,370	(90)
Realisation on usage of property	-	-	-	-	-	(1,055)	1,055	-	-	-
Loss after taxation for the financial period	-	-	-	-	-	-	(318,951)	(318,951)	(8,605)	(327,556)
Other comprehensive income for the financial period, net of tax										
- foreign currency translation	-	-	-	4,815	-	-	-	4,815	2,217	7,032
- share of equity accounted reserves	-	-	-	-	(553)	-	-	(553)	-	(553)
- Reclassification of equity accounted reserve to profit or loss upon disposal of associated company	-	-	-	-	10,482	-	-	10,482	-	10,482
Total comprehensive income/(loss) for the financial period	-	-	-	4,815	9,929	-	(318,951)	(304,207)	(6,388)	(310,595)
<b>At 31<sup>st</sup> March 2017</b>	<b>337,078</b>	<b>111,738</b>	<b>-</b>	<b>8,285</b>	<b>-</b>	<b>37,129</b>	<b>(231,919)</b>	<b>262,311</b>	<b>(8,203)</b>	<b>254,108</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 2016 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Cash Flow Statement**For the Fourth quarter ended 31<sup>st</sup> March 2017

	<b>Cumulative 31<sup>st</sup> March 2017 RM'000</b>	<b>Cumulative 31<sup>st</sup> March 2016 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation		
- continuing operations	(312,179)	(12,192)
- discontinued operations	(9,207)	30,010
	<u>(321,386)</u>	<u>17,818</u>
Adjustments for:		
Non-Cash Items	284,971	25,817
Interest income	(623)	(541)
Finance costs	16,854	28,117
	<u>(20,184)</u>	<u>71,211</u>
<b>OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(20,184)</b>	<b>71,211</b>
Changes in working capital:		
Net changes in current assets	47,009	(40,997)
Net changes in current liabilities	52,672	(33,823)
	<u>79,497</u>	<u>(3,609)</u>
<b>NET CASH GENERATED FROM/(USED IN) OPERATIONS</b>	<b>79,497</b>	<b>(3,609)</b>
Interest received	623	541
Interest paid	(16,854)	(28,117)
Tax paid	(10,143)	(16,756)
	<u>53,123</u>	<u>(47,941)</u>
<b>NET CASH FROM OPERATING/(USED IN) ACTIVITIES</b>	<b>53,123</b>	<b>(47,941)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of available for sale investment	-	(136)
Acquisition of development expenditure	-	(1,828)
Acquisition of intellectual properties	-	(1,803)
Additional investment in an associate	(8,823)	-
Additional of financial operating assets	(8,517)	(5,675)
Dividend received from an associate	150	150
Net withdrawal of other investments	-	23,031
Proceeds from disposal of development expenditure	-	2,292
Proceeds from disposal of plant and equipment	-	1,175
Proceeds from disposal of subsidiaries, net of cash	-	97,284
Proceeds from repayment of debts	-	117,835
Proceeds from disposal of an associate	30,869	-
Purchase of additional investments in subsidiaries	(90)	-
Purchase of plant and equipment	(4,806)	(19,004)
	<u>8,783</u>	<u>213,321</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>8,783</b>	<b>213,321</b>



**Condensed Consolidated Cash Flow Statement**For the Fourth quarter ended 31<sup>st</sup> March 2017

(continued)

	<b>Cumulative 31<sup>st</sup> March 2017 RM'000</b>	<b>Cumulative 31<sup>st</sup> March 2016 RM'000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of ordinary shares	26,949	5,519
Net repayment of hire purchase and lease payables	(2,622)	(3,132)
Net repayment of bankers' acceptances	(17,033)	(61,845)
Net repayment of trade loans	(33,514)	(36,261)
Proceeds from drawdown of term loans	-	90,402
Repayment of term loans	(42,836)	(182,403)
Withdrawal/(Placement) of pledged deposits	14,416	(10,202)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(54,640)</b>	<b>(197,922)</b>
Net changes in cash and cash equivalents	7,266	(32,542)
Effects of exchange rate changes	-	3,852
Cash and cash equivalents at beginning of the period	37,318	66,008
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>44,584</b>	<b>37,318</b>

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

Cash and bank balances	43,342	32,609
Short-term deposits placed	11,537	29,240
Less: Pledged deposits	(10,295)	(24,711)
	<b>44,584</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 2016 and the accompanying explanatory notes attached to the interim financial report.

## **Notes to the Interim Financial Report**

For the Fourth quarter ended 31<sup>st</sup> March 2017

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### **1. Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 31<sup>st</sup> March 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 2016.

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

The preceding year audited financial statements were not subject to any qualifications.

### **3. Seasonal or cyclical factors**

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

#### 4. Segment information

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

	← Continuing operations →						Discontinued operations		Total RM'000
	Sustainable Development Division						Property development & construction sub-division RM'000	Total RM'000	
	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
Revenue from external customers	358,436	48,276	7,408	-	8,365	-	422,485	-	422,485
Inter-segment revenue	-	-	-	-	954	(954)	-	-	-
<b>Total Revenue</b>	<b>358,436</b>	<b>48,276</b>	<b>7,408</b>	<b>-</b>	<b>9,319</b>	<b>(954)</b>	<b>422,485</b>	<b>-</b>	<b>422,485</b>
Segment results <i>(Note A)</i>	(35,207)	(94,552)	(45,209)	(61,085)	(31,729)	-	(267,782)	(9,207)	(276,989)
Unallocated corporate expenses							(31,882)	-	(31,882)
Other income							10,395	-	10,395
Operating loss							(289,269)	(9,207)	(298,476)
Finance costs							(16,854)	-	(16,854)
Share of loss of associates							(306,123)	(9,207)	(315,330)
							(6,056)	-	(6,056)
<b>Loss before taxation</b>							(312,179)	(9,207)	(321,386)
Income tax expense							(6,170)	-	(6,170)
<b>Loss after taxation</b>							(318,349)	(9,207)	(327,556)

4. Segment information (cont'd)

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

	← 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
Operating results	67,605	(30,862)	(37,497)	609	(3,994)	-	(4,139)	(9,207)	(13,346)
<b>Add/(Less):</b>									
- Allowance for slow moving inventories	-	-	-	(2,502)	-	-	(2,502)	-	(2,502)
- Impairment of goodwill	-	(1,421)	-	-	(15,732)	-	(17,153)	-	(17,153)
- Impairment of intangible assets	-	-	(1,680)	-	(9,003)	-	(10,683)	-	(10,683)
- Impairment of plant and equipment	-	(3,011)	(32)	(52,165)	-	-	(55,208)	-	(55,208)
- Impairment of investment in an associate	(227)	-	-	-	-	-	(227)	-	(227)
- Impairment of financial assets	-	(7,055)	-	-	-	-	(7,055)	-	(7,055)
- Impairment of trade and other receivables	(102,585)	(52,203)	(6,000)	(7,027)	(3,000)	-	(170,815)	-	(170,815)
	(102,812)	(63,690)	(7,712)	(61,694)	(27,735)	-	(263,643)	-	(263,643)
Segment results	(35,207)	(94,552)	(45,209)	(61,085)	(31,729)	-	(267,782)	(9,207)	(276,989)

**5. Capital Commitments**

**As at  
31<sup>st</sup> March  
2017  
RM'000**

**Authorised and contracted for:-**

Purchase of property, plant and equipment 7,538

**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:

**(a) Disposal of entire 30% equity interest in Paysys (M) Sdn Bhd**

On 9<sup>th</sup> March 2017, the Company had entered into a Share Sale Agreement for the disposal of 300,000 ordinary shares, representing 30% equity interest of Paysys (M) Sdn Bhd ("Paysys") for a total purchase price of RM5,000,000. Paysys has ceased as an associate of the Company.

**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 Fourth quarter.

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

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

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

There are no contingent liabilities incurred or known to be incurred by the Company and/or the Group as at 31<sup>st</sup> March 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>12 months ended</b>	<b>12 months ended</b>
	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>
	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</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	(360)	(47)	(3,603)	(11,032)
- Under provision in prior years	(10)	(1,818)	(2,567)	(8,404)
	(370)	(1,865)	(6,170)	(19,436)
Deferred tax				
- Current financial year	-	(1,231)	-	(1,462)
	(370)	(3,096)	(6,170)	(20,898)
<u>Discontinued operations</u>				
Income tax				
- Under provision in prior years	-	-	-	(7)
	(370)	(3,096)	(6,170)	(20,905)

The Group’s effective tax rate is higher than the statutory tax rate of 24% mainly due to losses in some subsidiaries which were not available for tax relief at the Group level and the non-deductibility of certain operating expenses for tax purposes.

**14. Related Party Transactions**

The significant transactions with related parties of the Group for the cumulative 12 months period ended 31<sup>st</sup> March 2017 were as follows:

	<b>RM'000</b>
<b>Major shareholder of the Company</b>	
The Federal Land Development Authority (“FELDA”)	
- Sales of construction of sustainable development project and services	15,843

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

### **15.1 Review of Performance**

#### *Continuing operations*

For the twelve (12) months financial period ended 31<sup>st</sup> March 2017, the Group recorded a revenue of RM422.5 million, representing a decrease of 11.3% from RM476.3 million recorded in the previous comparable financial year. The decrease was mainly due to lower revenue from Tanzania e-ID cards project and Sustainable Development projects such as construction smart villages namely Rimbunan Kaseh project and Sentuhan Kasih project for the State Government and FELDA respectively and non-renewal of the Malaysia ePassport Project. The lower revenue was partially offset by higher revenue from delivery of banking cards for local financial institutions and Senegal eID cards project.

The Group posted higher loss before taxation of RM312.2 million, representing an increase by RM300.0 million as compared to RM12.2 million in the previous comparable financial year. The significant loss was mainly attributable to the Group making a one-off non-cash impairment arising from the Corporate Restructuring Plan which was announced earlier. The impairment comprise of goodwill and assets of RM160.8 million for non-core business divisions such as IRIS Agrotech, IRIS Koto, IRIS Land, Stamford College. If exclude the impairment and other exceptions items of RM263.6 million, the Group would have posted a loss before taxation of RM48.6 million for FY2017.

For the current financial quarter ended 31<sup>st</sup> March 2017, the Group recorded a revenue of RM119.3 million, representing an increase of 13.8% from RM104.8 million recorded in the previous comparable quarter last year. Whilst the current financial quarter recorded higher revenue, loss before taxation increased to RM291.9 million, representing an increase of loss by RM293.7 million as compared to profit before taxation of RM1.8 million in the previous comparable quarter last year.

The performance of the respective business segments for this financial quarter ended 31<sup>st</sup> March 2017 as compared to the previous comparable quarter is analysed as follows:-

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded higher revenue of RM111.2 million in this quarter from RM90.1 million in the previous comparable quarter, representing an increase of 21.1%. The higher revenue was mainly attributed to the higher delivery volume of the Senegal eID cards project in the current financial quarter.

The Sustainable Development and Industrial Building Systems Division recorded revenue of RM2.7 million in the current quarter from RM11.1 million in the previous comparable quarter, representing a decrease of 75.7%. The revenue showed a decrease mainly due to lower revenue recognition from Rimbunan Kaseh and Sentuhan Kasih Programmes from the State Governments and FELDA respectively in the current financial quarter.

The Food and Agro Technology Division recorded revenue of RM3.2 million in this quarter from RM0.4 million in the previous comparable quarter, representing an increase of RM2.8 million. The increase was mainly due to higher revenue from farm produce.

### **15.1 Review of Performance (cont'd)**

The Education Division recorded revenue of RM2.5 million in this current financial year ended 31<sup>st</sup> March 2017 from RM1.9 million in the previous comparable quarter, representing an increase of 31.36%. The increase is mainly due to higher student enrollment charges in current financial year.

#### *Discontinued operations*

IRIS Land (PNG) Ltd, a wholly-owned subsidiary of the Company that incorporated in Papua New Guinea, has discontinued its business operations in January 2017. The 12-months segment losses of RM9.2 million were reclassified under discontinued operations.

### **15.2 Comparison with Preceding Quarter**

#### *Continuing operations*

For the current financial quarter which ended on 31<sup>st</sup> March 2017, the Group recorded revenue and loss before taxation of RM119.3 million and RM291.9 million respectively, representing a decrease of 12.0% and >100.0% from RM135.5 million and profit before taxation of RM2.2 million respectively recorded in the preceding quarter ended 31<sup>st</sup> December 2016.

The decrease in revenue was mainly due to lower revenue from banking cards and construction of Sarawak Schools in the current financial quarter. The loss before taxation mainly due to non-cash impairment loss charges and other provisions made in the current financial quarter.

## **16. Prospects**

The market conditions and the Group's operating environment for financial year 2018 is expected to remain challenging. The Group will continue to implement its Corporate Restructuring Plan ("CRP") to deliver sustainable, profitable sales growth and long-term value creation for shareholders.

The Group is confident that the CRP will strengthen its core business and increase sales by forging partnerships with new technology partners whilst sustaining technology superiority. To enable the Group to refocus and to ensure that resources are utilized on its core business, the CRP will focus efforts on divesting IRIS' non-core businesses including property development, education and food waste-to-fertilizer plant.



**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 except for an additional investment in an associated company of RM8,823,000 and the disposals of Paysys (M) Sdn Bhd for RM5,000,000.

**19. Quoted Securities**

There were no purchases or disposals of quoted securities for the current quarter and financial period to date except for the disposal of entire equity interest in Versatile Creative Berhad with total of 43,810,045 ordinary shares, a public limited liability company, incorporated in Malaysia and is listed in Main Market of Bursa Malaysia Securities Berhad.

**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> March 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	(10,414)
	<u>7,906</u>

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

There were no corporate proposals announced but not completed as at 24<sup>th</sup> May 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:

**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 24<sup>th</sup> May 2017 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	(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
Total	110,348	(96,825)	13,523	

**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</b>	<b>Long Term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Secured	89,917	88,785	178,702
Unsecured	139	-	139
	<u>90,056</u>	<u>88,785</u>	<u>178,841</u>

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM27.5 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 24<sup>th</sup> May 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 24<sup>th</sup> May 2017:

### (i) 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.

## 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 August 2016, the Defendant obtained a stay for the Auction. The hearing of the Defendant's application is fixed before the High Court Judge on 22<sup>nd</sup> August 2016.

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 are being made to reduce 10% of the reserve price and the court is to set another date for auction.

#### (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 not been fixed yet.

- (v) **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.

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 application for security for cost.

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

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

	<b>As at 31<sup>st</sup> March 2017 RM'000</b>	<b>As at 31<sup>st</sup> March 2016 RM'000</b>
Total retained earnings/(accumulated losses):		
i) The Company and its subsidiaries		
- Realised profits/(losses)	(287,676)	58,254
- Unrealised profits/(losses)	(5,326)	(26,435)
	(293,002)	31,819
ii) Associates		
- Realised profits/(losses)	1,989	(3,200)
- Unrealised profits/(losses)	-	-
	1,989	(3,200)
	(291,013)	28,619
iii) Group consolidated adjustments	59,094	64,283
Total retained earnings/(accumulated losses) of the Group	(231,919)	92,902

**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 31<sup>st</sup> March</b>		<b>Cumulative 12 months ended 31<sup>st</sup> March</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>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	(286,836)	1,523	(309,744)	(23,951)
- discontinued operations	(5,083)	-	(9,207)	30,003
	(291,919)	1,523	(318,951)	6,052
Weighted average number of ordinary shares ('000) at end of period	2,235,233	2,042,105	2,235,233	2,042,105
<b>Basic earnings/(loss) per ordinary share (Sen)</b>				
- continuing operations	(12.83)	0.07	(13.86)	(1.17)
- discontinued operations	(0.23)	-	(0.41)	1.47
	<b>(13.06)</b>	<b>0.07</b>	<b>(14.27)</b>	<b>0.30</b>
<b>(b) Diluted earnings/(loss) per ordinary share</b>				
Profit/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	(286,836)	1,523	(309,744)	(23,951)
- discontinued operations	(5,083)	-	(9,207)	30,003
	(291,919)	1,523	(318,951)	6,052
Adjustment for after tax effects of Warrants A & Warrants B (RM'000)	-	-	-	-
Adjusted net profit for the period (RM'000)				
- continuing operations	(286,836)	1,523	(309,744)	(23,951)
- discontinued operations	(5,083)	-	(9,207)	30,003
	(291,919)	1,523	(318,951)	6,052
Weighted average number of ordinary shares ('000)	2,235,233	2,042,105	2,235,233	2,042,105
Adjustment for assumed exercise of Warrants A ('000)	-*	7,064	-*	- #
Adjustment for assumed exercise of Warrants B ('000)	-*	27,600	-*	- #
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	2,235,233	2,076,769	2,235,233	2,042,105
<b>Diluted earnings/(loss) per ordinary share (Sen)</b>				
- continuing operations	(12.83)	0.07	(13.86)	(1.17)
- discontinued operations	(0.23)	-	(0.41)	1.47
	<b>(13.06)</b>	<b>0.07</b>	<b>(14.27)</b>	<b>0.30</b>

\* Both Warrants A & Warrants B have expired in June 2016 and April 2016 respectively.

# Loss per ordinary share from continuing operations is anti-dilutive.

**28. Loss before taxation**

	<b>Individual 3 months ended 31<sup>st</sup> March 2017 RM'000</b>	<b>Cumulative 12 months ended 31<sup>st</sup> March 2017 RM'000</b>
Loss before taxation is arrived at after charging/(crediting):		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	3,302	15,198
- Allowance for slow moving inventories	2,502	2,502
- Impairment of goodwill	17,153	17,153
- Impairment of intangible assets	10,683	10,683
- Impairment of plant and equipment	55,208	55,208
- Impairment of an associate company	227	227
- Impairment of financial assets	7,055	7,055
- Impairment of trade and other receivables	170,815	170,815
- Gain on disposal of associate companies	(566)	(10,961)
- Net foreign exchange (gain)/loss	(8,669)	(17,036)

**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.