

IRIS CORPORATION BERHAD

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

Interim Financial Report for the Fourth quarter ended 31st March 2019

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Condensed Consolidated Statement of Comprehensive IncomeFor the Fourth quarter ended 31st March 2019

	Individual		Cumulative	
	3 months ended	3 months ended	12 months ended	12 months ended
	31st	31st	31st	31st
	March	March	March	March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		<i>Restated</i>		<i>Restated</i>
Continuing operations				
Revenue	35,201	58,582	229,088	334,692
Cost of sales	(25,228)	(59,489)	(177,051)	(314,957)
Depreciation and amortisation	(3,343)	(10,485)	(6,023)	(14,841)
Gross profit/(loss)	6,630	(11,392)	46,014	4,894
Other income (<i>Note 32</i>)	63,025	29,930	86,825	36,307
Administrative, operating and other expenses	(16,004)	(75,412)	(62,376)	(147,343)
Depreciation and amortisation	(162)	(1,570)	(2,944)	(5,276)
Finance costs	1,619	(1,481)	(6,402)	(8,772)
Share of results of associates, net of tax	(27)	746	(570)	2,569
Share of results of a jointly-controlled entity	(19,731)	(5,319)	(19,731)	(5,319)
Profit/(Loss) before taxation	35,350	(64,498)	40,816	(122,940)
Income tax (expenses)/credit	(3,604)	10,728	(3,309)	10,777
Profit/(Loss) from continuing operations	31,746	(53,770)	37,507	(112,163)
Discontinued operations				
Loss from discontinued operations, net of tax	-	(10,815)	-	(14,197)
Profit/(Loss) for the period	31,746	(64,585)	37,507	(126,360)
Other comprehensive income/(loss), net of tax				
Foreign currency translation for foreign operations	(38)	4,524	1,599	(369)
Share of equity reserves of a jointly-controlled entity	(64)	(1,257)	(64)	(1,257)
Revaluation of property, net of tax	(1,052)	-	(1,052)	-
	(1,154)	3,267	483	(1,626)
Total comprehensive income/(loss) for the period	30,592	(61,318)	37,990	(127,986)

Condensed Consolidated Statement of Comprehensive IncomeFor the Fourth quarter ended 31st March 2019

(continued)

	Individual		Cumulative	
	3 months ended		12 months ended	
	31st March	31st March	31st March	31st March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		<i>Restated</i>		<i>Restated</i>
Profit/(Loss) attributable to:				
Owners of the Company	20,224	(68,569)	38,259	(123,551)
Non-controlling interests	11,522	3,984	(752)	(2,809)
Profit/(Loss) for the period	31,746	(64,585)	37,507	(126,360)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	18,978	(66,724)	38,742	(125,799)
Non-controlling interests	11,614	5,406	(752)	(2,187)
Total comprehensive income/(loss) for the period	30,592	(61,318)	37,990	(127,986)
Earnings/(Loss) per share attributable to owners of the Company:				
Basic (Sen)				
- continuing operations	0.74	(2.39)	1.40	(4.58)
- discontinued operations	-	(0.45)	-	(0.54)
	0.74	(2.84)	1.40	(5.12)
Diluted (Sen)				
- continuing operations	0.74	(2.39)	1.40	(4.58)
- discontinued operations	-	(0.45)	-	(0.54)
	0.74	(2.84)	1.40	(5.12)

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 2018 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial PositionAs at 31st March 2019

	31st March 2019	31st March 2018
	RM'000	RM'000
		<i>Restated</i>
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	89,250	95,916
Intangible assets	137,670	138,601
Operating financial assets	11,427	14,591
Investment in associates	10,900	11,810
Investment in a jointly-controlled entity	-	10,196
Available-for-sale financial assets	-	216
	<u>249,247</u>	<u>271,330</u>
CURRENT ASSETS		
Inventories	18,595	25,156
Operating financial assets	956	592
Trade receivables	78,464	132,862
Contract Assets	7,267	-
Other receivables, deposits & prepayments	37,243	50,041
Amount owing by contract customers	-	9,375
Amount owing by associates	19	285
Amount owing by related parties	-	3,143
Current tax assets	7,774	9,423
Short-term deposits	88,202	11,045
Cash and bank balances	29,206	24,162
	<u>267,726</u>	<u>266,084</u>
TOTAL ASSETS	<u>516,973</u>	<u>537,414</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	539,602	480,276
Foreign currency translation reserve	158	4,908
Revaluation reserve	34,043	36,074
Accumulated losses	(301,222)	(341,514)
Total equity attributable to owners of the Company	<u>272,581</u>	<u>179,744</u>
Non-controlling interests	(22,597)	(36,174)
TOTAL EQUITY	<u>249,984</u>	<u>143,570</u>

Condensed Consolidated Statement of Financial PositionAs at 31st March 2019

(continued)

	31st March 2019	31st March 2018
	RM'000	RM'000
		<i>Restated</i>
NON-CURRENT LIABILITIES		
Term loans	31,250	59,535
Hire purchase and lease payables	83	218
Deferred tax liability	3,274	-
	<u>34,607</u>	<u>59,753</u>
CURRENT LIABILITIES		
Trade payables	59,278	128,200
Other payables and accruals	141,134	153,693
Contract Liability	3,860	-
Short-term loans and borrowings	22,500	44,250
Hire purchase and lease payables	127	504
Current tax liabilities	4	1,965
	<u>226,903</u>	<u>328,612</u>
Liabilities of a disposal group classified as held for sales	5,479	5,479
	<u>232,382</u>	<u>334,091</u>
TOTAL LIABILITIES	<u>266,989</u>	<u>393,844</u>
TOTAL EQUITY AND LIABILITIES	<u>516,973</u>	<u>537,414</u>
Net assets per ordinary share attributable to owners of the Company (sen)	<u>9.19</u>	<u>7.27</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 31st March 2018 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the Fourth quarter ended 31st March 2019

	← Attributable to the owners of the Company →						
	Ordinary Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Sub-total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 st April 2017, as reported	448,816	7,322	37,129	(205,109)	288,158	(31,659)	256,499
- Prior year adjustment	-	(166)	-	(13,909)	(14,075)	(2,039)	(16,114)
At 1 st April 2017, as restated	448,816	7,156	37,129	(219,018)	274,083	(33,698)	240,385
Transactions with owners							
Issuance of new shares	31,460	-	-	-	31,460	-	31,460
Disposal of subsidiaries	-	-	-	-	-	(289)	(289)
Total transactions with owners	31,460	-	-	-	31,460	(289)	31,171
Total comprehensive loss for the financial period							
Loss after taxation for the financial period, restated	-	-	-	(123,551)	(123,551)	(2,809)	(126,360)
Other comprehensive income for the financial period, net of tax							
- foreign currency translation, restated	-	(991)	-	-	(991)	622	(369)
- share of equity reserve of a jointly-controlled entity	-	(1,257)	-	-	(1,257)	-	(1,257)
Total comprehensive loss	-	(2,248)	-	(123,551)	(125,799)	(2,187)	(127,986)
Realisation on revaluation reserve	-	-	(1,055)	1,055	-	-	-
At 31st March 2018	480,276	4,908	36,074	(341,514)	179,744	(36,174)	143,570

Condensed Consolidated Statement of Changes in EquityFor the Fourth quarter ended 31st March 2019 (continued)

	← Attributable to the owners of the Company →				Sub-Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000			
At 1 st April 2018, as reported	480,276	5,074	36,074	(327,605)	193,819	(40,453)	153,366
- Prior year adjustment	-	(166)	-	(13,909)	(14,075)	4,279	(9,796)
- Effect of adoption of MFRS 15				(3,406)	(3,406)	-	(3,406)
At 1 st April 2018, as restated	480,276	4,908	36,074	(344,920)	176,338	(36,174)	140,164
Transactions with owners							
Issuance of new shares	59,326	-	-	-	59,326	-	59,326
Disposal of subsidiaries	-	(6,285)	-	4,460	(1,825)	14,329	12,504
Total transactions with owners	59,326	(6,285)	-	4,460	57,501	14,329	71,830
Total comprehensive income/(loss) for the financial period							
Profit/(Loss) after taxation for the financial period	-	-	-	38,259	38,259	(752)	37,507
Other comprehensive income for the financial period, net of tax							
- foreign currency translation	-	1,599	-	-	1,599	-	1,599
- share of equity reserve of a jointly-controlled entity	-	(64)	-	-	(64)	-	(64)
- Revaluation of property, net of tax	-	-	(1,052)	-	(1,052)	-	(1,052)
Total comprehensive income/(loss)	-	1,535	(1,052)	38,259	38,742	(752)	37,990
Realisation on revaluation reserve	-	-	(979)	979	-	-	-
At 31st March 2019	539,602	158	34,043	(301,222)	272,581	(22,597)	249,984

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 2018 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow StatementFor the Fourth quarter ended 31st March 2019

	Cumulative 12 months ended 31st March 2019 RM'000	Cumulative 12 months ended 31st March 2018 RM'000 <i>Restated</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
- continuing operations	40,816	(122,940)
- discontinued operations	-	(14,166)
	40,816	(137,106)
Adjustments for:		
Non-Cash Items	(58,407)	70,739
Interest income	(1,062)	(372)
Finance costs	6,402	8,780
	(12,251)	(57,959)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(12,251)	(57,959)
Changes in working capital:		
Net changes in current assets	155,361	81,995
Net changes in current liabilities	(63,260)	21,511
	79,850	45,547
NET CASH GENERATED FROM OPERATIONS	79,850	45,547
Interest received	1,062	372
Interest paid	(6,402)	(8,780)
Tax paid	(309)	(3,919)
	74,201	33,220
NET CASH FROM OPERATING ACTIVITIES	74,201	33,220
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of development costs	(2,064)	(3)
Acquisition of financial operating assets	(404)	-
Acquisition of intangible assets	(183)	(6,528)
Acquisition of plant and equipment	(1,518)	(398)
Disposal of subsidiaries, net of cash	(70)	(151)
Proceeds from disposal of other investments	270	-
Proceeds from disposal of plant and equipment	3,190	1,013
	(779)	(6,067)
NET CASH FOR INVESTING ACTIVITIES	(779)	(6,067)

Condensed Consolidated Cash Flow Statement

For the Fourth quarter ended 31st March 2019

(continued)

	Cumulative 12 months ended 31st March 2019 RM'000	Cumulative 12 months ended 31st March 2018 RM'000 <i>Restated</i>
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from issuance of ordinary shares	59,326	31,460
Net repayment of hire purchase and lease payables	(512)	(1,782)
Net repayment of bankers' acceptances	-	(12,662)
Net repayment of revolving loans	(5,000)	(5,000)
Net repayment of trade loans	-	(19,256)
Repayment of term loans	(45,035)	(38,772)
(Placement)/withdrawal of pledged deposits	(4,083)	57
NET CASH FROM/(FOR) FINANCING ACTIVITIES	4,696	(45,955)
Net changes in cash and cash equivalents	78,118	(18,802)
Cash and cash equivalents at beginning of the period	24,969	44,584
Effect of exchange rate changes on cash and cash equivalents	-	(813)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	103,087	24,969

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

Cash and bank balances	29,205	24,162
Short-term deposits placed	88,202	11,045
	117,407	35,207
Less: Short-term deposits pledged	(14,320)	(10,238)
	103,087	24,969

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 2018 and the accompanying explanatory notes attached to the interim financial report.

Notes to the Interim Financial Report

For the Fourth quarter ended 31st March 2019

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31st March 2019 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 2018.

2. Changes in Accounting Policies

The accounting policies adopted for this interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31st March 2018 except for those standards, amendments and IC Interpretation, which are in effective for financial period beginning on or after 1st April 2018 and are applicable to the Group.

The adoption of these new MFRSs does not have any significant effect on the financial statements of the Group except for financial impact of MFRS 15 Revenue with Contract Customers as disclosed in Note 29 of this report.

3. Audit report of preceding annual financial statement

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

4. Seasonal or cyclical factors

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

5. Segment information

The Group's operating segments information for the interim financial report to 31st March 2019 was as follows:-

	← Continuing operations →							
	Sustainable Development Division							
	Trusted ID & IT Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Environment & Renewable Energy sub-division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Revenue from external customers	223,976	3,085	2,027	-	-	229,088	-	229,088
Inter-segment revenue	-	-	-	-	-	-	-	-
Total Revenue	223,976	3,085	2,027	-	-	229,088	-	229,088
Segment results <i>(Note A)</i>	108,647	(12,211)	(12,560)	3,157	-	87,033	-	87,033
Unallocated corporate expenses	-	-	-	-	(25,916)	(25,916)	-	(25,916)
Share of results of associates, net of tax	-	-	-	-	(570)	(570)	-	(570)
Share of results of a jointly-controlled entity	-	-	-	-	(19,731)	(19,731)	-	(19,731)
Profit/(Loss) before taxation	108,647	(12,211)	(12,560)	3,157	(46,217)	40,816	-	40,816
Income tax expense	(3,309)	-	-	-	-	(3,309)	-	(3,309)
Profit/(Loss) after taxation	105,338	(12,211)	(12,560)	3,157	(46,217)	37,507	-	37,507

5. Segment information (cont'd)

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

	← Continuing operations →							
	<u>Sustainable Development Division</u>							
	Trusted ID & IT Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Environment & Renewable Energy sub-division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Operating results	65,122	(1,068)	(11,980)	(37)	-	52,037	-	52,037
Add/(Less):								
- Depreciation and amortisation	(8,636)	(95)	(235)	-	-	(8,966)	-	(8,966)
- Interest income	1,062	-	-	-	-	1,062	-	1,062
- Other income	6,184	1,247	2,150	3,298	-	12,879	-	12,879
- Reversal of impairment loss in trade receivables	72,885	-	-	-	-	72,885	-	72,885
- Finance costs	(6,386)	(5)	(11)	-	-	(6,402)	-	(6,402)
- Administrative, operating and other expenses	(21,584)	(12,290)	(2,484)	(104)	-	(36,462)	-	(36,462)
	43,525	(11,143)	(580)	3,194	-	34,996	-	34,996
Segment results	108,647	(12,211)	(12,560)	3,157	-	87,033	-	87,033

6. Capital Commitments

	As at 31st March 2019 RM'000
Purchase of plant and equipment	
-Authorised and contracted for	707
-Authorised and not contracted for	6,187
	<u>6,894</u>

7. Debt and equity securities

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

8. Changes in the composition of the Group

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

9. 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.

10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of this quarter except for the following:-

Disposal of entire equity interests of IRIS Land (PNG) Limited

On 7th May 2019, the Company entered into a Shares Sales Agreement with Prior Vital Sdn. Bhd. (Company No. 1273016-T), a company incorporated in Malaysia, to dispose of its entire equity interests in IRIS Land (PNG) Limited (“ILPNG”), a wholly-owned subsidiary of the Group and incorporated in Papua New Guinea, for a total cash consideration of RM1.00 only. Consequently, ILPNG ceased to be the subsidiary of the Group.

11. Items of an unusual nature

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

12. Valuations of property, plant and equipment

There were no valuations made on property, plant and equipment for this quarter except for a property that was revalued using the open market value basis by an independent firm of professional valuer. The effect of revaluation deficit arising from this valuation is disclosed in the statement of comprehensive income.

13. Changes in contingent liabilities and contingent assets

There are no contingent liabilities and assets incurred or known to be incurred by the Company and/or the Group as at 31st March 2019.

14. Taxation

	Individual		Cumulative	
	3 months ended		12 months ended	
	31st March	31st March	31st March	31st March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Income tax				
- Current financial year	-	(2,670)	-	(2,670)
- Over provision in prior years	(330)	(1,541)	(35)	(1,492)
	(330)	(4,211)	(35)	(4,162)
Deferred tax				
-Current financial year	(3,274)	14,939	(3,274)	14,939
	(3,274)	14,939	(3,274)	14,939
	(3,604)	10,728	(3,309)	10,777
<u>Discontinued operations</u>				
Income tax				
- Under provision in prior years	-	-	-	(31)
	-	-	-	(31)
Income tax credit/(expense) recognized in profit or loss	(3,604)	10,728	(3,309)	10,746

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.

15. Related Party Transactions

The significant transactions with related parties of the Group for the cumulative 12 months period ended 31st March 2019 were as follows:

	RM'000
Substantial shareholder of the Company	
The Federal Land Development Authority (“FELDA”)	
- Sales of construction of sustainable development project and services	<u>3,624</u>

FELDA ceased to be the substantial shareholder of the Company on 21st February 2019.

Additional information required by the AMLR

16.1 Review of Performance

Continuing operations

For the three (3) months financial period ended 31st March 2019, the Group recorded a revenue of RM35.2 million, a decrease of RM23.4 million or 39.9% from RM58.6 million recorded in the previous comparable quarter ended 31st March 2018. The Group also recorded a profit before taxation of RM35.4 million in this quarter as compared to loss before taxation of RM64.5 million recorded in the previous comparable quarter ended 31st March 2018. Included in the profit before tax of RM35.4 million is the reversal of impairment loss in trade receivables amounting RM55.3 million, mainly due to collection from an overseas customer.

The performance of the respective business segments for this 3-month financial quarter ended 31st March 2019 as compared to the previous comparable quarter is analysed as follows:-

Trusted ID & IT Division

Trusted ID & IT recorded a lower revenue of RM35.2 million in the current financial quarter ended 31st March 2019, as compared to RM57.7 million in the previous comparable quarter, representing a decrease of 39.0%. The decrease was mainly attributable to lower delivery of e-passport & cards in current reporting quarter.

Sustainable Development Division

The revenue of Sustainable Development for this quarter is not significant to the Group due to the completion of most of its Rimbunan Kaseh and Sentuhan Kasih projects.

16.2 Comparison with Preceding Quarter

Continuing operations

For the current financial quarter ended on 31st March 2019, the Group recorded revenue of RM35.2 million as compared to RM43.0 million recorded in the preceding quarter ended 31st December 2018.

The Group reported a profit before tax of RM35.4 million as compared to profit before taxation of RM1.1 million recorded in the preceding quarter.

17. Prospects

Moving forward, IRIS is expected to continue to derive revenues from the on-going trusted identification projects in Africa, Asia, Asia Pacific and North America regions.

IRIS will be able to benefit from substantial cost saving arising from continuous rationalisation of non-core businesses and prudent management of its operating costs. This will also enable IRIS to focus its resources on its core Trusted ID & IT business and pursuing new growth opportunities. IRIS is expected to be well positioned to strengthen its Trusted ID & IT business and to expand its enterprise products and solutions offerings to ensure the Group remains competitive in the challenging business environment.

In this regard, barring any unforeseen circumstances, the Board of IRIS is cautiously optimistic that the Group shall perform satisfactory in coming financial year.

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

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

19. Unquoted Securities and/or Properties

There were no purchases or disposals of unquoted securities and/or properties for the current quarter and financial period to date.

20. Quoted Securities

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

21. Available-for-sale financial assets

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

	At 31st March 2019 RM'000
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	-
(Less): Allowance for diminution in value	(17,914)
	<u> -</u>

22. Status of Corporate Proposals and Utilisation of Proceeds

There were no corporate proposals announced by the company which has not completed as at 24th May 2019, the latest practicable date which shall not earlier than seven (7) days from the date of issue of this quarterly report.

Private Placement exercise

On 14th June 2018, the Company had entered into a subscription agreement with Dato' Sri Robin Tan Yeong Ching, Dato' Poh Yang Hong and Dato' Rozabil @ Rozamujib Bin Abdul Rahman for the proposed issuance and allotment of 494,380,400 new ordinary shares, representing approximately 20% of the total number of issued shares of the Company, at an issue price of RM0.12 per subscription share to be satisfied in cash.

The private placement exercise was completed on 21st September 2018, whereby 494,380,400 new ordinary shares were issued at an issue price of RM0.12 each share and were subsequently listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad on the same date.

The details of the utilisation of the proceeds from the Private Placement up to 24th May 2019 are as follow:

Description	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance to be utilised (RM'000)	Intended Timeframe for Utilisation
Working capital of ICB Group	50,826	(40,384)	10,442	Within 12 months
Future business projects / investment	8,000	(224)	7,776	Within 12 months
Estimated expenses in relation to the Private Placement	500	(500)	-	Within 1 month
Total	59,326	(41,108)	18,218	

23. Group Borrowings and Debt Securities

The Group's secured bank borrowings (exclude hire purchase and finance lease) from financial institutions at the end of the current quarter were:

	RM'000
Long Term	31,250
Short Term	22,500
Total	53,750

All of the above borrowings are denominated in Ringgit Malaysia.

24. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 24th May 2019 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

25. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 24th May 2019:

(i) IRIS Corporation Berhad (“IRIS”) vs The Government of the United States (“U.S.”) (“U.S. Government”)

The lawsuit commenced on 24 February 2015. 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” against the U.S Government. 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.

In February 2016, the U.S. Government filed a petition with the United States Patent and Appeals Board, (“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 put on hold. At the time the litigation was put on hold, the proceedings was still in the discovery phase. Appeal filed by Department of Justice (“DOJ”) on 17 August 2017 requesting for rehearing to PTAB against the dismissal of their Petition earlier was dismissed by PTAB on 22 January 2018. As such, the main proceeding which is the infringement proceedings itself will commence soon.

The U.S Government filed another Motion to dismiss ICB’s First Amended Complaint on 14 June 2018. The Motion was denied by the Court on 26 October 2018 and instructed both parties to file a Joint Status Report on/before 16 November 2018. ICB’s Motion for entry of default judgment (for non-replying by U.S Government) was also denied by the Court on 30 October 2018 and instructed the U.S Government to file its answer on/or before 6 November 2018.

For the infringement proceedings, the court directed the parties to file their respective responsive claim construction briefs on/before 6 September 2019. Then the court shall fix a further schedule after the order for construction claim is given.

The solicitors are of the view that it is estimated that the litigation will last for another twelve (12) to eighteen (18) months. A reasonable estimate as to the outcome of the litigation must await completion of briefing and hearing on patent claim construction. The solicitors are of the view that in the compensation phase, IRIS will be required to hire an expert to testify on the value of the patent to the U.S. Government.

25. Material Litigation (cont'd)

(ii) IRIS Technologies (M) Sdn Bhd (“ITSB”) and 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) (“EGM”)

The JVCO’s claim for unlawful termination by EGM and payment for the balance amount of (Turkish Lira) TL6,195,000 (equivalent to RM9,014,221.00) due to JVCO for works completed was rejected. 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 RM9,014,221.00) was allowed and declared that the JVCO had to return the said amount to EGM with interest. The JVCO to pay TL5,053,84 (equivalent to RM7,354.00) as expenses arising from their performance of the contract and loss suffered by EGM. EGM’s claim of TL49,761,53 (equivalent to RM72,407.00) 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 Company was informed that a decision was declared on 16 September 2014 and was duly served on the JVCO on 28 January 2015.

The Judgment were as follows:

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 JVCO had on 27 November 2018 filed an appeal to Cassation Court in Turkey and the next hearing is fixed on 16 April 2019. The Court needs to determine whether the previous Solicitors who represented JVCO has also represented ITSB individually. On 16 May 2019, the JVCO’s present counsel provided the court a copy of Power of Attorney (“POA”) to show that the former counsel only represented the JVCO at the earlier proceedings, and not ITSB. The procedural objection raised by the JVCO’s present counsel (who is also representing ITSB) due to the non-representative of ITSB at the earlier proceedings has been accepted by the court. Therefore, EGM appealed against the court decision. The next hearing is fixed on 15 October 2019.

The Company had made appropriate provision in relation to the Judgement in previous financial year.

25. Material Litigation (cont'd)

(iii) Saudi Arabia Quad Communication & Security Solutions (“Plaintiff”) v IRIS

The Plaintiff filed its claim against IRIS 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.

On 29 March 2015, Quad via its solicitors issued a Notice of Demand (NOD) to IRIS claiming they sum of USD3,477,522 allegedly payable to them under the Supply & Services Agreement.

On 16 February 2016, IRIS disputed the claims and did not make any payments. Quad via its solicitors filed a suit against IRIS in the Riyadh Court. IRIS has appointed Messrs Adel Yousef Al-Atalah based in Riyadh to represent IRIS.

The Court has appointed an expert accounting firm to conduct the accounting in respect of the case between both parties. The next hearing is fixed on 24 June 2019.

(iv) In the High Court of Malaya at Kuala Lumpur Suit No. WA-22NCVC-126-03/2018; Roxwell Group Sdn Bhd (755819-U) (“Plaintiff”) against (1) IRIS (“D1”), (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 on 17 November 2011 and among the salient terms of the Cooperation Agreement was for the Plaintiff to identify for IRIS potential projects in the Republic of Guinea and Guinea Bissau (“**Territory**”) for a period of three (3) years from the date of the Cooperation Agreement. In consideration of any and all services in respect of the Cooperation Agreement involving the sale of plant, equipment, machinery or asset arranged by the Plaintiff, D1 agreed to pay the Plaintiff a commission of 15%.

In 2013, D1 separately tendered and was awarded the BOT Passport Contract by the Government of the Republic of Guinea (“**the BOT project**”). 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 Cooperation Agreement calculated based on the formula of 15% on the reported value. The Plaintiff is also alleging that D1 has colluded with D2, D3, D4 and D5 to deprive of its contractual rights under the Cooperation Agreement.

It is relevant to note that the BOT project does not fall under the Cooperation Agreement as it does not involve the sale of plant, equipment, machinery or asset sold, and no deposit or payment was received from the Republic of Guinea under the Cooperation Agreement.

The BOT project was secured via public tender directly from Government of the Republic of Guinea. Therefore, D1 denies it has breached the Cooperation Agreement and wishes to reiterate that the Plaintiff had never in any way secured any contract whatsoever in favour of IRIS within the two years from the execution of the Cooperation Agreement.

The full trial was conducted from 16 October 2018 to 19 October 2019. The Court re-scheduled the Continued Trial dates from 14 February 2019 to 19 July 2019.

25. Material Litigation (cont'd)

(v) In the High Court of Malaya at Kuala Lumpur; IRIS (“Plaintiff”) against its former members and an existing member of the Board of Directors (“Defendants”).

The Company has on 24 April 2019 commenced legal proceedings in Kuala Lumpur High Court (“the suits”) against its former members and an existing member of the Board of Directors concerns the Company’s investment in Border Control Solutions Limited (“BCS”). The Company brought this action for loss suffered from the Defendants’ failure to discharge their respective fiduciary duty, duty of fidelity and/or duty to exercise reasonable care, skill and diligence as Directors of the Company at that material time.

The Company seeks the following reliefs against the Defendants jointly and severally:-

- a. The sum of RM11,721,050.00 being the total amount paid by the Company for the subscription of the BCS’s shares which is equivalent to total sum of GBP2.05 million (by reference to the conversion rates prevailing on the respective dates of payments);
- b. The sum of RM 482,172.00 being the total amount paid by the Company to Joseph Vijay Kumar (“JVK”) as consultant fees which is equivalent to total sum of GBP 84,000.00 (by reference to the conversion rates prevailing on the respective dates of payments);
- c. Pre-judgment interest on the sums awarded in (a) and (b) above pursuant to section 11 of the Civil Law Act 1956 at the following rates:
 - i) Interest at the rate of 5% per annum on the sum of RM11,721,050.00 from 24th August 2016 (i.e. the date of the last payment to BCS) until the date of full settlement;
 - ii) Interest at the rate of 5% per annum on RM 482,172.00 from 10th October 2016 (i.e. the date of the last payment to JVK) until the date of full settlement thereof;
- d. Post-judgment interest on the sums awarded in (a) and (b) above at the rate of 5% per annum from the date of judgment until the date of full and final realization;
- e. Alternative to (a) and (b) above,
- f. General damages to be assessed;
- g. Interest on the general damages awarded in (e) above;
- h. Costs; and/or
- i. All other relief which this Honourable Court deems fit and just.

At the Case Management on 28 May 2019, the Court was informed that all Defendants have filed their Memorandum of Appearance except for one of the Defendants as the Writ and Statement of Claims was unsuccessfully served on him.

The Court directed as follows:-

- (i) the Plaintiff to file an application for Substituted Service on the said Defendant on/before 11 June 2019;
- (ii) the other respective Defendants shall file their Defence on/before 25 June 2019;
- (iii) the Plaintiff to file its reply to the Defendants’ Defence on/before 23 July 2019; and
- (iv) any interlocutory application shall be filed on/before 30 July 2019.

The next Case Management is fixed on 30 July 2019.

Item (a) and (b) above had been fully impaired/expense of in previous financial year.

26. Dividend

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

27. Earnings/(Loss) Per Ordinary Share

	Individual 3 months ended		Cumulative 12 months ended	
	31st March 2019	31st March 2018	31st March 2019	31st March 2018
(a) Basic earnings/(loss) per ordinary share				
Earnings/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	20,224	(57,754)	38,259	(110,427)
- discontinued operations	-	(10,815)	-	(13,124)
	<u>20,224</u>	<u>(68,569)</u>	<u>38,259</u>	<u>(123,551)</u>
Weighted average number of ordinary shares ('000) at end of period	<u>2,734,669</u>	<u>2,412,183</u>	<u>2,734,669</u>	<u>2,412,183</u>
Basic earnings/(loss) per ordinary share (Sen)				
- continuing operations	0.74	(2.39)	1.40	(4.58)
- discontinued operations	-	(0.45)	-	(0.54)
	<u>0.74</u>	<u>(2.84)</u>	<u>1.40</u>	<u>(5.12)</u>
(b) Diluted earnings/(loss) per ordinary share				
Earnings/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	20,224	(57,754)	38,259	(110,427)
- discontinued operations	-	(10,815)	-	(13,124)
	<u>20,224</u>	<u>(68,569)</u>	<u>38,259</u>	<u>(123,551)</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) at end of period	<u>2,734,669</u>	<u>2,412,183</u>	<u>2,734,669</u>	<u>2,412,183</u>
Diluted earnings/(loss) per ordinary share (Sen)				
- continuing operations	0.74	(2.39)	1.40	(4.58)
- discontinued operations	-	(0.45)	-	(0.54)
	<u>0.74</u>	<u>(2.84)</u>	<u>1.40</u>	<u>(5.12)</u>

28. Prior Year Adjustment

During the current financial period, the Management reviewed the Shareholders Agreement (“SA”) dated 30 April 2014 in relation to the Group’s investment in Plaman Resources Limited (“PRL”), a company incorporated in New Zealand. The Management is of the view that under the provision of the SA, no shareholder in PRL can direct the relevant activities of PRL without the co-operation of the others and therefore, no shareholder individually controls PRL. In view of the above, the Group reclassified its investment in PRL as jointly-controlled entity in accordance with MFRS 11 - Joint Arrangement and account for investment in PRL using the equity method in accordance with MFRS 128 Investments in Associates and Joint Ventures. In the past financial periods, the investment in PRL was treated as a subsidiary in accordance with MFRS 10 - Consolidated Financial Statements.

The financial effects arising from the Group’s prior year adjustments are as follows:

	As previously report RM’000	Prior Year Adjustment RM’000	As restated RM’000
<u>As at 31st March 2018</u>			
<i>Statement of Comprehensive Income</i>			
Other income	39,167	(2,860)	36,307
Administrative, operating and other expenses	(160,631)	13,288	(147,343)
Share of results of a jointly-controlled entity	-	(5,319)	(5,319)
Loss attributable to non-controlling interests	(6,846)	5,110	(1,736)
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<i>Statements of Financial Position</i>			
Assets			
Property, plant and equipment	97,739	(1,823)	95,916
Intangible assets	157,168	(18,567)	138,601
Investment in a jointly-controlled entity	-	10,196	10,196
Other receivables, deposits & prepayments	51,150	(1,109)	50,041
Cash and bank balances	25,343	(1,181)	24,162
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Liabilities			
Other payables and accruals	(156,380)	(2,687)	153,693
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28. Prior Year Adjustment (cont'd)

	As previously report RM'000	Prior Year Adjustment RM'000	As restated RM'000
<u>As at 31st March 2018 (cont'd)</u>			
<i>Statements of Financial Position</i>			
Equity			
Accumulated losses	(327,605)	(13,909)	(341,514)
Foreign currency translation reserve	(5,074)	166	4,908
Non-controlling interests	(40,453)	4,279	(36,174)
 <u>As at 1st April 2017</u>			
<i>Statements of Financial Position</i>			
Assets			
Property, plant and equipment	115,282	(1,954)	113,328
Intangible assets	163,720	(17,042)	146,678
Investment in a jointly-controlled entity	-	16,772	16,772
Other receivables, deposits & prepayments	55,263	(1,024)	54,239
Cash and bank balances	43,342	(13,405)	29,937
Liabilities			
Other payables and accruals	191,090	(538)	190,552
Equity			
Accumulated losses	(205,109)	(13,909)	(219,018)
Foreign currency translation reserve	7,322	(166)	7,156
Non-controlling interests	(31,659)	(2,039)	(33,698)

29. Adoption of MFRS 15, Revenue from Contract with Customers

MFRS 15 is effective for annual periods beginning on or after 1 January 2018. MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The following table summarise the impacts of adopting MFRS 15 on the Group's statement of financial position as at 1st April 2018.

	As previously report “MFRS 118” RM’000	MFRS 15 Adjustment RM’000	As restated “MFRS 15” RM’000
<i>Statements of Financial Position</i>			
<u>As at 1st April 2018</u>			
Assets			
Amount owing by contract customers	9,375	(9,375)	-
Contract assets	-	10,394	10,394
	9,375	1,019	10,394
Liabilities			
Contract liability	-	4,425	4,425
Equity			
Accumulated losses	(341,514)	(3,406)	(344,920)

30. 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.

31. Profit before taxation

	Individual 3 months ended 31st March 2019 RM'000	Cumulative 12 months ended 31st March 2019 RM'000
Profit before taxation is arrived at after charging/ (crediting) :		
<i>Continuing operations</i>		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	3,505	8,967
- Net foreign currency exchange (gain)/ losses	(776)	1,266
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32. Other income

	Individual 3 months ended 31st March 2019 RM'000	Cumulative 12 months ended 31st March 2019 RM'000
<i>Continuing operations</i>		
- Interest income	446	1,062
- Reversal of impairment loss in trade receivables	55,301	72,885
- Reversal of impairment loss in investment in jointly-controlled entity	9,598	9,598
- Others	(2,320)	3,280
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	63,025	86,825
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33. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors on 31st May 2019.