

IRIS CORPORATION BERHAD

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

Interim Financial Report for the First quarter ended 30th June 2019

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Condensed Consolidated Statement of Comprehensive IncomeFor the First quarter ended 30th June 2019

	Individual		Cumulative	
	3 months ended	3 months ended	3 months ended	3 months ended
	30th	30th	30th	30th
	June	June	June	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		<i>Restated</i>		<i>Restated</i>
<i>Continuing operations</i>				
Revenue	72,699	75,811	72,699	75,811
Cost of sales	(57,816)	(54,741)	(57,816)	(54,741)
Depreciation and amortisation	(2,842)	(1,091)	(2,842)	(1,091)
Gross profit	12,041	19,979	12,041	19,979
Other income (<i>Note 29</i>)	2,044	3,450	2,044	3,450
Administrative, operating and other expenses	(8,370)	(7,593)	(8,370)	(7,593)
Depreciation and amortisation	(739)	(797)	(739)	(797)
Finance costs	(1,051)	(1,909)	(1,051)	(1,909)
Share of results of associates, net of tax	(3)	237	(3)	237
Share of results of joint ventures	-	(5,539)	-	(5,539)
Profit before taxation	3,922	7,828	3,922	7,828
Income tax expenses	-	-	-	-
Profit from continuing operations	3,922	7,828	3,922	7,828
<i>Discontinued operations</i>				
Gain from discontinued operations, net of tax	5,432	-	5,432	-
Profit for the period	9,354	7,828	9,354	7,828
Other comprehensive income, net of tax				
Foreign currency translation for foreign operations	-	2,603	-	2,603
Share of equity reserves of joint ventures	-	(156)	-	(156)
	-	2,447	-	2,447
Total comprehensive income for the period	9,354	10,275	9,354	10,275

Condensed Consolidated Statement of Comprehensive IncomeFor the First quarter ended 30th June 2019

(continued)

	Individual 3 months ended 30 th June 2019 RM'000		Cumulative 3 months ended 30 th June 2018 RM'000 <i>Restated</i>	
Profit attributable to:				
Owners of the Company	9,378	7,898	9,378	7,898
Non-controlling interests	(24)	(70)	(24)	(70)
Profit for the period	9,354	7,828	9,354	7,828
Total comprehensive income attributable to:				
Owners of the Company	9,378	9,567	9,378	9,567
Non-controlling interests	(24)	708	(24)	708
Total comprehensive income for the period	9,354	10,275	9,354	10,275
Earnings per share attributable to owners of the Company:				
Basic (Sen)				
- continuing operations	0.13	0.32	0.13	0.32
- discontinued operations	0.19	-	0.19	-
	0.32	0.32	0.32	0.32
Diluted (Sen)				
- continuing operations	0.13	0.32	0.13	0.32
- discontinued operations	0.19	-	0.19	-
	0.32	0.32	0.32	0.32

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 2019 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial PositionAs at 30th June 2019

	30th June 2019	31st March 2019
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	89,008	89,250
Intangible assets	135,194	137,670
Operating financial assets	11,427	11,427
Investment in associates	4,443	10,900
	<u>240,072</u>	<u>249,247</u>
CURRENT ASSETS		
Inventories	14,173	18,595
Operating financial assets	956	956
Trade receivables	113,973	78,464
Other receivables, deposits & prepayments	37,677	35,933
Amount owing by associates	22	19
Contract assets	9,671	7,267
Current tax assets	7,974	7,774
Short-term deposits	75,586	88,202
Cash and bank balances	20,353	29,206
	<u>280,385</u>	<u>266,416</u>
TOTAL ASSETS	<u>520,457</u>	<u>515,663</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	539,602	539,602
Foreign currency translation reserve	158	158
Revaluation reserve	33,878	34,043
Accumulated losses	(291,679)	(301,222)
Total equity attributable to owners of the Company	<u>281,959</u>	<u>272,581</u>
Non-controlling interests	(22,621)	(22,597)
TOTAL EQUITY	<u>259,338</u>	<u>249,984</u>

Condensed Consolidated Statement of Financial PositionAs at 30th June 2019

(continued)

	30th June 2019	31st March 2019
	RM'000	RM'000
NON-CURRENT LIABILITIES		
Term loans	25,000	31,250
Hire purchase and lease payables	83	83
Deferred tax liability	3,274	3,274
	<u>28,357</u>	<u>34,607</u>
CURRENT LIABILITIES		
Trade payables	50,729	57,851
Other payables and accruals	151,583	141,252
Contract liabilities	4,730	3,859
Short-term loans and borrowings	25,625	22,500
Hire purchase and lease payables	91	127
Current tax liabilities	4	4
	<u>232,762</u>	<u>225,593</u>
Liabilities of a disposal group classified as held for sales	-	5,479
	<u>232,762</u>	<u>231,072</u>
TOTAL LIABILITIES	<u>261,119</u>	<u>265,679</u>
TOTAL EQUITY AND LIABILITIES	<u>520,457</u>	<u>515,663</u>
Net assets per ordinary share attributable to owners of the Company (sen)	<u>9.51</u>	<u>9.19</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 2019 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the First quarter ended 30th June 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 2018	480,276	4,908	36,074	(341,515)	179,743	(36,174)	143,569
- effects of transitions to MFRS15	-	-	-	(3,405)	(3,405)	-	(3,405)
At 1 st April 2018, as restated	480,276	4,908	36,074	(344,920)	176,338	(36,174)	140,164
<i>Total comprehensive income/(loss) for the financial period</i>							
Profit/(loss) after taxation for the financial period, restated	-	-	-	7,898	7,898	(70)	7,828
Other comprehensive income for the financial period, net of tax							
- foreign currency translation, restated	-	1,825	-	-	1,825	778	2,603
- share of equity reserve of joint ventures	-	(156)	-	-	(156)	-	(156)
Total comprehensive income	-	1,669	-	7,898	9,567	708	10,275
Realisation on revaluation reserve	-	-	(263)	263	-	-	-
At 30th June 2018	480,276	6,577	35,811	(336,759)	185,905	(35,466)	150,439

Condensed Consolidated Statement of Changes in Equity

For the First quarter ended 30th June 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 2019	539,602	158	34,043	(301,222)	272,581	(22,597)	249,984
<i>Total comprehensive income/(loss) for the financial period</i>							
Profit/(loss) after taxation for the financial period	-	-	-	9,378	9,378	(24)	9,354
Total comprehensive income/(loss)	-	-	-	9,378	9,378	(24)	9,354
Realisation on revaluation reserve	-	-	(165)	165	-	-	-
At 30th June 2019	539,602	158	33,878	(291,679)	281,959	(22,621)	259,338

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 2019 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Cash FlowsFor the First quarter ended 30th June 2019

	Cumulative 3 months ended 30th June 2019 RM'000	Cumulative 3 months ended 30th June 2018 RM'000 <i>Restated</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation		
- continuing operations	3,922	7,828
- discontinued operations	5,432	-
	9,354	7,828
Adjustments for:		
Amortisation of intangible assets	2,476	636
Depreciation of property, plant and equipment	1,105	1,252
Gain on disposal of a subsidiary	(5,432)	-
Gain on disposal of plant and equipment	(128)	-
Reversal of impairment loss on investment in joint ventures	-	(3,135)
Share of results of associates	3	(237)
Share of results of joint ventures	-	5,539
Unrealised foreign exchange loss	-	488
Interest income	(808)	(108)
Finance costs	1,051	1,909
	7,621	14,172
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
Changes in working capital:		
Contract assets/amount due from contract customers	(2,404)	(284)
Inventories	4,422	(6,414)
Trade and other receivables	(37,253)	(13,276)
Contract liabilities	870	8,916
Trade and other payables	3,161	(3,754)
	(23,583)	(640)
NET CASH USED IN OPERATIONS		
Interest received	808	108
Interest paid	(1,052)	(1,909)
Tax paid	(200)	-
	(24,027)	(2,441)
NET CASH USED IN OPERATING ACTIVITIES		

Condensed Consolidated Statement of Cash FlowsFor the First quarter ended 30th June 2019

(continued)

	Cumulative 3 months ended 30th June 2019 RM'000	Cumulative 3 months ended 30th June 2018 RM'000 <i>Restated</i>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of financial operating assets	-	(16)
Acquisition of plant and equipment	(863)	-
Proceeds from capital reduction of an associate	6,454	-
Proceeds from disposal of plant and equipment	128	-
NET CASH FOR/(USED IN) INVESTING ACTIVITIES	5,719	(16)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of hire purchase and lease payables	(36)	(231)
Repayment of term loans	(3,125)	(11,500)
Placement of pledged deposits	(734)	(1,155)
NET CASH USED IN FINANCING ACTIVITIES	(3,895)	(12,886)
Net changes in cash and cash equivalents	(22,203)	(15,343)
Cash and cash equivalents at beginning of the period	103,088	24,969
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	80,885	9,626

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

Cash and bank balances	20,353	9,326
Short-term deposits placed	75,586	11,693
	95,939	21,019
Less: Short-term deposits pledged	(15,054)	(11,393)
	80,885	9,626

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2019 and the accompanying explanatory notes attached to the interim financial report.

Notes to the Interim Financial Report

For the First quarter ended 30th June 2019

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30th June 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 2019.

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 2019 except for those standards, amendments and IC Interpretation, which are in effective for financial period beginning on or after 1st April 2019 and are applicable to the Group.

MFRS 16, Leases

MFRS 11, Joint Arrangements

MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation

MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement

MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

MFRS 3, Business Combinations

MFRS 112, Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity

MFRS 123, Borrowing costs – Borrowing Costs Eligible for Capitalisation

IC Interpretation 23, Uncertainty over Income Tax Treatments

The adoption of the above MFRSs and IC Interpretation does not have any material impact of the financial statements of the Group.

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 is not affected by any significant seasonal or cyclical factors in the First quarter.

5. Segment information

The Group's operating segments information for the interim financial report to 30th June 2019 was as follows:-

	← Continuing operations →						Total RM'000
	Sustainable Development Division				Total continuing operations RM'000	Discontinued operations RM'000	
	Trusted ID & IT Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Adjustments & Eliminations RM'000			
Revenue from external customers	72,554	-	145	-	72,699	-	72,699
Inter-segment revenue	-	-	-	-	-	-	-
Total Revenue	72,554	-	145	-	72,699	-	72,699
Segment results <i>(Note A)</i>	10,109	(304)	282	-	10,087	5,432	15,519
Unallocated corporate expenses	-	-	-	(6,162)	(6,162)	-	(6,162)
Share of results of associates, net of tax	-	-	-	(3)	(3)	-	(3)
Profit/(Loss) before taxation	10,109	(304)	282	(6,165)	3,922	5,432	9,354
Income tax expense	-	-	-	-	-	-	-
Profit/(Loss) after taxation	10,109	(304)	282	(6,165)	3,922	5,432	9,354

5. Segment information (cont'd)

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

←———— Continuing operations —————→

	<u>Sustainable Development Division</u>				Total continuing operations RM'000	Discontinued operations RM'000	Total RM'000
	Trusted ID & IT Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Adjustments & Eliminations RM'000			
Operating results	14,691	(119)	311	-	14,883	-	14,883
Add/(Less):							
- Depreciation and amortisation	(3,545)	(9)	(27)	-	(3,581)	-	(3,581)
- Interest income	808	-	-	-	808	-	808
- Other income	1,174	-	62	-	1,236	5,432	6,668
- Finance costs	(1,049)	(1)	(2)	-	(1,052)	-	(1,052)
- Administrative, operating and other expenses	(1,970)	(175)	(62)	-	(2,207)	-	(2,207)
	(4,582)	(185)	(29)	-	(4,796)	5,432	636
Segment results	10,109	(304)	282	-	10,087	5,432	15,519

6. Capital Commitments

**As at
30th June 2019
RM'000**

Approved and contracted for:-

Purchase of plant and equipment

6,474

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 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.

Capital reduction in IRIS Global Blue TRS Malaysia Sdn Bhd

IRIS Global Blue TRS Sdn. Bhd. (“IGB”) had on 14 February 2019 passed a special resolution whereas its existing paid-up share capital was approved to be reduced from RM36,910,000 divided into 36,910,000 ordinary shares (collectively the “IGB Shares” and each an “IGB Share”) to RM1,000 divided into 1,000 IGB shares, by cancelling the paid-up share capital of RM36,909,000 divided into 36,909,000 IGB Shares, and by effecting a capital repayment of RM27,000,000 in cash to the shareholders of those 36,909,000 IGB Shares which are being cancelled, representing approximately RM0.73 for each existing IGB Share which is being cancelled, rounded to the nearest RM10 for each shareholder.

On 2nd July 2019, the Company received the Notice of Confirming Reduction of Share Capital of IRIS Global Blue from Companies Commission of Malaysia dated 24th June 2019 (“Notice”). Consequently, IRIS Global Blue ceased to be an associate of the Group.

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.

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.

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 30th June 2019.

14. Taxation

There is no income tax expenses for this quarter.

15. Related Party Transactions

The Company has not entered into any significant transactions with related parties of the Group for the cumulative 3 months period ended 30th June 2019 under review.

Additional information required by the AMLR

16.1 Review of Performance

Continuing operations

For the three (3) months financial period ended 30th June 2019, the Group recorded a revenue of RM72.7 million, a slight decrease of RM3.1 million or 4.0% from RM75.8 million recorded in the previous comparable quarter ended 30th June 2018. The Group also recorded a profit before taxation of RM3.9 million in this quarter as compared to profit before taxation of RM7.8 million recorded in the previous comparable quarter ended 30th June 2018.

The performance of the respective business segments for this 3-month financial quarter ended 30th June 2019 as compared to the previous comparable quarter is analysed as follows:-

Trusted ID & IT Division

Trusted ID & IT recorded a revenue of RM72.5 million in the current financial quarter ended 30th June 2019, as compared to RM71.5 million in the previous comparable quarter, representing an increase of 1.4%. The slight increase was mainly attributable to higher 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.

Discontinued operations

Profit from discontinued operation (net of tax) of RM5.4 million is contributed by gain on disposal of IRIS Land (PNG) Limited.

16.2 Comparison with Preceding Quarter

Continuing operations

For the current financial quarter ended on 30th June 2019, the Group recorded revenue of RM72.7 million as compared to RM35.4 million recorded in the preceding quarter ended 31st March 2019.

The Group reported a profit before tax of RM3.9 million as compared to profit before taxation of RM35.4 million recorded in the preceding quarter. The profit recorded in preceding quarter is mainly due to the reversal of impairment loss arising from recovery of trade receivables amounting to RM55.3 million.

17. Prospects

The Group is expected to continue to derive revenues from the on-going trusted identification projects in Africa, Asia, Asia Pacific and North America regions. At the same time, the Group is also actively pursuing new growth opportunities in its core Trusted ID & IT business in both international and domestic markets.

The Group is strengthening its core Trusted ID & IT business and will 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 is cautiously optimistic that the Group shall perform satisfactorily for the rest of this 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. Status of Corporate Proposals and Utilisation of Proceeds

There were no corporate proposals announced by the company which has not completed as at 20th August 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 20th August 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 IRIS Group	50,826	(50,826)	-	Within 12 months
Future business projects / investment	8,000	(2,556)	5,444	Within 12 months
Estimated expenses in relation to the Private Placement	500	(500)	-	Within 1 month
Total	59,326	(53,882)	5,444	

22. 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	25,000
Short Term	25,625
Total	50,625

All of the above borrowings are denominated in Ringgit Malaysia.

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 20th August 2019 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 20th August 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 IRIS’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. IRIS’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 22 November 2019 and all facts discovery on issues of liability shall be completed by 20 December 2019. Then the court shall fix a schedule for further proceedings 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.

24. 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 was 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 a hearing was held 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 financial year ended 31 March 2015.

24. 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 expert accountant submitted their final report on 24 June 2019 and IRIS to submit its response on 23 July 2019. The Hearing date is fixed on 28 August 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 it 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.

24. Material Litigation (cont'd)

- (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”) (cont'd)**

The full trial was conducted from 16 October 2018 to 15 July 2019. The Defendants closed their case on 15 July 2019 and the Court directed all parties to file and serve their respective Written Submissions & Bundle of Authorities and the Hearing for oral submissions is fixed on 24 October 2019.

- (v) In the High Court of Malaya at Kuala Lumpur; IRIS (“Plaintiff”) against its former members of the Board of Directors (“Defendants”)**

The Company had on 24 April 2019 commenced legal proceedings in the Kuala Lumpur High Court (“the suits”) against its former members of the Board of Directors relating to 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 a 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 a 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 general damages awarded in (e) above;
- h. Costs; and/or
- i. All other relief which 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 the 8th Defendants as the Writ and Statement of Claims was unsuccessfully served on him.

24. Material Litigation (cont'd)

(v) In the High Court of Malaya at Kuala Lumpur; IRIS (“Plaintiff”) against its former members of the Board of Directors (“Defendants”) (cont'd)

The service of Writ & Statement of Claim on the 8th Defendant was effected by way of substituted service pursuant to the Court order dated 3 July 2019.

The 3rd Defendant filed an application to amend his Statement of Defense on 25 July 2019 and the Hearing of his application is fixed on 17 September 2019.

The court fixed a further Case Management on 29 August 2019.

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

25. Dividend

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

26. Earnings Per Ordinary Share

	Individual 3 months ended		Cumulative 3 months ended	
	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
(a) Basic earnings per ordinary share				
Earnings attributable to owners of the Company for the period (RM'000)				
- continuing operations	3,922	7,828	3,922	7,828
- discontinued operations	5,432	-	5,432	-
	<u>9,354</u>	<u>7,828</u>	<u>9,354</u>	<u>7,828</u>
Weighted average number of ordinary shares ('000) at end of period	2,966,283	2,471,902	2,966,283	2,471,902
Basic earnings per ordinary share (Sen)				
- continuing operations	0.13	0.32	0.13	0.32
- discontinued operations	0.19	-	0.19	-
	<u>0.32</u>	<u>0.32</u>	<u>0.32</u>	<u>0.32</u>
(b) Diluted earnings per ordinary share				
Earnings attributable to owners of the Company for the period (RM'000)				
- continuing operations	3,922	7,828	3,922	7,828
- discontinued operations	5,432	-	5,432	-
	<u>9,354</u>	<u>7,828</u>	<u>9,354</u>	<u>7,828</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) at end of period	2,966,283	2,471,902	2,966,283	2,471,902
Diluted earnings per ordinary share (Sen)				
- continuing operations	0.13	0.32	0.13	0.32
- discontinued operations	0.19	-	0.19	-
	<u>0.32</u>	<u>0.32</u>	<u>0.32</u>	<u>0.32</u>

27. 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.

28. Profit before taxation

	Individual 3 months ended 30th June 2019 RM'000	Cumulative 3 months ended 30th June 2019 RM'000
Profit before taxation is arrived at after charging :		
<i>Continuing operations</i>		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	3,581	3,581
	<hr/>	<hr/>

29. Other income

	Individual 3 months ended 30th June 2019 RM'000	Cumulative 3 months ended 30th June 2019 RM'000
<i>Continuing operations</i>		
- Interest income	808	808
- Net foreign currency exchange gain	791	791
- Others	445	445
	<hr/>	<hr/>
	2,044	2,044
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30. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors on 27th August 2019.