

IRIS CORPORATION BERHAD

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

Interim Financial Report for the Third quarter ended 31st December 2019

Contents: -	Page
Condensed Consolidated Statement of Comprehensive Income	2-3
Condensed Consolidated Statement of Financial Position	4-5
Condensed Consolidated Statement of Changes in Equity	6-7
Condensed Consolidated Statement of Cash Flows	8-9
Notes to the Interim Financial Report	10-23

Condensed Consolidated Statement of Comprehensive IncomeFor the Third quarter ended 31st December 2019

	Individual		Cumulative	
	3 months ended 31 st December 2019 RM'000	31 st December 2018 RM'000 <i>Restated</i>	9 months ended 31 st December 2019 RM'000	31 st December 2018 RM'000 <i>Restated</i>
Continuing operations				
Revenue	43,719	42,968	188,434	193,887
Cost of sales	(34,000)	(39,120)	(143,890)	(151,823)
Depreciation and amortisation	(919)	(836)	(6,298)	(2,680)
Gross profit	8,800	3,012	38,246	39,384
Other income (<i>Note 29</i>)	2,132	22,010	4,448	29,666
Administrative, operating and other expenses	(8,506)	(10,523)	(22,955)	(28,454)
Depreciation and amortisation	(741)	(660)	(2,222)	(2,227)
Finance costs	(796)	(1,604)	(2,690)	(5,162)
Share of results of associates, net of tax	(1)	(124)	11	(543)
Share of results of joint ventures	-	(4,238)	-	(12,861)
Profit before taxation	888	7,873	14,838	19,803
Income tax expenses	(336)	295	(336)	295
Profit from continuing operations	552	8,168	14,502	20,098
Discontinued operations				
Gain from discontinued operations, net of tax	-	-	5,432	-
Profit for the period	552	8,168	19,934	20,098
Other comprehensive income, net of tax				
Foreign currency translation for foreign operations	89	(1)	19	2,602
Share of equity reserves of joint ventures	-	51	-	(95)
	89	50	19	2,507
Total comprehensive income for the period	641	8,218	19,953	22,605

Condensed Consolidated Statement of Comprehensive IncomeFor the Third quarter ended 31st December 2019

(continued)

	Individual 3 months ended 31st		Cumulative 9 months ended 31st	
	December 2019 RM'000	December 2018 RM'000 <i>Restated</i>	December 2019 RM'000	December 2018 RM'000 <i>Restated</i>
Profit attributable to:				
Owners of the Company	525	7,928	19,928	20,016
Non-controlling interests	27	240	6	82
Profit for the period	552	8,168	19,934	20,098
Total comprehensive income attributable to:				
Owners of the Company	614	7,978	19,947	21,745
Non-controlling interests	27	240	6	860
Total comprehensive income for the period	641	8,218	19,953	22,605
Earnings per share attributable to owners of the Company:				
Basic (Sen)				
- continuing operations	0.02	0.30	0.49	0.75
- discontinued operations	-	-	0.18	-
	0.02	0.30	0.67	0.75
Diluted (Sen)				
- continuing operations	0.02	0.30	0.49	0.75
- discontinued operations	-	-	0.18	-
	0.02	0.30	0.67	0.75

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 31st December 2019

	31 st December 2019 RM'000	31 st March 2019 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	93,589	89,250
Intangible assets	132,671	137,670
Operating financial assets	11,791	11,427
Investment in associates	4,456	10,900
	242,507	249,247
CURRENT ASSETS		
Inventories	16,007	18,595
Operating financial assets	592	956
Trade receivables	113,634	78,464
Other receivables, deposits & prepayments	27,256	35,933
Amount owing by associates	26	19
Contract assets	7,077	7,267
Current tax assets	1,835	7,774
Short-term deposits	46,259	88,202
Cash and bank balances	45,466	29,206
	258,152	266,416
	500,659	515,663
TOTAL ASSETS		
EQUITY AND LIABILITIES		
EQUITY		
Share capital	539,602	539,602
Foreign currency translation reserve	177	158
Revaluation reserve	33,321	34,043
Accumulated losses	(280,572)	(301,222)
Total equity attributable to owners of the Company	292,528	272,581
Non-controlling interests	(22,591)	(22,597)
TOTAL EQUITY	269,937	249,984

Condensed Consolidated Statement of Financial PositionAs at 31st December 2019

(continued)

	31st December 2019	31st March 2019
	RM'000	RM'000
NON-CURRENT LIABILITIES		
Term loans	21,875	31,250
Hire purchase and lease payables	33	83
Deferred tax liability	3,274	3,274
	<u>25,182</u>	<u>34,607</u>
CURRENT LIABILITIES		
Trade payables	48,369	57,851
Other payables and accruals	131,886	141,252
Contract liabilities	7,424	3,859
Short-term loans and borrowings	17,500	22,500
Hire purchase and lease payables	21	127
Current tax liabilities	340	4
	<u>205,540</u>	<u>225,593</u>
Liabilities of a disposal group classified as held for sales	-	5,479
	<u>205,540</u>	<u>231,072</u>
TOTAL LIABILITIES	<u>230,722</u>	<u>265,679</u>
TOTAL EQUITY AND LIABILITIES	<u>500,659</u>	<u>515,663</u>
Net assets per ordinary share attributable to owners of the Company (sen)	<u>9.86</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 Third quarter ended 31st December 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
Transactions with owners							
Issuance of new shares	59,326	-	-	-	59,326	-	59,326
Disposal of subsidiaries	-	(6,284)	-	4,460	(1,824)	14,329	12,505
Total transactions with owners	59,326	(6,284)	-	4,460	57,502	14,329	71,831
Total comprehensive income/(loss) for the financial period							
Profit after taxation for the financial period, restated	-	-	-	20,016	20,016	82	20,098
Other comprehensive income for the financial period, net of tax							
- foreign currency translation, restated	-	1,824	-	-	1,824	779	2,603
- share of equity reserve of joint ventures	-	(95)	-	-	(95)	-	(95)
Total comprehensive income	-	1,729	-	20,016	21,745	861	22,606
Realisation on revaluation reserve	-	-	(790)	790	-	-	-
At 31st December 2018	539,602	353	35,284	(319,654)	255,585	(20,984)	234,601

Condensed Consolidated Statement of Changes in Equity

For the Third quarter ended 31st December 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
Total comprehensive income/(loss) for the financial period							
Profit after taxation for the financial period	-	-	-	19,928	19,928	6	19,934
Other comprehensive income for the financial period, net of tax							
- foreign currency translation	-	19	-	-	19	-	19
Total comprehensive income	-	19	-	19,928	19,947	6	19,953
Realisation on revaluation reserve	-	-	(722)	722	-	-	-
At 31st December 2019	539,602	177	33,321	(280,572)	292,528	(22,591)	269,937

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 Third quarter ended 31st December 2019

	Cumulative 9 months ended 31st December 2019 RM'000	Cumulative 9 months ended 31st December 2018 RM'000 <i>Restated</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation		
- continuing operations	14,838	19,803
- discontinued operations	5,432	-
	<u>20,270</u>	<u>19,803</u>
Adjustments for:		
Allowance for impairment loss of receivables	818	-
Amortisation of intangible assets	4,999	1,307
Depreciation of property, plant and equipment	3,521	3,599
Finance costs	2,690	5,162
Gain on disposal of a subsidiary	(5,432)	(3,298)
Gain on disposal of plant and equipment	(587)	(611)
Interest income	(2,618)	(616)
Reversal of impairment loss on investment in joint ventures	-	(5,895)
Reversal of provision of staff related expenses	(5,337)	-
Share of results of associates	(11)	543
Share of results of joint ventures	-	12,861
Unrealised foreign exchange loss	2,206	(427)
	<u>20,519</u>	<u>32,428</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	20,519	32,428
Changes in working capital:		
Contract assets/amount due from contract customers	190	(282)
Inventories	2,588	(5,249)
Trade and other receivables	(27,316)	(2,520)
Contract liabilities	3,565	8,916
Trade and other payables	(15,743)	6,551
	<u>(16,197)</u>	<u>39,844</u>
NET CASH (USED IN)/FROM OPERATIONS	(16,197)	39,844
Interest received	2,618	616
Interest paid	(2,690)	(5,162)
Net tax refunded/(paid)	5,938	(96)
	<u>(10,331)</u>	<u>35,202</u>
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(10,331)	35,202

Condensed Consolidated Statement of Cash FlowsFor the Third quarter ended 31st December 2019

(continued)

	Cumulative 9 months ended 31st December 2019 RM'000	Cumulative 9 months ended 31st December 2018 RM'000 <i>Restated</i>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of financial operating assets	-	(341)
Acquisition of concession assets	-	(183)
Acquisition of plant and equipment	(7,867)	(915)
Net cash outflows from disposal of subsidiaries	-	(70)
Proceeds from capital reduction of an associate	6,454	-
Proceeds from disposal of plant and equipment	593	3,125
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(820)	1,616
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of hire purchase and lease payables	(156)	(454)
Proceeds from issuance of new shares	-	59,326
Repayment of revolving loan	(5,000)	-
Repayment of term loans	(9,375)	(46,910)
Withdrawal/(Placement) of pledged short term deposits	1,141	(4,505)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(13,390)	7,457
Net (decrease)/increase in cash and cash equivalents	(24,541)	44,275
Cash and cash equivalents at beginning of the period	103,088	24,969
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	78,547	69,244

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

Cash and bank balances	45,466	26,244
Short-term deposits placed	46,259	57,742
	91,725	83,986
Less: Short-term deposits pledged	(13,178)	(14,742)
	78,547	69,244

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 Third quarter ended 31st December 2019

1. Basis of preparation

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

5. Segment information

The Group's operating segments information for the interim financial report to 31st December 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	185,489	2,927	18	-	188,434	-	188,434
Inter-segment revenue	-	-	-	-	-	-	-
Total Revenue	185,489	2,927	18	-	188,434	-	188,434
Segment results <i>(Note A)</i>	29,639	(351)	597	-	29,885	5,432	35,317
Unallocated corporate expenses	-	-	-	(15,058)	(15,058)	-	(15,058)
Share of results of associates, net of tax	-	-	-	11	11	-	11
Profit/(Loss) before taxation	29,639	(351)	597	(15,047)	14,838	5,432	20,270
Income tax expense	(336)	-	-	-	(336)	-	(336)
Profit/(Loss) after taxation	29,303	(351)	597	(15,047)	14,502	5,432	19,934

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	43,841	330	374	-	44,545	-	44,545
Add/(Less):							
- Depreciation and amortisation	(8,432)	(14)	(74)	-	(8,520)	-	(8,520)
- Interest income	2,618	-	-	-	2,618	-	2,618
- Other income	1,286	193	351	-	1,830	5,432	7,262
- Reversal of provision of staff related expenses	5,337	-	-	-	5,337	-	5,337
- Finance costs	(2,684)	(2)	(4)	-	(2,690)	-	(2,690)
- Administrative, operating and other expenses	(12,327)	(858)	(50)	-	(13,235)	-	(13,235)
	(14,202)	(681)	223	-	(14,660)	5,432	(9,228)
Segment results	29,639	(351)	597	-	29,885	5,432	35,317

6. Capital Commitments

**As at
31st December
2019
RM'000**

Approved and contracted for:-
Purchase of plant and equipment

726

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.

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 31st December 2019.

14. Taxation

	Individual		Cumulative	
	3 months ended		9 months ended	
	31 st	31 st	31 st	31 st
	December	December	December	December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Income tax				
- Current financial year	(336)	-	(336)	-
- Overprovision in prior year	-	295	-	295
	<u>(336)</u>	<u>295</u>	<u>(336)</u>	<u>295</u>

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 Company has not entered into any significant transactions with related parties of the Group for the cumulative 9 months period ended 31st December 2019 under review.

Additional information required by the AMLR

16.1 Review of Performance

Continuing operations

For the three (3) months financial period ended 31st December 2019, the Group recorded a revenue of RM43.7 million, a slight increase of RM0.7 million or 1.6% from RM43.0 million recorded in the previous comparable quarter ended 31st December 2018. The Group recorded a profit before taxation of RM0.9 million in this quarter as compared to profit before taxation of RM7.9 million recorded in the previous comparable quarter ended 31st December 2018.

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

Trusted ID & IT Division

Trusted ID & IT recorded a revenue of RM40.9 million in the current financial quarter ended 31st December 2019, as compared to RM43.2 million in the previous comparable quarter, representing a decrease of 5.3%. 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 December 2019, the Group recorded revenue of RM43.7 million as compared to RM72.0 million recorded in the preceding quarter ended 30th September 2019.

The Group reported a profit before taxation of RM0.9 million as compared to profit before taxation of RM10.0 million recorded in the preceding quarter. Higher profit before taxation reported in the preceding quarter was mainly due to higher sales recorded in the preceding quarter coupled with a one-off reversal of provision of staff related expenses amounting to RM5.3 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 continues to strengthen 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 21st February 2020.

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	21,875
Short Term	17,500
Total	<u>39,375</u>

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 21st February 2020 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 21st February 2020:

(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.

The claims construction hearing held on 16 January 2020 and the decision fixed on 22 January 2020 whereas based upon the wording of the claim, the court concluded that the inventor intended the antenna to be included as part of integrated circuit, as opposed to being apart from and connected to the integrated circuit. As such, the antenna under the court’s decision must be within the protective ring if there is to be infringement. Following the court decision given on 22 January 2020, both parties jointly propose the revised schedule as follows:-

- (i) On/before 6 March 2020, the U.S Government shall file a motion for summary judgment pursuant to Court of Federal Claims rule 56;
- (ii) On/before 3 April 2020, IRIS shall file any response to the U.S Government’s motion pursuant to Court of Federal Claims rule 7.2 and 56; and
- (iii) On/before 17 April 2020, the U.S Government shall file any reply in support of its motion pursuant to Court of Federal Claims rule 7.2 and 56.

The solicitors are of the view that it is estimated that the litigation will continue until end of year 2020. The quantum of liability will be determined after completion of the claim construction hearing and IRIS need to appoint an expert to assess the quantum of the damages.

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 new JVCO’s solicitor submitted a petition of appeal to the Cassation Court on 27 November 2018. On the hearing dated 15 October 2019, the Cassation Court decided to separate the 2 cases numbered 2009/343 and 2012/542 from the main case number 2017/404. The 2 separate cases was registered under new case number 2019/451 whereas our request for re-trial of new case number is fixed on 28 May 2020. The next hearing for main case number 2017/404 is fixed on 3 March 2020.

The Company had made appropriate provision in relation to the Judgement in financial year ended 31 March 2015.

(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.

The Court 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 submitted its response on 23 July 2019. The Hearing completed on 22 December 2019 and the court delivered a verbal primary verdict on 5 February 2020 as follows:-

- (i) IRIS to pay Quad the sum of USD2,005,414; and
- (ii) IRIS to pay Quad the sum of SAR173,250 being the expert accountant fees.

The Company had made appropriate provision in relation to this claim in previous financial year.

The Company is yet to be served on with the written verdict.

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 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.

The Decision after full trial was delivered by the court on 28 November 2019 whereas the court dismissed the Plaintiff’s claim against the Defendants with costs of RM90,000 each (except RM60,000 for D4 as the case was withdrawn against him prior to the decision).

The Plaintiff however filed a Notice of Appeal in the Court of Appeal against the whole decision on 20 December 2019 whereas the Case Management is fixed on 2 March 2020 for the Appellant to file Record of Appeal and Memorandum of Appeal.

- (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.

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 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 24 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 10 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.

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

Case Management is fixed on 6 February 2020 and the court directed that the parties to provide an agreed index of the Common Bundle of Documents on/before 10 March 2020 and fixed further Case Management on 15 April 2020.

In respect of the Plaintiff’s application for further and better particulars of the 1st, 2nd, and 5th, 6th, 7th and 9th Defendants’ Defence, the court directed as follows:-

- (i) that the respective Defendants to file their Affidavit in Reply on/before 21 February 2020;
- (ii) the Plaintiff to file its Affidavit in Reply on/or before 13 March 2020;
- (iii) parties to file Written Submissions on/before 3 April 2020;
- (iv) parties to file Written Submission in Reply on/before 27 March 2020; and
- (v) the hearing of the Plaintiff’s application is fixed on 15 April 2020.

The full trial dates are fixed as follows:-

- (a) 1 September 2020 - 3 September 2020; and
- (b) 7 September 2020 - 10 September 2020.

25. Dividend

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

26. Earnings Per Ordinary Share

	Individual		Cumulative	
	3 months ended		9 months ended	
	31st	31st	31st	31st
	December	December	December	December
	2019	2018	2019	2018
(a) Basic earnings per ordinary share				
Earnings attributable to owners of the Company for the period (RM'000)				
- continuing operations	525	7,928	14,496	20,016
- discontinued operations	-	-	5,432	-
	525	7,928	19,928	20,016
Weighted average number of ordinary shares ('000) at end of period				
	2,966,283	2,658,868	2,966,283	2,658,868
Basic earnings per ordinary share (Sen)				
- continuing operations	0.02	0.30	0.49	0.75
- discontinued operations	-	-	0.18	-
	0.02	0.30	0.67	0.75
(b) Diluted earnings per ordinary share				
Earnings attributable to owners of the Company for the period (RM'000)				
- continuing operations	525	7,928	14,496	20,016
- discontinued operations	-	-	5,432	-
	525	7,928	19,928	20,016
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) at end of period				
	2,966,283	2,658,868	2,966,283	2,658,868
Diluted earnings per ordinary share (Sen)				
- continuing operations	0.02	0.30	0.49	0.75
- discontinued operations	-	-	0.18	-
	0.02	0.30	0.67	0.75

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 31st December 2019 RM'000	Cumulative 9 months ended 31st December 2019 RM'000
Profit before taxation is arrived at after charging and (crediting):		
<i>Continuing operations</i>		
- Allowance for impairment loss of receivables	-	818
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	1,660	8,520
- Reversal of provision of staff related expenses	-	(5,337)
	<hr/>	<hr/>

29. Other income

	Individual 3 months ended 31st December 2019 RM'000	Cumulative 9 months ended 31st December 2019 RM'000
<i>Continuing operations</i>		
- Interest income	1,204	2,618
- Net foreign currency exchange gain	(4)	-
- Others	932	1,830
	<hr/>	<hr/>
	2,132	4,448
	<hr/>	<hr/>

30. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors on 28th February 2020.