

# IRIS CORPORATION BERHAD

Reg No. 199401016552 (302232 - X)  
(Incorporated in Malaysia)

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## Interim Financial Report for the Second Quarter Ended 30<sup>th</sup> September 2022

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**Condensed Consolidated Statement of Comprehensive Income**For the Second Quarter Ended 30<sup>th</sup> September 2022

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing operations</b>				
Revenue	108,095	45,982	175,511	72,981
Cost of sales	(88,689)	(35,924)	(142,069)	(59,230)
Depreciation and amortisation	(1,285)	(898)	(2,636)	(1,772)
<b>Gross profit</b>	<b>18,121</b>	<b>9,160</b>	<b>30,806</b>	<b>11,979</b>
Other income ( <i>Note 28</i> )	2,288	701	3,173	1,896
Administrative, operating and other expenses	(10,739)	(7,035)	(18,129)	(12,148)
Depreciation and amortisation	(801)	(1,055)	(1,592)	(1,811)
Finance costs	(158)	(416)	(389)	(895)
Share of results of associates, net of tax	(1)	4	-	(3)
<b>Profit/(Loss) before taxation</b>	<b>8,710</b>	<b>1,359</b>	<b>13,869</b>	<b>(982)</b>
Income tax (expenses)/credit	(2,341)	112	(5,430)	226
<b>Profit/(Loss) for the period</b>	<b>6,369</b>	<b>1,471</b>	<b>8,439</b>	<b>(756)</b>
<b>Other comprehensive loss, net of tax</b>				
Foreign currency translation for foreign operations	(9)	-	(44)	-
	(9)	-	(44)	-
<b>Total comprehensive income/(loss) for the period</b>	<b>6,360</b>	<b>1,471</b>	<b>8,395</b>	<b>(756)</b>

**Condensed Consolidated Statement of Comprehensive Income**For the Second Quarter Ended 30<sup>th</sup> September 2022

(continued)

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	6,371	1,471	8,442	(755)
Non-controlling interests	(2)	-	(3)	(1)
<b>Profit/(Loss) for the period</b>	<b>6,369</b>	<b>1,471</b>	<b>8,439</b>	<b>(756)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	6,362	1,471	8,398	(755)
Non-controlling interests	(2)	-	(3)	(1)
<b>Total comprehensive income/(loss) for the period</b>	<b>6,360</b>	<b>1,471</b>	<b>8,395</b>	<b>(756)</b>
<b>Earnings/(Loss) per share attributable to owners of the Company:</b>				
Basic (Sen)				
- continuing operations	0.20	0.05	0.26	(0.02)
Diluted (Sen)				
- continuing operations	0.20	0.05	0.26	(0.02)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31<sup>st</sup> March 2022 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Financial Position**As at 30<sup>th</sup> September 2022

	30 <sup>th</sup> September 2022 RM'000	31 <sup>st</sup> March 2022 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment & right-of-use assets	86,707	90,216
Intangible assets	129,211	129,844
Operating financial assets	8,099	8,099
Investment in associates	852	852
	224,869	229,011
<b>CURRENT ASSETS</b>		
Inventories	16,474	18,374
Operating financial assets	1,192	1,192
Trade receivables	127,571	76,141
Other receivables, deposits & prepayments	6,843	12,901
Contract assets	81,000	59,456
Current tax assets	780	648
Cash and short-term deposits ( <i>Note 29</i> )	98,824	111,288
	332,684	280,000
<b>TOTAL ASSETS</b>	<b>557,553</b>	<b>509,011</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	610,759	610,759
Foreign currency translation reserve	86	130
Revaluation reserve	30,671	31,153
Accumulated losses	(307,768)	(316,692)
<b>Total equity attributable to owners of the Company</b>	<b>333,748</b>	<b>325,350</b>
Non-controlling interests	(1,835)	(1,852)
<b>TOTAL EQUITY</b>	<b>331,913</b>	<b>323,498</b>

**Condensed Consolidated Statement of Financial Position**As at 30<sup>th</sup> September 2022

(continued)

	<b>30<sup>th</sup> September 2022</b>	<b>31<sup>st</sup> March 2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	1,807	2,341
Deferred tax liabilities	12,882	13,106
	<u>14,689</u>	<u>15,447</u>
<b>CURRENT LIABILITIES</b>		
Short-term loans and borrowings	452	7,500
Current tax liabilities	3,595	1,058
Trade payables	69,572	51,351
Other payables and accruals	135,755	105,826
Lease liabilities	1,397	1,697
Contract liabilities	180	2,634
	<u>210,951</u>	<u>170,066</u>
<b>TOTAL LIABILITIES</b>	<u>225,640</u>	<u>185,513</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>557,553</b></u>	<u><b>509,011</b></u>
<b>Net assets per ordinary share</b>		
<b>attributable to owners of the Company</b>		
<b>(sen)</b>	<u>10.23</u>	<u>9.97</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31<sup>st</sup> March 2022 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Changes in Equity**

For the Second Quarter Ended 30<sup>th</sup> September 2022

	← 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 <sup>st</sup> April 2021, as restated	582,090	130	32,117	(300,214)	314,123	(22,699)	291,424
<b><i>Transactions with owners</i></b>							
Issuance of ordinary shares	10,038	-	-	-	10,038	-	10,038
Effect of changes in equity interest in a subsidiary	-	-	-	(20,854)	(20,854)	20,854	-
Total transactions with owners	10,038	-	-	(20,854)	(10,816)	20,854	10,038
<b><i>Total comprehensive loss for the financial period</i></b>							
Loss after taxation for the financial period	-	-	-	(755)	(755)	(1)	(756)
Total comprehensive loss	-	-	-	(755)	(755)	(1)	(756)
Realisation on revaluation reserve	-	-	(482)	482	-	-	-
<b>At 30<sup>th</sup> September 2021</b>	592,128	130	31,635	(321,341)	302,552	(1,846)	300,706

**Condensed Consolidated Statement of Changes in Equity**  
For the Second Quarter Ended 30<sup>th</sup> September 2022 (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 <sup>st</sup> April 2022	610,759	130	31,153	(316,692)	325,350	(1,852)	323,498
<b>Transactions with owners</b>							
Shares subscribed by non-controlling interest of a subsidiary	-	-	-	-	-	20	20
	-	-	-	-	-	20	20
<b>Total comprehensive income/(loss) for the financial period</b>							
Profit after taxation for the financial period	-	-	-	8,442	8,442	(3)	8,439
Other comprehensive loss for the financial period, net of tax -foreign currency translation	-	(44)	-	-	(44)	-	(44)
Total comprehensive income/(loss)	-	(44)	-	8,442	8,398	(3)	8,395
Realisation on revaluation reserve	-	-	(482)	482	-	-	-
<b>At 30<sup>th</sup> September 2022</b>	<b>610,759</b>	<b>86</b>	<b>30,671</b>	<b>(307,768)</b>	<b>333,748</b>	<b>(1,835)</b>	<b>331,913</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31<sup>st</sup> March 2022 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Cash Flows**For the Second Quarter Ended 30<sup>th</sup> September 2022

	<b>Cumulative 6 months ended 30<sup>th</sup> September 2022 RM'000</b>	<b>Cumulative 6 months ended 30<sup>th</sup> September 2021 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation		
- continuing operations	13,869	(982)
<i>Adjustments for:</i>		
Amortisation of intangible assets	633	633
Amortisation of right of use assets	1,088	526
Depreciation of property, plant and equipment	2,507	2,424
Finance costs	388	895
Interest income	(903)	(1,109)
Loss on disposal of plant and equipment	-	173
Impairment losses on receivables	-	65
Share of results of associates	1	3
Unrealised foreign exchange gain	(289)	(708)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>17,294</b>	<b>1,920</b>
<i>Changes in working capital:</i>		
Contract assets/liabilities	(23,998)	(14,435)
Inventories	1,899	(1,440)
Trade and other receivables	(45,353)	(4,313)
Trade and other payables	48,398	6,139
<b>NET CASH USED IN OPERATIONS</b>	<b>(1,760)</b>	<b>(12,129)</b>
Interest received	903	1,109
Interest paid	(265)	(835)
Cash payment for interest portion of lease liabilities	(124)	(61)
Income tax paid	(3,248)	657
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,494)</b>	<b>(11,259)</b>



**Condensed Consolidated Statement of Cash Flows**For the Second Quarter Ended 30<sup>th</sup> September 2022 (continued)

	<b>Cumulative 6 months ended 30<sup>th</sup> September 2022 RM'000</b>	<b>Cumulative 6 months ended 30<sup>th</sup> September 2021 RM'000</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(92)	(1,729)
Proceeds from disposal of plant and equipment	5	245
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(87)</b>	<b>(1,484)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares	-	10,038
Cash payment for principal portion of lease liabilities	(835)	(251)
Proceeds from short term borrowings	1,235	-
Repayment of short term borrowings	(8,283)	(6,250)
Placement of deposits	(418)	(225)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(8,301)</b>	<b>3,312</b>
Net decrease in cash and cash equivalents	(12,882)	(9,431)
Cash and cash equivalents at the beginning of the period	94,468	100,515
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>81,586</b>	<b>91,084</b>
<b>Cash and cash equivalents at end of the period comprise the following:</b>		
Cash and bank balances	33,799	35,451
Short-term deposits placed	65,025	72,616
	98,824	108,067
Less: Deposits with maturity more than 3 months	(17,238)	(16,983)
	81,586	91,084

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 31<sup>st</sup> March 2022 and the accompanying explanatory notes attached to the interim financial report.

## Notes to the Interim Financial Report

For the Second Quarter Ended 30<sup>th</sup> September 2022

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### 1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2022 and has been prepared in compliance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2022.

### 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 31 March 2022 except for the adoption of the following amendments/improvements to MFRSs, which are effective for financial periods beginning on/or after 1 April 2022:

#### Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards ^
MFRS 3	Business Combinations
MFRS 9	Financial Instruments ^
MFRS 16	Leases ^
MFRS 116	Property, Plant and Equipment #
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture ^

The adoption of the above new amendments/improvements to MFRSs are not expected to have any material impact on the financial statements of the Group.

The Group has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective to the Group:

#### New MFRS

MFRS 17	Insurance Contracts
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#### Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards #
MFRS 3	Business Combinations #
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations #
MFRS 7	Financial Instruments: Disclosures #
MFRS 9	Financial Instruments #
MFRS 10	Consolidated Financial Statements
MFRS 15	Revenue from Contracts with Customers #
MFRS 101	Presentation of Financial Statements #
MFRS 107	Statement of Cash Flows #
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

## 2. Changes in Accounting Policies (cont'd)

MFRS 112	Income Taxes
MFRS 119	Employee Benefits #
MFRS 128	Investments in Associates and Joint Ventures #
MFRS 132	Financial Instruments: Presentation #
MFRS 136	Impairment of Assets #
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets #
MFRS 138	Intangible Assets #
MFRS 140	Investment Property #

<sup>^</sup> The Annual Improvements to MFRS Standards 2018 - 2020

# Include Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

## 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 this financial quarter.

## 5. Segment information

The Group's operating segments information for the interim financial report to 30 September 2022 was as follows:-

	← Continuing operations →			
	Trusted ID & IT Division RM'000	Sustainable Development Division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000
Revenue from external customers	174,613	898	-	175,511
Segment results (Note A)	28,109	709	24	28,842
Share of results of associates, net of tax	(1)	-	-	(1)
Unallocated corporate expenses	-	-	(14,972)	(14,972)
<b>Profit before taxation</b>	28,108	709	(14,948)	13,869
Income tax expenses	(5,430)	-	-	(5,430)
<b>Profit after taxation</b>	22,678	709	(14,948)	8,439

## 5. Segment information (cont'd)

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

	← Continuing operations →			
	Trusted ID & IT Division RM'000	Sustainable Development Division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000
Operating results	32,545	898	-	33,443
<b>Add/(Less):</b>				
- Depreciation and amortisation	(4,252)	-	24	(4,228)
- Interest income	903	-	-	903
- Other income	2,271	-	-	2,271
- Finance costs	(388)	-	-	(388)
- Administrative, operating and other expenses	(2,970)	(189)	-	(3,159)
	(4,436)	(189)	24	(4,601)
<b>Segment results</b>	28,109	709	24	28,842

The Group's operating segments information for the interim financial report to 30 September 2021 was as follows:-

	← Continuing operations →			
	Trusted ID & IT Division RM'000	Sustainable Development Division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000
Revenue from external customers	71,577	1,404	-	72,981
Segment results <i>(Note B)</i>	6,726	1,091	54	7,871
Share of results of associates, net of tax	(3)	-	-	(3)
Unallocated corporate expenses	-	-	(8,850)	(8,850)
<b>Profit/(Loss) before taxation</b>	6,723	1,091	(8,796)	(982)
Income tax expenses	226	-	-	226
<b>Profit/(Loss) after taxation</b>	6,949	1,091	(8,796)	(756)

## 5. Segment information (cont'd)

**Note B:** The following are items included in Segment results:

	← Continuing operations →			
	Trusted ID & IT Division RM'000	Sustainable Development Division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000
Operating results	12,617	1,135	-	13,752
<b>Add/(Less):</b>				
- Depreciation and amortisation	(3,637)	-	54	(3,583)
- Interest income	1,109	-	-	1,109
- Other income	787	-	-	787
- Finance costs	(895)	-	-	(895)
- Administrative, operating and other expenses	(3,255)	(44)	-	(3,299)
	(5,891)	(44)	54	(5,881)
<b>Segment results</b>	6,726	1,091	54	7,871

## 6. Capital Commitments

There were no capital commitments in this financial quarter.

## 7. Debt and equity securities

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

## 8. Changes in the composition of the Group

There were no changes in the composition of the Group in this financial quarter except for the following:

### a) Incorporation of a 70% owned subsidiary

The Company had on 17 August 2022 subscribed for 70,000 ordinary shares of RM1.00 each for a total cash consideration of RM70,000.00 in THETRIS ISS Sdn Bhd. This subscription represents 70% equity interest in THETRIS ISS Sdn Bhd in accordance with the Joint Venture and Shareholder Agreement between the Company and Theta Edge Berhad as per the Bursa announcement made by the Company on 18 August 2022.

**9. Material changes in estimates**

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in this financial quarter.

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

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

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

There were no valuations made on property, plant and equipment for this financial 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 30 September 2022.

**14. Taxation**

	Individual		Cumulative	
	3 months ended 30 <sup>th</sup> September 2022	30 <sup>th</sup> September 2021	6 months ended 30 <sup>th</sup> September 2022	30 <sup>th</sup> September 2021
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Income tax				
- Current financial year	(2,450)	-	(4,050)	-
- Under-provision in prior year	(3)	-	(1,604)	-
	<u>(2,453)</u>	<u>-</u>	<u>(5,654)</u>	<u>-</u>
Deferred tax				
- Current financial year	112	112	224	226
	<u>112</u>	<u>112</u>	<u>224</u>	<u>226</u>
Income tax (expenses)/credit recognized in profit or loss	<u>(2,341)</u>	<u>112</u>	<u>(5,430)</u>	<u>226</u>

The Group's effective tax rate for current financial quarter differ from the statutory tax rate of 24% is mainly due to certain non-deductible expenses.

**15. Related Party Transactions**

The Company has not entered into any significant transactions with related parties of the Group for the cumulative 6 months period ended 30 September 2022.

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

### **16.1 Review of Performance**

#### *Continuing operations*

For the current financial quarter ended 30 September 2022, the Group recorded a revenue of RM108.1 million, an increase of RM62.1 million or 135.0% from RM46.0 million recorded in the previous comparable financial quarter ended 30 September 2021. The Group recorded a profit before taxation of RM8.7 million in this financial quarter as compared to a profit before taxation of RM1.4 million recorded in the previous comparable financial quarter ended 30 September 2021.

The higher revenue in this financial quarter is mainly due to higher delivery of cards and e-passports for overseas projects and recognition of revenue from an existing domestic project as compared to the previous comparable financial quarter.

The performance of the respective business segments for this 3-month financial quarter ended 30 September 2022 as compared to the previous comparable financial quarter is analysed as follows:

#### **Trusted ID & IT Division**

Trusted ID & IT division recorded a revenue of RM108.1 million in the current financial quarter ended 30 September 2022, as compared to RM44.6 million in the previous comparable financial quarter, representing an increase of 142.4%. The increase in revenue was mainly attributable to the higher delivery of cards and e-passports for overseas projects and the recognition of revenue from an existing domestic project.

#### **Sustainable Development Division**

The contribution from the Sustainable Development division for the current financial quarter is not significant as the Group completed most of its projects under this division.

### **16.2 Comparison with Preceding Quarter**

#### *Continuing operations*

For the current financial quarter ended 30 September 2022, the Group recorded a revenue of RM108.1 million as compared to RM67.4 million recorded in the preceding financial quarter ended 30 June 2022.

The Group reported a profit before taxation of RM8.7 million as compared to a profit before taxation of RM5.2 million recorded in the preceding financial quarter.

## **17. Prospects**

The Group is expected to continue to derive revenues from the delivery of its existing contracts to both domestic and international customers. On the domestic front, the Group will focus on the delivery of the National Integrated Immigration System (“NIISe”) project. At international level, the Group’s revenue will be driven by the delivery and supply of ePassports and eID cards from existing and new customers. The Group will also leverage on its extensive customer networking to actively pursue new growth opportunities in its core Trusted ID & adjacent IT business in both international and domestic markets.

The Group will continue to focus on cost optimization efforts to ensure the Group remains competitive in the challenging business environment and deliver sustainable growth in the long term.

In this regard, barring any unforeseen circumstances, the Board is cautiously optimistic that the Group’s financial performance for the current financial year to be better than the financial year ended 31 March 2022.

## **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 financial quarter and financial period to date.

## **20. Quoted Securities**

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



## 21. Group Borrowings and Debt Securities

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

	<b>As at 30<sup>th</sup> September 2022 RM'000</b>
Short Term	452
Total	<u>452</u>

The above borrowings are denominated in Ringgit Malaysia.

## 22. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 17 November 2022 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

## 23. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 17 November 2022:

(i) **IRIS Technologies (M) Sdn. Bhd. (“ITSB”) and Kunt Electronic Sanayii vs Ticaret A.S (both parties are henceforth known as “JVCO”) against Security General Directorate of Ministry of Interior or Emniyet Genel Mudurlugu (“EGM”) (Turkey)**

The JVCO’s claim for unlawful termination of contract by EGM and payment for the balance amount of (Turkish Lira) TL6,195,000 (equivalent to approximately RM1,796,550) due to JVCO for work completed. The JVCO’s claim was rejected by the court. Despite our claim against EGM, 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 for the sum of TL6,195,000 (equivalent to approximately RM1,796,550) was allowed together with interest. The JVCO was also directed to pay TL5,053,84 (equivalent to approximately RM1,466) as expenses arising from their performance of the contract and loss suffered by EGM. EGM’s claim of TL49,761,53 (equivalent to approximately RM14,431) 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 Group was informed that a decision was declared on 16 September 2014 and was duly served on the JVCO on 28 January 2015. The JVCO’s decided to file an appeal against the decision in favour of EGM on 27 November 2018 and for a retrial. The matter is pending appeal and retrial.

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

(ii) **In the High Court of Malaya at Kuala Lumpur; Roxwell Group Sdn. Bhd (“Plaintiff”) against (1) IRIS Corporation Berhad (“ICB”) or (“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 ICB 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 assets 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.

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

**(ii) In the High Court of Malaya at Kuala Lumpur; Roxwell Group Sdn. Bhd (“Plaintiff”) against (1) IRIS Corporation Berhad (“ICB”) or (“D1”), (2) Tan Say Jim (“D2”), (3) Su Thai Ping (“D3”), (4) Hamdan Bin Mohd Hassan (“D4”) & (5) Sylla Ibrahima Sory (“D5”)**

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

The Plaintiff (“Appellant”) was dissatisfied with the High Court’s decision and filed a Notice of Appeal on 20 December 2019 to the Court of Appeal against (i) ICB (“1st Respondent”), (ii) Tan Say Jim (“2nd Respondent”) and (iii) Su Thai Ping (“3rd Respondent”).

The hearing of appeal was fixed on 11 November 2020 and both parties to file Written Submission two weeks before the hearing date. The hearing of appeal commenced on 13 August 2021. However, the submissions could not be completed and the Court adjourned the matter to 19 November 2021 for continuation of the appeal.

On 19 November 2021, the Defendants/Respondents completed their oral submission. The Appellant had requested from the court for another date for rebuttal. Therefore, the court fixed for continuation of the appeal to 11 January 2022 for the Appellant’s oral submission of their rebuttal.

On 11 January 2022, the Court of Appeal postponed the hearing to 7 February 2022. On 7 February 2022, the Court of Appeal proceeded with the hearing and parties completed their submissions. The Court of Appeal will notify parties the date of decision for the appeal.

The Court fixed 12 May 2022 for Case Management via e-Review for the Court to announce the decision date. On 12 May 2022, the Court rescheduled the announcement of the decision date to 28 July 2022.

The Court of Appeal had, on 28 July 2022, unanimously dismissed the appeal filed by Appellant against (i) 1st Respondent, (ii) 2nd Respondent, and (iii) 3<sup>rd</sup> Respondent, as the appeal was found to be without merits and did not warrant appellate interference.

The Court of Appeal was in agreement with the learned findings of the trial judge that the 1st Respondent was not in breach of the terms of the Cooperation Agreement and there was no conspiracy to injure the Appellant by the 1st Respondent, 2nd Respondent and 3rd Respondent.

The Court of Appeal awarded costs in the sum of RM50,000.00 each to the 1st Respondent, 2nd Respondent and 3rd Respondent.

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

**(ii) In the High Court of Malaya at Kuala Lumpur; Roxwell Group Sdn. Bhd (“Plaintiff”) against (1) IRIS Corporation Berhad (“ICB”) or (“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 Appellant filed a Notice of Motion for leave to appeal to Federal Court against the decision of the Court of Appeal and the hearing is fixed on 11 January 2023.

The 1st Respondent filed a Notice of Motion for Security for Cost against the Applicant which is fixed for hearing on 13 December 2022.

**(iii) In the High Court of Malaya at Kuala Lumpur; IRIS Corporation Berhad (“Plaintiff”) against nine (9) former members of the Board of Directors (“Defendants”)**

The Company has on 24 April 2019 commenced legal proceedings in Kuala Lumpur High Court (“the suits”) against the Defendants concerning 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 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 RM482,172 being the total amount paid by the Company to Joseph Vijay Kumar (“JVK”) as consultant fees which is equivalent to total sum of GBP84,000 (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 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 RM482,172 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 the general damages awarded in (e) above;
- h. Costs; and/or
- i. All other relief which this Honourable Court deems fit and just.

Items (a) and (b) above have been fully impaired/expensed off by the company in previous financial years.

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

**(iii) In the High Court of Malaya at Kuala Lumpur; IRIS Corporation Berhad (“Plaintiff”) against nine (9) former members of the Board of Directors (“Defendants”) (cont'd)**

The trial completed on 17 March 2022 when all the Defendants closed their case. The Court directed as follows:

- (a) Notes of Proceedings to be filed on within 3 weeks from 17 March 2022;
- (b) Parties to file and exchange their written submissions by 17 May 2022;
- (c) Parties to file and exchange their respective reply written submissions by 30 June 2022;
- and
- (d) clarification (if any) and decision by 21 July 2022.

The High Court had on 21 July 2022 rescheduled the date for delivery of decision to 18 August 2022.

On 18 August 2022, the High Court dismissed the claims by the Plaintiff against the Defendants.

The High Court awarded costs in the sum of RM85,000.00 to each of the 1<sup>st</sup> Defendant, 2<sup>nd</sup> Defendant, 3<sup>rd</sup> Defendant and 4<sup>th</sup> Defendant. While a sum of RM85,000.00 was awarded collectively to the 5<sup>th</sup> Defendant, 6<sup>th</sup> Defendant, 7<sup>th</sup> Defendant and 9<sup>th</sup> Defendant.

IRIS has filed an appeal on 12 September 2022 to the Court of Appeal against the decision of the High Court. The appeal is pending.

**(iv) In the High Court of Malaya at Kuala Lumpur; S5 Systems Sdn Bhd against IRIS Information Technology Systems Sdn Bhd**

On 3 January 2022, the Company’s wholly-owned subsidiary, IRIS Information Technology Systems Sdn Bhd (“IITS”) has been served with an Originating Summon (“OS”) which is fixed for hearing on the 26 January 2022 at the High Court of Malaya. The OS was filed by S5 Systems Sdn Bhd (“S5”), a company incorporated in Malaysia. The OS sought for the following:

- (a) IITS be enjoined from engaging third parties/ subcontractors for the provision of works; and
- (b) any third party/subcontractors already appointed for a specified scope be terminated/halted by IRIS.

The OS was partly heard on 26 January 2022 where counsel for S5 had made oral submissions. On 17 February 2022, counsel for IITS made the submissions to court. The Court has fixed the next hearing on 1 March 2022 and then postponed to 21 March 2022 for counsel of IITS to continue their submissions.

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

**(iv) In the High Court of Malaya at Kuala Lumpur; S5 Systems Sdn Bhd against IRIS Information Technology Systems Sdn Bhd (cont'd)**

On 21 March 2022, counsel of IITS completed their submissions. At the hearing of 5 April 2022, the Court dismissed the application for injunction by S5 with costs of RM30,000.00 payable to IITS within 14 days from date of decision. On 3 May 2022, IITS received a notice of Appeal from S5. The Court of Appeal has fixed the Case Management on 24 June 2022.

On 24 June 2022, S5 sought that the requirement for the filing of a memorandum of appeal together with the appeal record be waived but this was not allowed by the Registrar. The case management was concluded on 27 June 2022 and the Registrar fixed 29 September 2022 for further case management pending the filing of all cause papers for the appeal by S5.

S5 filed an application to amend the memorandum of appeal which was allowed by the Court of Appeal on 3 October 2022.

The hearing for S5 appeal at the Court of Appeal is fixed at 4 July 2023.

**(v) Notice of Arbitration; S5 Systems Sdn. Bhd. against IRIS Information Technology Systems Sdn. Bhd.**

On 29 June 2022, the Company's wholly owned subsidiary, IRIS Information Technology Systems Sdn. Bhd. ("IITS") received a Notice of Arbitration ("NOA") dated 29 June 2022 from S5 Systems Sdn. Bhd. ("S5"), for arbitral proceedings in relation to earlier intentions of S5 having a joint venture role in the National Integrated Immigration System ("NIISe") project ("Project") awarded by Kementerian Dalam Negeri to IITS.

In the NOA, S5 alleged that such preliminary intentions were binding and that IITS is in breach of the same in subcontracting or engaging third parties to carry out works under the Project.

S5 also seeks damages in lieu of specific performance, interest, and costs of the arbitration proceedings to be borne by IITS.

IITS had since responded to the NOA submitted by S5 via its Response to Notice of Arbitration dated 29 July 2022.

The matter is pending for arbitration process. The Company is of the opinion that the claims made by S5 in the NOA are without merits especially in light of the dismissal of the injunction application brought by S5 against IITS on similar grounds by the High Court on 5 April 2022.

**24. Dividend**

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

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

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>	<b>30<sup>th</sup></b>
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>(a) Basic earnings/(loss) per ordinary share</b>				
Earnings/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	6,371	1,471	8,442	(755)
Weighted average number of ordinary shares ('000) at end of period	3,262,910	3,116,345	3,262,910	3,116,345
<b>Basic earnings/(loss) per ordinary share (Sen)</b>				
- continuing operations	<b>0.20</b>	<b>0.05</b>	<b>0.26</b>	<b>(0.02)</b>
<b>(b) Diluted earnings/(loss) per ordinary share</b>				
Earnings/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	6,371	1,471	8,442	(755)
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) at end of period	3,262,910	3,116,345	3,262,910	3,116,345
<b>Diluted earnings/(loss) per ordinary share (Sen)</b>				
- continuing operations	<b>0.20</b>	<b>0.05</b>	<b>0.26</b>	<b>(0.02)</b>

**26. 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.

**27. Profit before taxation**

	<b>Individual 3 months ended 30<sup>th</sup> September 2022 RM'000</b>	<b>Cumulative 6 months ended 30<sup>th</sup> September 2022 RM'000</b>
Profit before taxation is arrived at after charging :		
<i>Continuing operations</i>		
- Amortisation of intangible assets, right of use assets and depreciation of property, plant and equipment	2,086	4,228

**28. Other income**

	<b>Individual 3 months ended 30<sup>th</sup> September 2022 RM'000</b>	<b>Cumulative 6 months ended 30<sup>th</sup> September 2022 RM'000</b>
<i>Continuing operations</i>		
- Interest income	545	903
- Foreign currency exchange gain - net	1,714	2,116
- Others	29	154
	<b>2,288</b>	<b>3,173</b>



**29. Cash and short-term deposits**

	<b>As at 30<sup>th</sup> September 2022 RM'000</b>	<b>As at 31<sup>st</sup> March 2022 RM'000</b>
Cash and bank balances	65,025	33,905
Short-term deposits placed with licensed banks	33,799	77,383
	98,824	111,288

Included in short-term deposits placed with licensed banks is an amount of RM31,620,668 (As at 31 March 2022: RM31,214,218) pledged to licensed banks for credit facilities granted to the Group.

**30. Authorisation for Issue**

This interim financial report was authorised for issuance by the Board of Directors on 24 November 2022.