

IRIS CORPORATION BERHAD

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

Interim Financial Report for the First quarter ended 30th June 2018

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Condensed Consolidated Statement of Comprehensive IncomeFor the First quarter ended 30th June 2018

	Individual		Cumulative	
	3 months ended		3 months ended	
	30th June	30th June	30th June	30th June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
		<i>Restated</i>		<i>Restated</i>
<i>Continuing operations</i>				
Revenue	75,811	101,049	75,811	101,049
Cost of sales	(54,741)	(87,507)	(54,741)	(87,507)
Depreciation and amortisation	(1,091)	(1,173)	(1,091)	(1,173)
Gross profit	19,979	12,369	19,979	12,369
Other income	314	8,645	314	8,645
Administrative, operating and other expenses	(14,005)	(11,504)	(14,005)	(11,504)
Depreciation and amortisation	(982)	(973)	(982)	(973)
Finance costs	(2,260)	(2,736)	(2,260)	(2,736)
Share of results of associates, net of tax	238	393	238	393
Profit before taxation	3,284	6,194	3,284	6,194
Income tax expense	-	49	-	49
Profit from continuing operations	3,284	6,243	3,284	6,243
<i>Discontinued operations</i>				
Loss from discontinued operations, net of tax	-	(2,771)	-	(2,771)
Profit for the period	3,284	3,472	3,284	3,472
Other comprehensive income, net of tax				
Foreign currency translation for foreign operations	1,520	1,475	1,520	1,475
	1,520	1,475	1,520	1,475
Total comprehensive income for the period	4,804	4,947	4,804	4,947

Condensed Consolidated Statement of Comprehensive IncomeFor the First quarter ended 30th June 2018

(continued)

	Individual 3 months ended		Cumulative 3 months ended	
	30 th June 2018 RM'000	30 th June 2017 RM'000	30 th June 2018 RM'000	30 th June 2017 RM'000
Profit attributable to:				
Owners of the Company	8,676	5,209	8,676	5,209
Non-controlling interests	(5,392)	(1,737)	(5,392)	(1,737)
Profit for the period	3,284	3,472	3,284	3,472
Total comprehensive income attributable to:				
Owners of the Company	10,345	5,594	10,345	5,594
Non-controlling interests	(5,541)	(647)	(5,541)	(647)
Total comprehensive income for the period	4,804	4,947	4,804	4,947
Earnings/(Loss) per share attributable to owners of the Company:				
Basic (Sen)				
- continuing operations	0.35	0.35	0.35	0.35
- discontinued operations	-	(0.12)	-	(0.12)
	0.35	0.23	0.35	0.23
Diluted (Sen)				
- continuing operations	0.35	0.35	0.35	0.35
- discontinued operations	-	(0.12)	-	(0.12)
	0.35	0.23	0.35	0.23

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2018 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial PositionAs at 30th June 2018

	30th June 2018	31st March 2018
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	97,189	97,739
Intangible assets	154,105	157,168
Operating financial assets	14,591	14,591
Investment in associates	12,047	11,810
Available-for-sale financial assets	216	216
	<u>278,148</u>	<u>281,524</u>
CURRENT ASSETS		
Inventories	23,109	25,156
Operating financial assets	592	592
Trade receivables	151,940	132,862
Other receivables, deposits & prepayments	41,887	51,150
Amount owing by associates	189	285
Amount owing by related parties	5,682	3,143
Amount owing by contract customers	12,607	9,375
Current tax assets	10,170	9,423
Short-term deposits	58,569	11,045
Cash and bank balances	37,137	25,342
	<u>341,882</u>	<u>268,373</u>
TOTAL ASSETS	<u>620,030</u>	<u>549,897</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	480,276	480,276
Foreign currency translation reserve	6,743	5,074
Revaluation reserve	35,811	36,074
Accumulated losses	(318,666)	(327,605)
Total equity attributable to owners of the Company	<u>204,164</u>	<u>193,819</u>
Non-controlling interests	(45,994)	(40,453)
TOTAL EQUITY	<u>158,170</u>	<u>153,366</u>

Condensed Consolidated Statement of Financial PositionAs at 30th June 2018

(continued)

	30th June 2018	31st March 2018
	RM'000	RM'000
NON-CURRENT LIABILITIES		
Term loans	129,195	59,535
Hire purchase and lease payables	198	218
	<u>129,393</u>	<u>59,753</u>
CURRENT LIABILITIES		
Trade payables	117,982	128,200
Other payables and accruals	161,751	156,380
Short-term loans and borrowings	44,250	44,250
Hire purchase and lease payables	294	504
Current tax liabilities	2,711	1,965
	<u>326,988</u>	<u>331,299</u>
Liabilities of a disposal group classified as held for sales	5,479	5,479
	<u>332,467</u>	<u>336,778</u>
TOTAL LIABILITIES	<u>461,860</u>	<u>396,531</u>
TOTAL EQUITY AND LIABILITIES	<u>620,030</u>	<u>549,897</u>
Net assets per ordinary share attributable to owners of the Company (sen)	<u>8.26</u>	<u>7.84</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2018 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the First quarter ended 30th June 2018

	← Attributable to the owners of the Company →						
	Ordinary Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Sub-total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 st April 2017	448,816	7,322	37,129	(205,109)	288,158	(31,659)	256,499
<i>Total comprehensive income for the financial period</i>							
Profit/(Loss) after taxation for the financial period	-	-	-	5,209	5,209	(1,737)	3,472
Other comprehensive income for the financial period, net of tax - foreign currency translation	-	385	-	-	385	1,090	1,475
Total comprehensive income	-	385	-	5,209	5,594	(647)	4,947
Realisation on revaluation reserve	-	-	(264)	264	-	-	-
At 30th June 2017	448,816	7,707	36,865	(199,636)	293,752	(32,306)	261,446

Condensed Consolidated Statement of Changes in Equity

For the First quarter ended 30th June 2018

(continued)

	← 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	5,074	36,074	(327,605)	193,819	(40,453)	153,366
<i>Total comprehensive income for the financial period</i>							
Profit/(Loss) after taxation for the financial period	-	-	-	8,676	8,676	(5,392)	3,284
Other comprehensive income for the financial period, net of tax - foreign currency translation	-	1,669	-	-	1,669	(149)	1,520
Total comprehensive income	-	1,669	-	8,676	10,345	(5,541)	4,804
Realisation on revaluation reserve	-	-	(263)	263	-	-	-
At 30th June 2018	480,276	6,743	35,811	(318,666)	204,164	(45,994)	158,170

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2018 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow StatementFor the First quarter ended 30th June 2018

	Cumulative 3 months ended 30th June 2018 RM'000	Cumulative 3 months ended 30th June 2017 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
- continuing operations	3,284	6,194
- discontinued operations	-	(2,761)
	<u>3,284</u>	<u>3,433</u>
Adjustments for:		
Non-Cash Items	4,913	2,353
Interest income	(108)	(78)
Finance costs	2,260	2,739
	<u>10,349</u>	<u>8,447</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
	10,349	8,447
Changes in working capital:		
Net changes in current assets	(13,445)	(2,958)
Net changes in current liabilities	(4,845)	14,965
	<u>(7,941)</u>	<u>20,454</u>
NET CASH (USED IN)/GENERATED FROM OPERATIONS		
	(7,941)	20,454
Interest received	108	78
Interest paid	(2,260)	(2,739)
Tax paid	(1)	(1,013)
	<u>(10,094)</u>	<u>16,780</u>
NET CASH (FOR)/FROM OPERATING ACTIVITIES		
	(10,094)	16,780
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of financial operating assets	(16)	-
Purchase of plant and equipment	-	(37)
	<u>(16)</u>	<u>(37)</u>
NET CASH FOR INVESTING ACTIVITIES		
	(16)	(37)

Condensed Consolidated Cash Flow StatementFor the First quarter ended 30th June 2018

(continued)

	Cumulative 30th June 2018 RM'000	Cumulative 30th June 2017 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from term loan of a foreign subsidiary	81,161	-
Net repayment of hire purchase and lease payables	(231)	(257)
Net repayment of bankers' acceptances and revolving credit	-	(8,133)
Net repayment of trade loans	-	(15,390)
Repayment of term loans	(11,500)	(9,765)
(Placement)/Withdrawal of pledged deposits	(48,032)	2,814
NET CASH FROM/(FOR) FINANCING ACTIVITIES	21,398	(30,731)
Net changes in cash and cash equivalents	11,288	(13,988)
Effect of exchange rate changes on cash and cash equivalent	-	-
Cash and cash equivalents at beginning of the period	26,149	44,584
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	37,437	30,596

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

Cash and bank balances	37,137	30,416
Short-term deposits placed	58,569	7,661
	95,706	38,077
Less: Short-term deposits pledged	(58,269)	(7,481)
	37,437	30,596

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2018 and the accompanying explanatory notes attached to the interim financial report.

Notes to the Interim Financial Report

For the First quarter ended 30th June 2018

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30th June 2018 and has been prepared in compliance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2018.

2. Changes in Accounting Policies

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

The adoption of these new MFRSs does not have any significant effect on the financial statements of the Group.

3. Audit report of preceding annual financial statement

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

4. Seasonal or cyclical factors

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

5. Segment information

The Group's operating segments information for the interim financial report to 30th June 2018 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	Environment & Renewable Energy sub-division RM'000	Adjustments & Eliminations RM'000			
Revenue from external customers	71,452	3,722	637	-	-	75,811	-	75,811
Inter-segment revenue	-	-	-	-	-	-	-	-
Total Revenue	71,452	3,722	637	-	-	75,811	-	75,811
Segment results <i>(Note A)</i>	16,746	1,357	(10,987)	-	-	7,116	-	7,116
Unallocated corporate expenses	-	-	-	-	(4,070)	(4,070)	-	(4,070)
Share of results of associates, net of tax	-	-	-	-	238	238	-	238
Profit/(Loss) before taxation	16,746	1,357	(10,987)	-	(3,832)	3,284	-	3,284
Income tax expense	-	-	-	-	-	-	-	-
Profit/(Loss) after taxation	16,746	1,357	(10,987)	-	(3,832)	3,284	-	3,284

5. Segment information (cont'd)

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

	← Continuing operations →							
	<u>Sustainable Development Division</u>							
	Trusted ID & IT Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Environment & Renewable Energy sub-division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Operating results	22,383	1,853	(3,166)	-	-	21,070	-	21,070
Add/(Less):								
- Depreciation and amortisation	(1,771)	(34)	(268)	-	-	(2,073)	-	(2,073)
- Interest income	108	-	-	-	-	108	-	108
- Other income	54	-	152	-	-	206	-	206
- Finance costs	(1,904)	(2)	(354)	-	-	(2,260)	-	(2,260)
- Administrative, operating and other expenses	(2,124)	(460)	(7,351)	-	-	(9,935)	-	(9,935)
	(5,637)	(496)	(7,821)	-	-	(13,954)	-	(13,954)
Segment results	16,746	1,357	(10,987)	-	-	7,116	-	7,116

6. Capital Commitments

There were no material capital commitments for this quarter.

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 the First 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

Contingent Liabilities

There are no contingent liabilities incurred or known to be incurred by the Company and/or the Group as at 30th June 2018.

14. Taxation

	Individual		Cumulative	
	3 months ended		3 months ended	
	30th June	30th June	30th June	30th June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Income tax				
- Over provision in prior years	-	49	-	49
	-	49	-	49
<u>Discontinued operations</u>				
Income tax				
- Under provision in prior years	-	(9)	-	(9)
	-	(9)	-	(9)
	-	40	-	40

The Group's effective tax rate is lower than the statutory tax rate of 24% mainly due to anticipated unutilised tax losses and capital allowance to be utilised for this quarter.

15. Related Party Transactions

The significant transactions with related parties of the Group for the cumulative 3 months period ended 30th June 2018 were as follows:

	RM'000
Major shareholder of the Company	
The Federal Land Development Authority ("FELDA")	
- Sales of construction of sustainable development project and services	3,624

Additional information required by the AMLR

16.1 Review of Performance

Continuing operations

For the three (3) months financial period ended 30th June 2018, the Group recorded a revenue of RM75.8 million, representing a decrease of RM25.2 million or 25.0% from RM101.0 million recorded in the previous comparable quarter ended 30th June 2017. The Group also recorded a profit before taxation of RM3.3 million this quarter, which is RM2.9 million or 46.8% lower as compared to profit before taxation of RM6.2 million recorded in the previous comparable quarter ended 30th June 2017.

The lower profit before taxation of RM3.3 million reported this quarter was mainly due to lower sales recorded in Trusted ID & IT Division.

The performance of the respective business segments for this 3-month financial quarter ended 30th June 2018 as compared to the previous comparable quarter is analysed as follows:-

Trusted ID & IT Division

Trusted Identification recorded a lower revenue of RM71.5 million in the current financial quarter ended 30th June 2018 from RM100.6 million in the previous comparable quarter, representing a decrease of 28.9%. The decrease was mainly due to lower delivery of Senegal eID cards. In previous comparable quarter, the demand for the Senegal eID cards was higher due to initial launching of the eID cards by Senegal government.

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 which ended on 30th June 2018, the Group recorded revenue of RM75.8 million, representing an increase of RM17.2 million, or 29.4% from RM58.6 million recorded in the preceding quarter ended 31st March 2018.

The Group reported a profit before tax of RM3.3 million, which is RM72.9 million higher as compared to loss before taxation of RM69.6 million recorded in the preceding quarter. The losses recorded in preceding quarter is mainly due to the charge out and recognition of projects related expenditure in relation to the completed projects as well as losses arising from foreign currency exchange.

17. Prospects

For the financial year 2019, IRIS Group is expected to continue to derive revenues from the on-going trusted identification projects in Africa, Asia, Asia Pacific and North America regions.

With the disposal of IRIS's education division and the rationalisation of non-core businesses, the management of IRIS will be able to focus its resources on its core trusted identification business and capturing new growth opportunities. IRIS Group is expected to be well positioned to further strengthen its trusted identification business and to expand its enterprise products and solutions offerings to ensure the Group remains competitive in the challenging business environment.

In this regard, barring any unforeseen circumstances which may have an adverse impact on the business operations of the Group, the management of IRIS is positive about the Group's prospects and expects continued growth of IRIS business operations and financial performance.

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

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

19. Unquoted Securities and/or Properties

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

20. Quoted Securities

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

21. Available-for-sale financial assets

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

	At 30th June 2018
	RM'000
Investment in an unquoted shares in Malaysia	7,500
Investment in an unquoted shares in Singapore	2,378
Investment in an unquoted shares in Hong Kong	981
Investment in an unquoted shares in Republic of Palau	7,055
Golf Club Membership	406
(Less): Allowance for diminution in value	(18,104)
	<u>216</u>

22. Status of Corporate Proposals and Utilisation of Proceeds

There were no corporate proposals announced but not completed as at 20th August 2018, being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report except as disclosed below:

Proposed 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.

On 1st August 2018, the Company had submitted the Additional Listing Application (“ALA”) to Bursa Securities. On 21st August 2018, the Company received the approval from the Bursa Securities in relation to the above ALA.

23. Group Borrowings and Debt Securities

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

	Short Term RM’000	Long Term RM’000	Total RM’000
Secured	44,250	129,195	173,445
Unsecured	-	-	-
	<u>44,250</u>	<u>129,195</u>	<u>173,445</u>

All of the above borrowings are denominated in Ringgit Malaysia other than a term loan of a foreign subsidiary amounting to RM81.2 million that are denominated in USD dollar.

24. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 20th August 2018 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

25. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 20th August 2018:

(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.

However the U.S. Government had on 14 June 2018, filed another motion to dismiss IRIS’s First Amended Complaint. IRIS then filed Plaintiff’s Opposition to Motion to dismiss the U.S. Government motion on 3 July 2018. The U.S. Government to file its reply on/or before 24 July 2018.

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. However, the solicitors are estimating that it is possible that fees and costs going forward could reach or possibly exceeds USD1,000,000.

25. Material Litigation (cont'd)

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

The JVCO’s claim for unlawful termination by EGM and payment for the balance amount of (Turkish Lira) TL6,195,000 (equivalent to RM9,014,221.00) due to JVCO for works completed was rejected. EGM’s claim for the refund of monies paid to the JVCO for the completion of Phase 1 (delivery of hardware and equipment) of the project to the amount of TL6,195,000 (equivalent to RM9,014,221.00) was allowed and declared that the JVCO had to return the said amount to EGM with interest. The JVCO to pay TL5,053,84 (equivalent to RM7,354.00) as expenses arising from their performance of the contract and loss suffered by EGM. EGM’s claim of TL49,761,53 (equivalent to RM72,407.00) as expenses arising from their performance of the contract and loss due to the termination was allowed and the JVCO was ordered to pay the said amount as compensation.

The Company was informed that a decision was declared on 16 September 2014 and was duly served on the JVCO on 28 January 2015.

The Judgment were as follows:

1. The JVCO’s claim for unlawful termination by EGM and payment for the balance amount of (Turkish Lira) TL6,195,000 (equivalent to RM9,014,221) due to the JVCO for works completed was rejected;
2. EGM’s claim for the refund of monies paid to the JVCO for the completion of Phase 1 (delivery of hardware and equipment) of the Project to the amount of TL6,195,000 (equivalent to RM9,014,221) was allowed and declared that the JVCO had to return the said amount to EGM with interest;
3. The JVCO to pay TL5,053,84 (equivalent to RM7,354) as compensation for loss suffered by EGM ; and
4. EGM’s claim of TL49,761,53 (equivalent to RM72,407) as expenses arising from their performance of the contract and loss due to the termination was allowed and the JVCO was ordered to pay the said amount as compensation.

The judgment is pending enforcement against the JVCO.

25. Material Litigation (cont'd)

(iii) IRIS vs IQPR Sdn Bhd (High Court of Pulau Pinang A/E No: PA-38-275-06/2016)

IRIS had entered into an Equipment Lease Agreement (“**Agreement**”) with IQPR Sdn Bhd on 3 May 2011 where a security was given by Mr Tan Chin Hwang (“**the Defendant**”) to IRIS in respect of this Agreement. The Security in question was a charge registered on a piece of land held under title no. GRN 56247 Lot 3635, Bandar Tanjong Bungah, Daerah Timur Laut, Negeri Pulau Pinang (“**the Security**”).

The Charge over the Security was registered on 10 June 2011 and no other charges exist on the said Security. Due to IQPR Sdn Bhd committing several defaults in its obligations under the Agreement, IRIS had sent out letters of demand and intent dated 13 December 2013 and 6 March 2014 stating its intent to enforce its rights over the Security in view of the IQPR’s continued breaches. By the same letter IRIS terminated the Agreement.

The 4th Auction date was filed in court on 26 July 2018 at a reserve price of RM3,499,200.00 and the auctioneer appointed was Eng Sitt Tatt of M/S Landmarks Auctioneers Sdn Bhd. The next hearing is fixed on 30 August 2018.

(iv) 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 December 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 Hearing on 7 May 2018 was adjourned by the court to 28 May 2018 pending translation of documents. The Hearing on 28 May 2018 was adjourned by the Court to 27 August 2018 for primary judgment.

25. Material Litigation (cont'd)

- (v) **In the High Court of Malaya at Kuala Lumpur Suit No. WA-22NCVC-126-03/2017; Roxwell Group Sdn Bhd (755819-U) (“Plaintiff”) against (1) IRIS, (2) Tan Say Jim (“D2”), (3) Su Thai Ping (“D3”), (4) Hamdan Bin Mohd Hassan (“D4”) & (5) Sylla Ibrahima Sory (“D5”)**

The Plaintiff and D1 entered into a Cooperation Agreement (“**Agreement**”) on 17 November 2011 and among the salient terms of the Agreement was for the Plaintiff to identify for IRIS for potential projects in the Republic of Guinea and Guinea Bissau (“**Territory**”) for a period of three (3) years from the date of the Agreement. In consideration of any and all services in respect of the Agreement involving the sale of plant, equipment, machinery or asset arranged by the Plaintiff, IRIS agreed to pay the Plaintiff a commission of 15% on the value or price of the plant, equipment, machinery or asset sold.

The Plaintiff is claiming for an alleged commission payment in the amount of RM169,480,350.00 (together with interest deemed appropriate by the court) under the Agreement calculated based on the formula of 15% on the reported value of the BOT Passport Contract awarded by the Government of the Republic of Guinea to IRIS in 2013 (“**Project**”). The Plaintiff is also alleging that IRIS has colluded with D2, D3, D4 and D5 to deprive of its contractual rights under the Agreement.

It is relevant to note that the Project does not involve the sale of plant and equipment and no deposit was received from the Republic of Guinea. There was also no commission payment agreed between the Plaintiff and IRIS as to the securement of the Project. IRIS denies it has breached the Agreement and wishes to reiterate that the Plaintiff had never in any way facilitated to secure any contract whatsoever in favour of IRIS within the two years from the execution of the Agreement. By virtue of clause 7.1 of the Agreement, the same in effect became redundant and was never pursued.

In addition to the above claims, the Plaintiff also alleges that IRIS interfered with the contractual relations between the Plaintiff and its employee, Sylla (who is also the 5th defendant) by recruiting Sylla to assist IRIS directly in dealing with the Government of the Republic of Guinea. The Plaintiff does not make a specific claim for damages for this allegation which arises out of the same facts as the Conspiracy Claim.

25. Material Litigation (cont'd)

The Plaintiff via its solicitors served IRIS a letter of demand in relation to the alleged commission payable for the securement of the Project in 21 July 2014 which was categorically denied and refuted by IRIS's solicitors via letter dated 19 September 2014. IRIS therefore deems the Plaintiff's action as nothing but retaliatory in nature.

The parties have filed Bundle of Pleadings, Issues to be Tried, Plaintiff and Defendants' Summary of Case, Common Bundle of Documents and List of Witnesses. The Court fixed 27 September 2018 as final Case Management for parties to file Witness Statement on/or before the case management date and full trial has been fixed on 16 October 2018 - 19 October 2018.

As of today, the Plaintiff has not been able to furnish sufficient particulars in relation to the commissions and conspiracy claims. Therefore, the solicitors are of the view that the Plaintiff is unable to show that it is entitled to its claim.

26. Dividend

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

27. Earnings/(Loss) Per Ordinary Share

	Individual		Cumulative	
	3 months ended		3 months ended	
	30th June	30th June	30th June	30th June
	2018	2017	2018	2017
(a) Basic earnings/(loss) per ordinary share				
Earnings/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	8,676	7,980	8,676	7,980
- discontinued operations	-	(2,771)	-	(2,771)
	<u>8,676</u>	<u>5,209</u>	<u>8,676</u>	<u>5,209</u>
Weighted average number of ordinary shares ('000) at end of period	<u>2,471,902</u>	<u>2,247,184</u>	<u>2,471,902</u>	<u>2,247,184</u>
Basic earnings/(loss) per ordinary share (Sen)				
- continuing operations	0.35	0.35	0.35	0.35
- discontinued operations	-	(0.12)	-	(0.12)
	<u>0.35</u>	<u>0.23</u>	<u>0.35</u>	<u>0.23</u>
(b) Diluted earnings/(loss) per ordinary share				
Earnings/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	8,676	7,980	8,676	7,980
- discontinued operations	-	(2,771)	-	(2,771)
	<u>8,676</u>	<u>5,209</u>	<u>8,676</u>	<u>5,209</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) at end of period	<u>2,471,902</u>	<u>2,247,184</u>	<u>2,471,902</u>	<u>2,247,184</u>
Diluted earnings/(loss) per ordinary share (Sen)				
- continuing operations	0.35	0.35	0.35	0.35
- discontinued operations	-	(0.12)	-	(0.12)
	<u>0.35</u>	<u>0.23</u>	<u>0.35</u>	<u>0.23</u>

28. Profit before taxation

	Individual 3 months ended 30th June 2018 RM'000	Cumulative 3 months ended 30th June 2018 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	2,073	2,073
- Net foreign currency exchange losses	1,125	1,125
	<hr/>	<hr/>

29. Comparative figures

Certain comparative figures as shown in the condensed consolidated statement of financial position and statement of comprehensive income have been reclassified in order to conform with the current financial period's presentation.

30. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors on 27th August 2018.