

# IRIS CORPORATION BERHAD

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

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## Interim Financial Report for the Third quarter ended 31<sup>st</sup> December 2018

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**Condensed Consolidated Statement of Comprehensive Income**For the Third quarter ended 31<sup>st</sup> December 2018

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>9 months ended</b>	<b>9 months ended</b>
	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Continuing operations</i></b>				
Revenue	42,968	64,977	193,887	276,075
Cost of sales	(39,120)	(58,787)	(151,823)	(255,469)
Depreciation and amortisation	(836)	(1,421)	(2,680)	(4,356)
<b>Gross profit</b>	<b>3,012</b>	<b>4,769</b>	<b>39,384</b>	<b>16,250</b>
Other income	19,279	1,567	23,800	11,756
Administrative, operating and other expenses	(17,234)	(49,460)	(46,372)	(71,714)
Depreciation and amortisation	(848)	(1,210)	(2,782)	(3,902)
Finance costs	(3,044)	(2,230)	(8,021)	(7,291)
Share of results of associates, net of tax	(123)	611	(543)	1,823
<b>Profit/(Loss) before taxation</b>	<b>1,042</b>	<b>(45,953)</b>	<b>5,466</b>	<b>(53,078)</b>
Income tax credit	295	-	295	49
<b>Profit/(Loss) from continuing operations</b>	<b>1,337</b>	<b>(45,953)</b>	<b>5,761</b>	<b>(53,029)</b>
<b><i>Discontinued operations</i></b>				
Loss from discontinued operations, net of tax	-	(2,126)	-	(8,746)
<b>Profit/(Loss) for the period</b>	<b>1,337</b>	<b>(48,079)</b>	<b>5,761</b>	<b>(61,775)</b>
<b>Other comprehensive income/(loss), net of tax</b>				
Foreign currency translation for foreign operations	100	(3,179)	1,637	(4,892)
	100	(3,179)	1,637	(4,892)
<b>Total comprehensive income/(loss) for the period</b>	<b>1,437</b>	<b>(51,258)</b>	<b>7,398</b>	<b>(66,667)</b>

**Condensed Consolidated Statement of Comprehensive Income**For the Third quarter ended 31<sup>st</sup> December 2018

(continued)

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</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	5,168	(45,507)	18,035	(54,982)
Non-controlling interests	(3,831)	(2,572)	(12,274)	(6,793)
<b>Profit/(Loss) for the period</b>	<b>1,337</b>	<b>(48,079)</b>	<b>5,761</b>	<b>(61,775)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	5,219	(47,987)	19,764	(59,075)
Non-controlling interests	(3,782)	(3,271)	(12,366)	(7,592)
<b>Total comprehensive income/(loss) for the period</b>	<b>1,437</b>	<b>(51,258)</b>	<b>7,398</b>	<b>(66,667)</b>
<b>Earnings/(Loss) per share attributable to owners of the Company:</b>				
Basic (Sen)				
- continuing operations	0.19	(1.86)	0.68	(1.98)
- discontinued operations	-	(0.04)	-	(0.32)
	<b>0.19</b>	<b>(1.90)</b>	<b>0.68</b>	<b>(2.30)</b>
Diluted (Sen)				
- continuing operations	0.19	(1.86)	0.68	(1.98)
- discontinued operations	-	(0.04)	-	(0.32)
	<b>0.19</b>	<b>(1.90)</b>	<b>0.68</b>	<b>(2.30)</b>

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

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> December 2018

	31 <sup>st</sup> December 2018 RM'000	31 <sup>st</sup> March 2018 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	93,865	97,739
Intangible assets	155,461	157,168
Operating financial assets	14,933	14,591
Investment in associates	11,267	11,810
Available-for-sale financial assets	-	216
	275,526	281,524
<b>CURRENT ASSETS</b>		
Inventories	21,061	25,156
Operating financial assets	592	592
Trade receivables	104,520	132,862
Other receivables, deposits & prepayments	39,458	51,150
Amount owing by associates	19	285
Amount owing by related parties	5,682	3,143
Amount owing by contract customers	13,491	9,375
Current tax assets	10,265	9,423
Short-term deposits	105,734	11,045
Cash and bank balances	41,137	25,342
	341,959	268,373
<b>TOTAL ASSETS</b>	<b>617,485</b>	<b>549,897</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	539,602	480,276
Foreign currency translation reserve	519	5,074
Revaluation reserve	35,283	36,074
Accumulated losses	(304,319)	(327,605)
<b>Total equity attributable to owners of the Company</b>	<b>271,085</b>	<b>193,819</b>
Non-controlling interests	(38,490)	(40,453)
<b>TOTAL EQUITY</b>	<b>232,595</b>	<b>153,366</b>

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> December 2018

(continued)

	<b>31<sup>st</sup> December 2018</b>	<b>31<sup>st</sup> March 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Term loans	119,964	59,535
Hire purchase and lease payables	169	218
	<u>120,133</u>	<u>59,753</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	108,585	128,200
Other payables and accruals	125,713	156,380
Short-term loans and borrowings	22,500	44,250
Hire purchase and lease payables	101	504
Current tax liabilities	2,379	1,965
	<u>259,278</u>	<u>331,299</u>
Liabilities of a disposal group classified as held for sales	5,479	5,479
	<u>264,757</u>	<u>336,778</u>
<b>TOTAL LIABILITIES</b>	<u>384,890</u>	<u>396,531</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>617,485</u>	<u>549,897</u>
<b>Net assets per ordinary share attributable to owners of the Company (sen)</b>	<u>9.14</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 31<sup>st</sup> March 2018 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Changes in Equity**

For the Third quarter ended 31<sup>st</sup> December 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 <sup>st</sup> April 2017	448,816	7,322	37,129	(205,109)	288,158	(31,659)	256,499
<b><i>Transactions with owners</i></b>							
Issuance of new shares	31,460	-	-	-	31,460	-	31,460
Total transactions with owners	31,460	-	-	-	31,460	-	31,460
<b><i>Total comprehensive loss for the financial period</i></b>							
Loss after taxation for the financial period	-	-	-	(54,982)	(54,982)	(6,793)	(61,775)
Other comprehensive income for the financial period, net of tax - foreign currency translation	-	(4,093)	-	-	(4,093)	(799)	(4,892)
Total comprehensive loss	-	(4,093)	-	(54,982)	(59,075)	(7,592)	(66,667)
Realisation on revaluation reserve	-	-	(791)	791	-	-	-
<b>At 31<sup>st</sup> December 2017</b>	<b>480,276</b>	<b>3,229</b>	<b>36,338</b>	<b>(259,300)</b>	<b>260,543</b>	<b>(39,251)</b>	<b>221,292</b>

**Condensed Consolidated Statement of Changes in Equity**

For the Third quarter ended 31<sup>st</sup> December 2018

(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 2018	480,276	5,074	36,074	(327,605)	193,819	(40,453)	153,366
<b>Transactions with owners</b>							
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
<b>Total comprehensive income/(loss) for the financial period</b>							
Profit/(Loss) after taxation for the financial period	-	-	-	18,035	18,035	(12,274)	5,761
Other comprehensive income for the financial period, net of tax - foreign currency translation	-	1,729	-	-	1,729	(92)	1,637
Total comprehensive income/(loss)	-	1,729	-	18,035	19,764	(12,366)	7,398
Realisation on revaluation reserve	-	-	(791)	791	-	-	-
<b>At 31<sup>st</sup> December 2018</b>	<b>539,602</b>	<b>519</b>	<b>35,283</b>	<b>(304,319)</b>	<b>271,085</b>	<b>(38,490)</b>	<b>232,595</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 2018 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Cash Flow Statement**For the Third quarter ended 31<sup>st</sup> December 2018

	<b>Cumulative 9 months ended 31<sup>st</sup> December 2018 RM'000</b>	<b>Cumulative 9 months ended 31<sup>st</sup> December 2017 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation		
- continuing operations	5,466	(53,078)
- discontinued operations	-	(8,715)
	<u>5,466</u>	<u>(61,793)</u>
Adjustments for:		
Non-Cash Items	5,922	38,973
Interest income	(616)	(289)
Finance costs	8,021	7,299
	<u>18,793</u>	<u>(15,810)</u>
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>18,793</b>	<b>(15,810)</b>
Changes in working capital:		
Net changes in current assets	37,740	36,605
Net changes in current liabilities	(35,919)	4,482
	<u>20,614</u>	<u>25,277</u>
<b>NET CASH GENERATED FROM OPERATIONS</b>	<b>20,614</b>	<b>25,277</b>
Interest received	616	289
Interest paid	(8,021)	(7,299)
Tax refund/(paid)	(96)	(4,362)
	<u>13,113</u>	<u>13,905</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>13,113</b>	<b>13,905</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of development costs	(2,064)	(2)
Acquisition of financial operating assets	(342)	(3,028)
Acquisition of intangible assets	(183)	-
Acquisition of plant and equipment	(916)	(554)
Disposal of subsidiaries, net of cash	(70)	-
Proceeds from disposal of other investments	270	-
Proceeds from disposal of plant and equipment	3,125	-
	<u>(180)</u>	<u>(3,584)</u>
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<b>(180)</b>	<b>(3,584)</b>



**Condensed Consolidated Cash Flow Statement**For the Third quarter ended 31<sup>st</sup> December 2018

(continued)

	<b>Cumulative 9 months ended 31<sup>st</sup> December 2018 RM'000</b>	<b>Cumulative 9 months ended 31<sup>st</sup> December 2017 RM'000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net proceeds from term loan of a foreign subsidiary	85,589	-
Net proceeds from issuance of ordinary shares	59,326	31,461
Net repayment of hire purchase and lease payables	(454)	(820)
Net repayment of bankers' acceptances and revolving credit	-	(17,661)
Net repayment of trade loans	-	(19,399)
Repayment of term loans	(46,910)	(35,013)
(Placement)/withdrawal of pledged deposits	(52,496)	1,034
<b>NET CASH FROM/(FOR) FINANCING ACTIVITIES</b>	<b>45,055</b>	<b>(40,398)</b>
Net changes in cash and cash equivalents	57,988	(30,077)
Cash and cash equivalents at beginning of the period	26,149	44,584
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>84,137</b>	<b>14,507</b>

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

Cash and bank balances	41,137	13,679
Short-term deposits placed	105,734	10,089
	146,871	23,768
Less: Short-term deposits pledged	(62,734)	(9,261)
	84,137	14,507

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

## **Notes to the Interim Financial Report**

For the Third quarter ended 31<sup>st</sup> December 2018

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### **1. Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 31<sup>st</sup> December 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 31<sup>st</sup> 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 31<sup>st</sup> March 2018 except for those standards, amendments and IC Interpretation, which are in effective for financial period beginning on or after 1<sup>st</sup> 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 Third quarter.

**5. Segment information**

The Group's operating segments information for the interim financial report to 31<sup>st</sup> December 2018 was as follows:-

	← Continuing operations →							
	Sustainable Development Division							
	Trusted ID & IT Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Environment & Renewable Energy sub-division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Revenue from external customers	188,771	3,747	1,369	-	-	193,887	-	193,887
Inter-segment revenue	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>188,771</b>	<b>3,747</b>	<b>1,369</b>	<b>-</b>	<b>-</b>	<b>193,887</b>	<b>-</b>	<b>193,887</b>
Segment results <i>(Note A)</i>	48,811	(57)	(31,679)	3,298	-	20,373	-	20,373
Unallocated corporate expenses	-	-	-	-	(14,364)	(14,364)	-	(14,364)
Share of results of associates, net of tax	-	-	-	-	(543)	(543)	-	(543)
<b>Profit/(Loss) before taxation</b>	<b>48,811</b>	<b>(57)</b>	<b>(31,679)</b>	<b>3,298</b>	<b>(14,907)</b>	<b>5,466</b>	<b>-</b>	<b>5,466</b>
Income tax credit	295	-	-	-	-	295	-	295
<b>Profit/(Loss) after taxation</b>	<b>49,106</b>	<b>(57)</b>	<b>(31,679)</b>	<b>3,298</b>	<b>(14,907)</b>	<b>5,761</b>	<b>-</b>	<b>5,761</b>

5. Segment information (cont'd)

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

	← Continuing operations →							
	Sustainable Development Division							
	Trusted ID & IT Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Environment & Renewable Energy sub-division RM'000	Adjustments & Eliminations RM'000	Total continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Operating results	50,157	1,262	(9,357)	-	-	42,062	-	42,062
<b>Add/(Less):</b>								
- Depreciation and amortisation	(4,635)	(75)	(752)	-	-	(5,462)	-	(5,462)
- Interest income	590	-	-	-	-	590	-	590
- Other income	858	1,009	462	3,298	-	5,627	-	5,627
- Impairment loss in trade receivable reversal	17,583	-	-	-	-	17,583	-	17,583
- Finance costs	(5,149)	(4)	(2,867)	-	-	(8,020)	-	(8,020)
- Administrative, operating and other expenses	(10,593)	(2,249)	(19,165)	-	-	(32,007)	-	(32,007)
	(1,346)	(1,319)	(22,322)	3,298	-	(21,689)	-	(21,689)
<b>Segment results</b>	48,811	(57)	(31,679)	3,298	-	20,373	-	20,373

**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 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 31<sup>st</sup> December 2018.

**14. Taxation**

	Individual		Cumulative	
	3 months ended 31 <sup>st</sup> December 2018 RM'000	31 <sup>st</sup> December 2017 RM'000	9 months ended 31 <sup>st</sup> December 2018 RM'000	31 <sup>st</sup> December 2017 RM'000
<u>Continuing operations</u>				
Income tax				
- Over provision in prior years	295	-	295	49
	<hr/>		<hr/>	<hr/>
	295	-	295	49
<u>Discontinued operations</u>				
Income tax				
- Under provision in prior years		(9)	-	(31)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(9)	-	(31)
	<hr/>	<hr/>	<hr/>	<hr/>
	295	(9)	295	18

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 9 months period ended 31<sup>st</sup> December 2018 were as follows:

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

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

### **16.1 Review of Performance**

#### *Continuing operations*

For the three (3) months financial period ended 31<sup>st</sup> December 2018, the Group recorded a revenue of RM43.0 million, a decrease of RM22.0 million or 33.8% from RM65.0 million recorded in the previous comparable quarter ended 31<sup>st</sup> December 2017. The Group also recorded a profit before taxation of RM1.0 million in this quarter as compared to loss before taxation of RM46.0 million recorded in the previous comparable quarter ended 31<sup>st</sup> December 2017. Included in the profit before tax of RM1.0 million is the reversal of impairment loss in trade receivable amounted RM17.5 million.

The loss before taxation of RM46.0 million reported in previous comparable quarter was mainly due to recognition of one time off non-cash allowance for impairment loss amounting to RM28.1 million in relation to a Trusted Identification project in overseas and losses from the foreign exchange of RM6.4 million due to the strengthening of RM against USD and EURO.

The performance of the respective business segments for this 3-month financial quarter ended 31<sup>st</sup> December 2018 as compared to the previous comparable quarter is analysed as follows:-

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

Trusted Identification recorded a lower revenue of RM43.2 million in the current financial quarter ended 31<sup>st</sup> December 2018, as compared to RM63.4 million in the previous comparable quarter, representing a decrease of 31.9%. 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 ended on 31<sup>st</sup> December 2018, the Group recorded revenue of RM43.0 million as compared to RM75.1 million recorded in the preceding quarter ended 30<sup>th</sup> September 2018.

The Group reported a profit before tax of RM1.0 million as compared to profit before taxation of RM1.1 million recorded in the preceding quarter.

## 17. Prospects

For the financial year 2019, IRIS 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 as well as the food waste-to-fertilizer plant sub-division and the rationalisation of non-core businesses, IRIS will be able to benefit from substantial cost saving arising from this rationalisation. This will enable IRIS to focus its resources on its core trusted identification business and capturing new growth opportunities. IRIS is expected to be well positioned to strengthen its Trusted ID & IT business and to expand its enterprise products and solutions offerings to ensure the Group remains competitive in the challenging business environment.

In this regard, barring any unforeseen circumstances which may have an adverse impact on the business operations of the Group, the Board of IRIS is of the view that the financial performance of the Group shall be better than previous financial year.

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

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

## 19. Unquoted Securities and/or Properties

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

## 20. Quoted Securities

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

## 21. Available-for-sale financial assets

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

	<b>At 31<sup>st</sup> December 2018 RM'000</b>
Investment in an unquoted shares in Malaysia	7,500
Investment in an unquoted shares in Singapore	2,378
Investment in an unquoted shares in Hong Kong	981
Investment in an unquoted shares in Republic of Palau	7,055
Golf Club Membership	-
(Less): Allowance for diminution in value	(17,914)
	<u>                    -</u>



## 22. Status of Corporate Proposals and Utilisation of Proceeds

There were no corporate proposals announced by the company which has not completed as at 21<sup>st</sup> February 2019, the latest practicable date which shall not earlier than seven (7) days from the date of issue of this quarterly report.

### Private Placement exercise

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

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

The details of the utilisation of the proceeds from the Private Placement up to 21<sup>st</sup> February 2019 are as follow:

Description	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance to be utilised (RM'000)	Intended Timeframe for Utilisation
Working capital of ICB Group	50,826	(23,422)	27,404	Within 12 months
Future business projects / investment	8,000	(224)	7,776	Within 12 months
Estimated expenses in relation to the Private Placement	500	(500)	-	Within 1 month
Total	59,326	(24,146)	35,180	

## 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	22,500	119,964	142,464
Unsecured	-	-	-
	<u>22,500</u>	<u>119,964</u>	<u>142,464</u>

All of the above borrowings are denominated in Ringgit Malaysia other than a term loan of a foreign subsidiary amounting to RM85.6 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 21<sup>st</sup> February 2019 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

## 25. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 21<sup>st</sup> February 2019:

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

The lawsuit commenced on 24 February 2015. The lawsuit is a claim for patent infringement of IRIS’ U.S. Patent No. 6,111,506, “Method of Making an Improved Security Identification Document Including Contactless Communication Insert Unit” against the U.S Government. It is alleged that U.S. electronic passports manufactured for the U.S. Government, as well as use of foreign and U.S. Passports by the U.S. Government and by entities acting on behalf of the U.S. Government constitute infringements of that aforementioned IRIS patent, for which infringements IRIS is claiming just compensation.

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

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

The parties filed a joint status report on 27 November 2018. Therefore, the Court fixed the following schedule:-

- (a) Plaintiff shall disclose its infringement contentious and claim construction position including all intrinsic and extrinsic evidence on/before 24 January 2019;
- (b) Defendant shall disclose its invalidity contentious and claim construction position including all intrinsic and extrinsic evidence on/before 21 March 2019;
- (c) Both parties shall file the joint claim construction statement on/before 25 April 2019;
- (d) Both parties shall file their respective opening claim construction briefs on/before 24 June 2019; and
- (e) Both parties shall file their respective responsive claim construction briefs on/before 5 August 2019.

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

A further schedule will be fixed after the court's claim construction order.

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.

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

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

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

The Judgment were as follows:

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

The JVCO had on 27 November 2018 filed an appeal to Cassation Court in Turkey and the next hearing is fixed on 16 April 2019.

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

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

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

The Plaintiff filed its claim against IRIS for the alleged non-payment of goods and service rendered arose from an agreement and contractual relationship to implement a project with the Ministry of Interiors, Department of Passports and Immigration, People’s Republic of Bangladesh for the Enrolment of Bangladeshi Citizens in Kingdom of Saudi Arabia for Machine Readable Passports (MRP) (the “**Project**”) for the amount of USD3,477,522.

On 29 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 Court has appointed an expert accounting firm to conduct the accounting in respect of the case between both parties and the hearing is fixed on 6 March 2019 for the expert to submit their report to the court.

**(iv) 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 (“D1”), (2) Tan Say Jim (“D2”), (3) Su Thai Ping (“D3”), (4) Hamdan Bin Mohd Hassan (“D4”) & (5) Sylla Ibrahima Sory (“D5”)**

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

In 2013, D1 separately tendered and was awarded the BOT Passport Contract by the Government of the Republic of Guinea (“**the BOT project**”). The Plaintiff is claiming for an alleged commission payment in the amount of RM169,480,350.00 (together with interest deemed appropriate by the court) under the Cooperation Agreement calculated based on the formula of 15% on the reported value. The Plaintiff is also alleging that D1 has colluded with D2, D3, D4 and D5 to deprive of its contractual rights under the Cooperation Agreement.

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

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

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

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

**26. Dividend**

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

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

	<b>Individual 3 months ended 31<sup>st</sup></b>		<b>Cumulative 9 months ended 31<sup>st</sup></b>	
	<b>December 2018</b>	<b>December 2017</b>	<b>December 2018</b>	<b>December 2017</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	5,168	(44,455)	18,035	(47,309)
- discontinued operations	-	(1,053)	-	(7,673)
	<u>5,168</u>	<u>(45,508)</u>	<u>18,035</u>	<u>(54,982)</u>
Weighted average number of ordinary shares ('000) at end of period	2,658,868	2,392,638	2,658,868	2,392,638
<b>Basic earnings/(loss) per ordinary share (Sen)</b>				
- continuing operations	0.19	(1.86)	0.68	(1.98)
- discontinued operations	-	(0.04)	-	(0.32)
	<u><b>0.19</b></u>	<u><b>(1.90)</b></u>	<u><b>0.68</b></u>	<u><b>(2.30)</b></u>
<b>(b) Diluted earnings/(loss) per ordinary share</b>				
Earnings/(Loss) attributable to owners of the Company for the period (RM'000)				
- continuing operations	5,168	(44,455)	18,035	(47,309)
- discontinued operations	-	(1,053)	-	(7,673)
	<u>5,168</u>	<u>(45,508)</u>	<u>18,035</u>	<u>(54,982)</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) at end of period	2,658,868	2,392,638	2,658,868	2,392,638
<b>Diluted earnings/(loss) per ordinary share (Sen)</b>				
- continuing operations	0.19	(1.86)	0.68	(1.98)
- discontinued operations	-	(0.04)	-	(0.32)
	<u><b>0.19</b></u>	<u><b>(1.90)</b></u>	<u><b>0.68</b></u>	<u><b>(2.30)</b></u>

**28. Profit before taxation**

	<b>Individual 3 months ended 31<sup>st</sup> December 2018 RM'000</b>	<b>Cumulative 9 months ended 31<sup>st</sup> December 2018 RM'000</b>
Profit before taxation is arrived at after charging/ (crediting) :		
<i>Continuing operations</i>		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	1,684	5,462
- Net foreign currency exchange (income)/ losses	(635)	490
- Reversal of impairment loss in trade receivable	(17,583)	(17,583)
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**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 28<sup>th</sup> February 2019.