

IRIS CORPORATION BERHAD

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

Interim Financial Report for the Second quarter ended 30th September 2019

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Condensed Consolidated Statement of Comprehensive IncomeFor the Second quarter ended 30th September 2019

	Individual		Cumulative	
	3 months ended	3 months ended	6 months ended	6 months ended
	30th	30th	30th	30th
	September	September	September	September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		<i>Restated</i>		<i>Restated</i>
Continuing operations				
Revenue	72,016	75,107	144,715	150,919
Cost of sales	(52,074)	(57,962)	(109,890)	(112,704)
Depreciation and amortisation	(2,537)	(753)	(5,379)	(1,844)
Gross profit	17,405	16,392	29,446	36,371
Other income (<i>Note 29</i>)	272	4,206	2,316	7,656
Administrative, operating and other expenses	(6,079)	(10,338)	(14,449)	(17,931)
Depreciation and amortisation	(742)	(769)	(1,481)	(1,566)
Finance costs	(842)	(1,650)	(1,894)	(3,559)
Share of results of associates, net of tax	14	(657)	12	(420)
Share of results of joint ventures	-	(3,083)	-	(8,622)
Profit before taxation	10,028	4,101	13,950	11,929
Income tax expenses	-	-	-	-
Profit from continuing operations	10,028	4,101	13,950	11,929
Discontinued operations				
Gain from discontinued operations, net of tax	-	-	5,432	-
Profit for the period	10,028	4,101	19,382	11,929
Other comprehensive income, net of tax				
Foreign currency translation for foreign operations	(70)	-	(70)	2,603
Share of equity reserves of joint ventures	-	10	-	(146)
	(70)	10	(70)	2,457
Total comprehensive income for the period	9,958	4,111	19,312	14,386

Condensed Consolidated Statement of Comprehensive IncomeFor the Second quarter ended 30th September 2019

(continued)

	Individual 3 months ended 30 th		Cumulative 6 months ended 30 th	
	September 2019 RM'000	September 2018 RM'000 <i>Restated</i>	September 2019 RM'000	September 2018 RM'000 <i>Restated</i>
Profit attributable to:				
Owners of the Company	10,025	4,190	19,403	12,088
Non-controlling interests	3	(89)	(21)	(159)
Profit for the period	10,028	4,101	19,382	11,929
Total comprehensive income attributable to:				
Owners of the Company	9,955	4,199	19,333	13,766
Non-controlling interests	3	(88)	(21)	620
Total comprehensive income for the period	9,958	4,111	19,312	14,386
Earnings per share attributable to owners of the Company:				
Basic (Sen)				
- continuing operations	0.34	0.17	0.47	0.48
- discontinued operations	-	-	0.18	-
	0.34	0.17	0.65	0.48
Diluted (Sen)				
- continuing operations	0.34	0.17	0.47	0.48
- discontinued operations	-	-	0.18	-
	0.34	0.17	0.65	0.48

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

Condensed Consolidated Statement of Financial PositionAs at 30th September 2019

	30 th September 2019 RM'000	31 st March 2019 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	88,221	89,250
Intangible assets	133,032	137,670
Operating financial assets	11,791	11,427
Investment in associates	4,457	10,900
	237,501	249,247
CURRENT ASSETS		
Inventories	13,536	18,595
Operating financial assets	592	956
Trade receivables	152,284	78,464
Other receivables, deposits & prepayments	35,554	35,933
Amount owing by associates	22	19
Contract assets	6,057	7,267
Current tax assets	1,835	7,774
Short-term deposits	77,947	88,202
Cash and bank balances	9,364	29,206
	297,191	266,416
TOTAL ASSETS	534,692	515,663
EQUITY AND LIABILITIES		
EQUITY		
Share capital	539,602	539,602
Foreign currency translation reserve	88	158
Revaluation reserve	33,561	34,043
Accumulated losses	(281,337)	(301,222)
Total equity attributable to owners of the Company	291,914	272,581
Non-controlling interests	(22,618)	(22,597)
TOTAL EQUITY	269,296	249,984

Condensed Consolidated Statement of Financial PositionAs at 30th September 2019

(continued)

	30 th September 2019 RM'000	31 st March 2019 RM'000
NON-CURRENT LIABILITIES		
Term loans	18,750	31,250
Hire purchase and lease payables	33	83
Deferred tax liability	3,274	3,274
	22,057	34,607
CURRENT LIABILITIES		
Trade payables	84,892	57,851
Other payables and accruals	120,901	141,252
Contract liabilities	8,749	3,859
Short-term loans and borrowings	28,750	22,500
Hire purchase and lease payables	43	127
Current tax liabilities	4	4
	243,339	225,593
Liabilities of a disposal group classified as held for sales	-	5,479
	243,339	231,072
TOTAL LIABILITIES	265,396	265,679
TOTAL EQUITY AND LIABILITIES	534,692	515,663
Net assets per ordinary share attributable to owners of the Company (sen)	9.84	9.19

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

Condensed Consolidated Statement of Changes in Equity

For the Second quarter ended 30th September 2019

	← Attributable to the owners of the Company →						
	Ordinary Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Sub-total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 st April 2018	480,276	4,908	36,074	(341,515)	179,743	(36,174)	143,569
- effects of transitions to MFRS15	-	-	-	(3,405)	(3,405)	-	(3,405)
At 1 st April 2018, as restated	480,276	4,908	36,074	(344,920)	176,338	(36,174)	140,164
Transactions with owners							
Issuance of new shares	59,326	-	-	-	59,326	-	59,326
Disposal of subsidiaries	-	(6,284)	-	4,460	(1,824)	14,329	12,505
Total transactions with owners	59,326	(6,284)	-	4,460	57,502	14,329	71,831
Total comprehensive income/(loss) for the financial period							
Profit/(loss) after taxation for the financial period, restated	-	-	-	12,088	12,088	(159)	11,929
Other comprehensive income for the financial period, net of tax							
- foreign currency translation, restated	-	1,824	-	-	1,824	779	2,603
- share of equity reserve of joint ventures	-	(146)	-	-	(146)	-	(146)
Total comprehensive income	-	1,678	-	12,088	13,766	620	14,386
Realisation on revaluation reserve	-	-	(527)	527	-	-	-
At 30th September 2018	539,602	302	35,547	(327,845)	247,606	(21,225)	226,381

Condensed Consolidated Statement of Changes in Equity

For the Second quarter ended 30th September 2019 (continued)

	← Attributable to the owners of the Company →				Sub-Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000			
At 1 st April 2019	539,602	158	34,043	(301,222)	272,581	(22,597)	249,984
Total comprehensive income/(loss) for the financial period							
Profit/(loss) after taxation for the financial period	-	-	-	19,403	19,403	(21)	19,382
Other comprehensive income for the financial period, net of tax							
- foreign currency translation	-	(70)	-	-	(70)	-	(70)
Total comprehensive income/(loss)	-	(70)	-	19,403	19,333	(21)	19,312
Realisation on revaluation reserve	-	-	(482)	482	-	-	-
At 30th September 2019	539,602	88	33,561	(281,337)	291,914	(22,618)	269,296

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

Condensed Consolidated Statement of Cash FlowsFor the Second quarter ended 30th September 2019

	Cumulative 6 months ended 30th September 2019 RM'000	Cumulative 6 months ended 30th September 2018 RM'000 <i>Restated</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation		
- continuing operations	13,950	11,929
- discontinued operations	5,432	-
	19,382	11,929
Adjustments for:		
Amortisation of intangible assets	4,638	1,306
Depreciation of property, plant and equipment	2,222	2,104
Finance costs	1,894	3,559
Gain on disposal of a subsidiary	(5,432)	(3,298)
Gain on disposal of plant and equipment	(407)	-
Interest income	(1,414)	(226)
Reversal of impairment loss on investment in joint ventures	-	(3,135)
Reversal of provision of staff related expenses	(5,337)	-
Share of results of associates	(12)	420
Share of results of joint ventures	-	8,622
Unrealised foreign exchange loss	(4)	489
	15,530	21,770
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	15,530	21,770
Changes in working capital:		
Contract assets/amount due from contract customers	1,210	(282)
Inventories	5,059	(1,676)
Trade and other receivables	(73,442)	(101,845)
Contract liabilities	4,890	8,916
Trade and other payables	11,915	80,513
	(34,838)	7,396
NET CASH (USED IN)/FROM OPERATIONS	(34,838)	7,396
Interest received	1,414	226
Interest paid	(1,894)	(3,558)
Net tax refunded	5,938	12
	(29,380)	4,076
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(29,380)	4,076

Condensed Consolidated Statement of Cash FlowsFor the Second quarter ended 30th September 2019

(continued)

	Cumulative 6 months ended 30th September 2019 RM'000	Cumulative 6 months ended 30th September 2018 RM'000 <i>Restated</i>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of financial operating assets	-	(341)
Acquisition of concession assets	-	(183)
Acquisition of plant and equipment	(1,199)	(566)
Net cash outflows from disposal of subsidiaries	-	(70)
Proceeds from capital reduction of an associate	6,454	-
Proceeds from disposal of plant and equipment	413	-
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	5,668	(1,160)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of hire purchase and lease payables	(134)	(403)
Proceeds from issuance of new shares	-	59,326
Repayment of term loans	(6,250)	(14,625)
Placement of pledged short term deposits	(1,408)	(5,940)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(7,792)	38,358
Net (decrease)/increase in cash and cash equivalents	(31,504)	41,274
Cash and cash equivalents at beginning of the period	103,088	24,969
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	71,584	66,243

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

Cash and bank balances	9,364	65,853
Short-term deposits placed	77,947	16,567
	87,311	82,420
Less: Short-term deposits pledged	(15,727)	(16,177)
	71,584	66,243

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

Notes to the Interim Financial Report

For the Second quarter ended 30th September 2019

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30th September 2019 and has been prepared in compliance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2019.

2. Changes in Accounting Policies

The accounting policies adopted for this interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31st March 2019 except for those standards, amendments and IC Interpretation, which are in effective for financial period beginning on or after 1st April 2019 and are applicable to the Group.

MFRS 16, Leases

MFRS 11, Joint Arrangements

MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation

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

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

MFRS 3, Business Combinations

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

MFRS 123, Borrowing costs – Borrowing Costs Eligible for Capitalisation

IC Interpretation 23, Uncertainty over Income Tax Treatments

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

3. Audit report of preceding annual financial statement

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

4. Seasonal or cyclical factors

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

5. Segment information

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

	← Continuing operations →						Total RM'000
	Sustainable Development Division				Total continuing operations RM'000	Discontinued operations RM'000	
	Trusted ID & IT Division RM'000	Property development & construction sub-division RM'000	Food & Agro Technology sub-division RM'000	Adjustments & Eliminations RM'000			
Revenue from external customers	144,550	-	165	-	144,715	-	144,715
Inter-segment revenue	-	-	-	-	-	-	-
Total Revenue	144,550	-	165	-	144,715	-	144,715
Segment results <i>(Note A)</i>	27,930	(332)	(208)	-	27,390	5,432	32,822
Unallocated corporate expenses	-	-	-	(13,452)	(13,452)	-	(13,452)
Share of results of associates, net of tax	-	-	-	12	12	-	12
Profit/(Loss) before taxation	27,930	(332)	(208)	(13,440)	13,950	5,432	19,382
Income tax expense	-	-	-	-	-	-	-
Profit/(Loss) after taxation	27,930	(332)	(208)	(13,440)	13,950	5,432	19,382

5. Segment information (cont'd)

Note A: The following are 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	Adjustments & Eliminations RM'000	Total continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Operating results	35,053	(226)	(2)	-	34,825	-	34,825
Add/(Less):							
- Depreciation and amortisation	(6,792)	(14)	(54)	-	(6,860)	-	(6,860)
- Interest income	1,414	-	-	-	1,414	-	1,414
- Other income	635	193	74	-	902	5,432	6,334
- Reversal of provision of staff related expenses	5,337	-	-	-	5,337	-	5,337
- Finance costs	(1,889)	(2)	(3)	-	(1,894)	-	(1,894)
- Administrative, operating and other expenses	(5,828)	(283)	(223)	-	(6,334)	-	(6,334)
	(7,123)	(106)	(206)	-	(7,435)	5,432	(2,003)
Segment results	27,930	(332)	(208)	-	27,390	5,432	32,822

6. Capital Commitments

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

Approved and contracted for:-
Purchase of plant and equipment

7,330

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 30th September 2019.

14. Taxation

There is no income tax expenses for this quarter.

15. Related Party Transactions

The Company has not entered into any significant transactions with related parties of the Group for the cumulative 6 months period ended 30th September 2019 under review.

Additional information required by the AMLR

16.1 Review of Performance

Continuing operations

For the three (3) months financial period ended 30th September 2019, the Group recorded a revenue of RM72.0 million, a slight decrease of RM3.1 million or 4.1% from RM75.1 million recorded in the previous comparable quarter ended 30th September 2018. The Group also recorded a profit before taxation of RM10.0 million in this quarter as compared to profit before taxation of RM4.1 million recorded in the previous comparable quarter ended 30th September 2018.

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

Trusted ID & IT Division

Trusted ID & IT recorded a revenue of RM72.0 million in the current financial quarter ended 30th September 2019, as compared to RM74.1 million in the previous comparable quarter, representing a decrease of 2.8%. The decrease was mainly attributable to lower delivery of e-passport & cards in current reporting quarter.

Sustainable Development Division

The revenue of Sustainable Development for this quarter is not significant to the Group due to the completion of most of its Rimbunan Kaseh and Sentuhan Kasih projects.

16.2 Comparison with Preceding Quarter

Continuing operations

For the current financial quarter ended on 30th September 2019, the Group recorded revenue of RM72.0 million as compared to RM72.7 million recorded in the preceding quarter ended 30th June 2019.

The Group reported a profit before tax of RM10.0 million as compared to profit before taxation of RM3.9 million recorded in the preceding quarter. Included in current quarter profit before tax is a one-off reversal of provision of staff related expenses amounting to RM5.3 million.

17. Prospects

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

The Group continues to strengthen its core Trusted ID & IT business and will expand its enterprise products and solutions offerings to ensure the Group remains competitive in the challenging business environment.

In this regard, barring any unforeseen circumstances, the Board is cautiously optimistic that the Group shall perform satisfactorily for the rest of this financial year.

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

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

19. Unquoted Securities and/or Properties

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

20. Quoted Securities

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

21. Status of Corporate Proposals and Utilisation of Proceeds

There were no corporate proposals announced by the company which has not completed as at 19th November 2019, the latest practicable date which shall not earlier than seven (7) days from the date of issue of this quarterly report.

Private Placement exercise

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

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

The Company had fully utilised the proceeds from the Private Placement and the details of the utilisation up to 19th November 2019 are as follow:

Description	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance to be utilised (RM'000)	Intended Timeframe for Utilisation
Working capital of IRIS Group	50,826	(50,826)	-	Within 12 months
Future business projects / investment	8,000	(8,000)	-	Within 12 months
Estimated expenses in relation to the Private Placement	500	(500)	-	Within 1 month
Total	59,326	(59,326)	-	

22. Group Borrowings and Debt Securities

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

	RM'000
Long Term	18,750
Short Term	28,750
Total	47,500

All of the above borrowings are denominated in Ringgit Malaysia.

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 19th November 2019 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

24. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 19th November 2019:

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

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

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

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

For the infringement proceedings, the court directed the parties to file their respective responsive claim construction briefs on/before 22 November 2019 and all facts discovery on issues of liability shall be completed by 20 December 2019. The claim construction hearing shall be held on 8 January 2020. Then the court shall fix a schedule for further proceedings after the order for construction claim is given.

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

24. Material Litigation (cont'd)

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

The JVCO’s claim for unlawful termination by EGM and payment for the balance amount of (Turkish Lira) TL6,195,000 (equivalent to RM9,014,221.00) due to JVCO for works completed was rejected. EGM’s claim for the refund of monies paid to the JVCO for the completion of Phase 1 (delivery of hardware and equipment) of the project to the amount of TL6,195,000 (equivalent to RM9,014,221.00) was allowed and declared that the JVCO had to return the said amount to EGM with interest. The JVCO to pay TL5,053,84 (equivalent to RM7,354.00) as expenses arising from their performance of the contract and loss suffered by EGM. EGM’s claim of TL49,761,53 (equivalent to RM72,407.00) as expenses arising from their performance of the contract and loss due to the termination was allowed and the JVCO was ordered to pay the said amount as compensation. The Company was informed that a decision was declared on 16 September 2014 and was duly served on the JVCO on 28 January 2015.

The Judgment was as follows:

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

The JVCO had on 27 November 2018 filed an appeal to Cassation Court in Turkey and a hearing was held on 16 April 2019. The Court needs to determine whether the previous Solicitors who represented JVCO has also represented ITSB individually. On 16 May 2019, the JVCO’s present counsel provided the court a copy of Power of Attorney (“POA”) to show that the former counsel only represented the JVCO at the earlier proceedings, and not ITSB. The procedural objection raised by the JVCO’s present counsel (who is also representing ITSB) due to the non-representative of ITSB at the earlier proceedings has been accepted by the court. Therefore, EGM appealed against the court decision. On 15 October 2019, the court decided to separate the 2 cases No. 2009/343 and 2012/542 from the original case No. 2017/404. Our lawyer apply for re-trial of the 2 separate cases. The court adjourned the hearing for original case No. 2017/404 to 27 November 2019 and the re-trial shall be heard in 2 separate cases.

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

24. Material Litigation (cont'd)

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

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

On 29 March 2015, Quad via its solicitors issued a Notice of Demand (NOD) to IRIS claiming they sum of USD3,477,522 allegedly payable to them under the Supply & Services Agreement.

On 16 February 2016, IRIS disputed the claims and did not make any payments. Quad via its solicitors filed a suit against IRIS in the Riyadh Court. IRIS has appointed Messrs Adel Yousef Al-Atalah based in Riyadh to represent IRIS.

The Court has appointed an expert accounting firm to conduct the accounting in respect of the case between both parties. The expert accountant submitted their final report on 24 June 2019 and IRIS to submit its response on 23 July 2019. The Hearing date is fixed on 27 November 2019.

(iv) In the High Court of Malaya at Kuala Lumpur Suit No. WA-22NCVC-126-03/2018; Roxwell Group Sdn Bhd (755819-U) (“Plaintiff”) against (1) IRIS (“D1”), (2) Tan Say Jim (“D2”), (3) Su Thai Ping (“D3”), (4) Hamdan Bin Mohd Hassan (“D4”) & (5) Sylla Ibrahima Sory (“D5”)

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

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

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

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

24. Material Litigation (cont'd)

- (iv) In the High Court of Malaya at Kuala Lumpur Suit No. WA-22NCVC-126-03/2018; Roxwell Group Sdn Bhd (755819-U) (“Plaintiff”) against (1) IRIS (“D1”), (2) Tan Say Jim (“D2”), (3) Su Thai Ping (“D3”), (4) Hamdan Bin Mohd Hassan (“D4”) & (5) Sylla Ibrahima Sory (“D5”) (cont'd)**

The full trial was conducted from 16 October 2018 to 15 July 2019. The Defendants closed their case on 15 July 2019 and the Court directed all parties to file and serve their respective Written Submissions & Bundle of Authorities and the Hearing for oral submissions is fixed on 24 October 2019. The Decision is fixed on 28 November 2019.

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

The Company had on 24 April 2019 commenced legal proceedings in the Kuala Lumpur High Court (“the suits”) against its former members of the Board of Directors relating to the Company’s investment in Border Control Solutions Limited (“BCS”). The Company brought this action for loss suffered from the Defendants’ failure to discharge their respective fiduciary duty, duty of fidelity and/or duty to exercise reasonable care, skill and diligence as Directors of the Company at that material time.

The Company seeks the following reliefs against the Defendants jointly and severally:-

- a. The sum of RM11,721,050.00 being the total amount paid by the Company for the subscription of the BCS’s shares, which is equivalent to a total sum of GBP2.05 million (by reference to the conversion rates prevailing on the respective dates of payments);
- b. The sum of RM 482,172.00 being the total amount paid by the Company to Joseph Vijay Kumar (“JVK”) as consultant fees which is equivalent to a total sum of GBP 84,000.00 (by reference to the conversion rates prevailing on the respective dates of payments);
- c. Pre-judgment interest on the sums awarded in (a) and (b) above pursuant to section 11 of the Civil Law Act 1956 at the following rates:
 - i) Interest at the rate of 5% per annum on the sum of RM11,721,050.00 from 24 August 2016 (i.e. the date of the last payment to BCS) until the date of full settlement;
 - ii) Interest at the rate of 5% per annum on RM 482,172.00 from 10 October 2016 (i.e. the date of the last payment to JVK) until the date of full settlement thereof;
- d. Post-judgment interest on the sums awarded in (a) and (b) above at the rate of 5% per annum from the date of judgment until the date of full and final realization;
- e. Alternative to (a) and (b) above,
- f. General damages to be assessed;
- g. Interest on general damages awarded in (e) above;
- h. Costs; and/or
- i. All other relief which Honourable Court deems fit and just.

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

At the Case Management on 28 May 2019, the Court was informed that all Defendants have filed their Memorandum of Appearance except for the 8th Defendants as the Writ and Statement of Claims was unsuccessfully served on him.

24. Material Litigation (cont'd)

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

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

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

The full trial dates are fixed as follows:-

- a. 26 August 2020 - 28 August 2020;
- b. 1 September 2020 - 3 September 2020; and
- c. 7 September 2020 - 10 September 2020.

25. Dividend

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

26. Earnings Per Ordinary Share

	Individual 3 months ended 30th September		Cumulative 6 months ended 30th September	
	2019	2018	2019	2018
(a) Basic earnings per ordinary share				
Earnings attributable to owners of the Company for the period (RM'000)				
- continuing operations	10,025	4,190	13,971	12,088
- discontinued operations	-	-	5,432	-
	10,025	4,190	19,403	12,088
Weighted average number of ordinary shares ('000) at end of period	2,966,283	2,504,321	2,966,283	2,504,321
Basic earnings per ordinary share (Sen)				
- continuing operations	0.34	0.17	0.47	0.48
- discontinued operations	-	-	0.18	-
	0.34	0.17	0.65	0.48
(b) Diluted earnings per ordinary share				
Earnings attributable to owners of the Company for the period (RM'000)				
- continuing operations	10,025	4,190	13,971	12,088
- discontinued operations	-	-	5,432	-
	10,025	4,190	19,403	12,088
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) at end of period	2,966,283	2,504,321	2,966,283	2,504,321
Diluted earnings per ordinary share (Sen)				
- continuing operations	0.34	0.17	0.47	0.48
- discontinued operations	-	-	0.18	-
	0.34	0.17	0.65	0.48

27. Comparative figures

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

28. Profit before taxation

	Individual 3 months ended 30th September 2019 RM'000	Cumulative 6 months ended 30th September 2019 RM'000
Profit before taxation is arrived at after charging and (crediting):		
<i>Continuing operations</i>		
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	3,279	6,860
- Reversal of provision of staff related expenses	(5,337)	(5,337)
	<hr/>	<hr/>

29. Other income

	Individual 3 months ended 30th September 2019 RM'000	Cumulative 6 months ended 30th September 2019 RM'000
<i>Continuing operations</i>		
- Interest income	606	1,414
- Net foreign currency exchange gain	(787)	4
- Others	453	898
	<hr/>	<hr/>
	272	2,316
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30. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors on 26th November 2019.