

# IRIS CORPORATION BERHAD

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

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## Interim Financial Report for the Fourth quarter ended 31<sup>st</sup> March 2020

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**Condensed Consolidated Statement of Comprehensive Income**For the Fourth quarter ended 31<sup>st</sup> March 2020

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>		<b>12 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>March</b>	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<i>Restated</i>		<i>Restated</i>
<b>Continuing operations</b>				
Revenue	41,153	35,350	229,587	229,237
Cost of sales	(29,869)	(25,377)	(173,760)	(177,200)
Depreciation and amortisation	(956)	(3,343)	(7,254)	(6,023)
<b>Gross profit</b>	<b>10,328</b>	<b>6,630</b>	<b>48,573</b>	<b>46,014</b>
Other income ( <i>Note 29</i> )	1,006	66,068	5,455	95,734
Administrative, operating and other expenses	(6,274)	(43,653)	(29,230)	(72,108)
Depreciation and amortisation	(743)	(717)	(2,965)	(2,944)
Finance costs	(709)	(1,240)	(3,399)	(6,402)
Share of results of associates, net of tax	(6)	(27)	5	(570)
Share of results of joint ventures	-	(6,048)	-	(18,908)
<b>Profit before taxation</b>	<b>3,602</b>	<b>21,013</b>	<b>18,439</b>	<b>40,816</b>
Income tax expenses	(8,083)	(3,604)	(8,418)	(3,309)
<b>(Loss)/Profit from continuing operations</b>	<b>(4,481)</b>	<b>17,409</b>	<b>10,021</b>	<b>37,507</b>
<b>Discontinued operations</b>				
Gain from discontinued operations, net of tax	-	-	5,432	-
<b>(Loss)/Profit for the period</b>	<b>(4,481)</b>	<b>17,409</b>	<b>15,453</b>	<b>37,507</b>
<b>Other comprehensive (loss)/income, net of tax</b>				
Foreign currency translation for foreign operations	(147)	(1,003)	(128)	1,599
Share of equity reserves of joint ventures	-	31	-	(64)
Revaluation of property, net of tax	-	(1,052)	-	(1,052)
	(147)	(2,024)	(128)	483
<b>Total comprehensive (loss)/income for the period</b>	<b>(4,628)</b>	<b>15,385</b>	<b>15,325</b>	<b>37,990</b>

**Condensed Consolidated Statement of Comprehensive Income**For the Fourth quarter ended 31<sup>st</sup> March 2020

(continued)

	Individual		Cumulative	
	3 months ended		12 months ended	
	31 <sup>st</sup>	31 <sup>st</sup>	31 <sup>st</sup>	31 <sup>st</sup>
	March	March	March	March
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
		<i>Restated</i>		<i>Restated</i>
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(6,216)	18,243	13,712	38,259
Non-controlling interests	1,735	(834)	1,741	(752)
<b>(Loss)/Profit for the period</b>	<b>(4,481)</b>	<b>17,409</b>	<b>15,453</b>	<b>37,507</b>
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(6,363)	16,997	13,584	38,742
Non-controlling interests	1,735	(1,612)	1,741	(752)
<b>Total comprehensive (loss)/income for the period</b>	<b>(4,628)</b>	<b>15,385</b>	<b>15,325</b>	<b>37,990</b>
<b>(Loss)/Earnings per share attributable to owners of the Company:</b>				
Basic (Sen)				
- continuing operations	(0.21)	0.67	0.28	1.40
- discontinued operations	-	-	0.18	-
	(0.21)	0.67	0.46	1.40
Diluted (Sen)				
- continuing operations	(0.21)	0.67	0.28	1.40
- discontinued operations	-	-	0.18	-
	(0.21)	0.67	0.46	1.40

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 2019 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> March 2020

	31 <sup>st</sup> March 2020 RM'000	31 <sup>st</sup> March 2019 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	77,418	73,250
Right-of-use assets	15,547	16,000
Intangible assets	132,342	137,670
Operating financial assets	10,398	11,427
Investment in associates	4,450	10,900
	240,155	249,247
<b>CURRENT ASSETS</b>		
Inventories	15,826	18,595
Operating financial assets	1,029	956
Trade receivables	127,573	78,464
Other receivables, deposits & prepayments	19,156	35,933
Amount owing by associates	-	19
Contract assets	6,491	7,267
Current tax assets	1,789	7,774
Short-term deposits	51,954	88,202
Cash and bank balances	24,254	29,206
	248,072	266,416
<b>TOTAL ASSETS</b>	<b>488,227</b>	<b>515,663</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	539,602	539,602
Foreign currency translation reserve	30	158
Revaluation reserve	33,080	34,043
Accumulated losses	(286,547)	(301,222)
<b>Total equity attributable to owners of the Company</b>	<b>286,165</b>	<b>272,581</b>
Non-controlling interests	(20,856)	(22,597)
<b>TOTAL EQUITY</b>	<b>265,309</b>	<b>249,984</b>

**Condensed Consolidated Statement of Financial Position**As at 31<sup>st</sup> March 2020

(continued)

	31 <sup>st</sup> March 2020 RM'000	31 <sup>st</sup> March 2019 RM'000
<b>NON-CURRENT LIABILITIES</b>		
Term loans	18,750	31,250
Hire purchase and lease payables	-	83
Deferred tax liability	10,714	3,274
	<u>29,464</u>	<u>34,607</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	62,517	57,851
Other payables and accruals	113,689	141,252
Contract liabilities	3,902	3,859
Short-term loans and borrowings	12,500	22,500
Hire purchase and lease payables	-	127
Current tax liabilities	846	4
	<u>193,454</u>	<u>225,593</u>
Liabilities of a disposal group classified as held for sales	-	5,479
	<u>193,454</u>	<u>231,072</u>
<b>TOTAL LIABILITIES</b>	<u>222,918</u>	<u>265,679</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>488,227</u>	<u>515,663</u>
<b>Net assets per ordinary share attributable to owners of the Company (sen)</b>	<u>9.65</u>	<u>9.19</u>

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

**Condensed Consolidated Statement of Changes in Equity**

For the Fourth quarter ended 31<sup>st</sup> March 2020

	← 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 2018	480,276	4,908	36,074	(344,920)	176,338	(36,174)	140,164
<b>Transactions with owners</b>							
Issuance of ordinary shares	59,326	-	-	-	59,326	-	59,326
Disposal of subsidiaries	-	(6,285)	-	4,460	(1,825)	14,329	12,504
Total transactions with owners	59,326	(6,285)	-	4,460	57,501	14,329	71,830
<b>Total comprehensive income/( loss) for the financial period</b>							
Profit after taxation for the financial period	-	-	-	38,259	38,259	(752)	37,507
Other comprehensive income for the financial period, net of tax							
- foreign currency translation	-	1,599	-	-	1,599	-	1,599
- share of equity reserve of joint ventures	-	(64)	-	-	(64)	-	(64)
- Revaluation of property, net of tax	-	-	(1,052)	-	(1,052)	-	(1,052)
Total comprehensive income/(loss)	-	1,535	(1,052)	38,259	38,742	(752)	37,990
Realisation on revaluation reserve	-	-	(979)	979	-	-	-
<b>At 31<sup>st</sup> March 2019</b>	<b>539,602</b>	<b>158</b>	<b>34,043</b>	<b>(301,222)</b>	<b>272,581</b>	<b>(22,597)</b>	<b>249,984</b>

**Condensed Consolidated Statement of Changes in Equity**

For the Fourth quarter ended 31<sup>st</sup> March 2020 (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 2019	539,602	158	34,043	(301,222)	272,581	(22,597)	249,984
<b>Total comprehensive income/(loss) for the financial period</b>							
Profit after taxation for the financial period	-	-	-	13,712	13,712	1,741	15,453
Other comprehensive income/(loss) for the financial period, net of tax							
- foreign currency translation	-	(128)	-	-	(128)	-	(128)
Total comprehensive income/(loss)	-	(128)	-	13,712	13,584	1,741	15,325
Realisation on revaluation reserve	-	-	(963)	963	-	-	-
<b>At 31<sup>st</sup> March 2020</b>	<b>539,602</b>	<b>30</b>	<b>33,080</b>	<b>(286,547)</b>	<b>286,165</b>	<b>(20,856)</b>	<b>265,309</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 2019 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Cash Flows**For the Fourth quarter ended 31<sup>st</sup> March 2020

	<b>Cumulative 12 months ended 31<sup>st</sup> March 2020 RM'000</b>	<b>Cumulative 12 months ended 31<sup>st</sup> March 2019 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation		
- continuing operations	18,439	40,816
- discontinued operations	5,432	-
	23,871	40,816
<i>Adjustments for:</i>		
Amortisation of intangible assets	5,360	4,301
Bad debts written off	159	2,615
Depreciation of property, plant and equipment	4,859	4,664
Effect of accretion of interest on operating financial assets	-	(1,505)
Finance costs	3,399	6,402
Gain on disposal of investment in subsidiaries	(5,432)	(3,298)
Gain on disposal of other investment	-	(15)
Gain on disposal of plant and equipment	(628)	(1,453)
Impairment loss on investment in associates	-	340
Impairment loss on trade and others receivables	7,313	9,907
Interest income	(2,979)	(1,062)
Other investments written off	-	16
Plant and equipment written off	33	55
Reversal of impairment loss on equipment	(19)	-
Reversal of impairment loss on trade and other receivables	-	(74,243)
Reversal of impairment loss on investment in joint ventures, transferred to share of results of joint ventures	-	(11,911)
Reversal of inventories written down	(4,682)	(3,652)
Reversal of provision of compensation	(5,073)	-
Reversal of provision of staff related expenses	(5,337)	-
Share of results of associates	(5)	570
Share of results of joint ventures	-	18,908
Unrealised foreign exchange loss/ (gain)	1,495	(1,009)
	22,334	(9,554)
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>		
<i>Changes in working capital:</i>		
Contract assets and liabilities	819	2,562
Inventories	7,451	10,213
Operating financial assets	956	4,305
Trade and other receivables	(39,783)	85,314
Trade and other payables	(14,156)	(15,981)
	(22,379)	76,859
<b>NET CASH (USED IN)/FROM OPERATIONS</b>		

**Condensed Consolidated Statement of Cash Flows**For the Fourth quarter ended 31<sup>st</sup> March 2020 (continued)

	<b>Cumulative 12 months ended 31<sup>st</sup> March 2020 RM'000</b>	<b>Cumulative 12 months ended 31<sup>st</sup> March 2019 RM'000</b>
<b>NET CASH (USED IN)/FROM OPERATIONS (Cont'd)</b>	(22,379)	76,859
Interest received	2,979	1,062
Interest paid	(3,399)	(6,402)
Net tax refunded/(paid)	5,847	(23)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(16,952)</b>	<b>71,496</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of concession assets	-	(237)
Acquisition of development costs	(31)	-
Acquisition of plant and equipment	(8,798)	(1,519)
Net cash outflows from disposal of subsidiaries	-	(70)
Proceeds from capital reduction of an associate	6,454	-
Proceeds from disposal of other investments	-	215
Proceeds from disposal of plant and equipment	838	3,534
Reversal of development costs	-	3
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(1,537)</b>	<b>1,926</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of hire purchase and lease payables	(210)	(512)
Proceeds from issuance of new shares	-	59,326
Repayment of revolving loan	(10,000)	(5,000)
Repayment of term loans	(12,500)	(45,035)
Withdrawal/(Placement) of pledged short term deposits	795	(4,082)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(21,915)</b>	<b>4,697</b>
Net (decrease)/increase in cash and cash equivalents	(40,404)	78,119
Cash and cash equivalents at beginning of the period	103,088	24,969
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>62,684</b>	<b>103,088</b>
<b>Cash and cash equivalents at end of the period comprise the following balance sheet amounts:</b>		
Cash and bank balances	24,254	29,206
Short-term deposits placed	51,954	88,202
	76,208	117,408
Less: Short-term deposits pledged	(13,524)	(14,320)
	62,684	103,088

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31<sup>st</sup> March 2019 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> March 2020

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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> March 2020 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 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 31<sup>st</sup> March 2019 except for those standards, amendments and IC Interpretation, which are in effective for financial period beginning on or after 1<sup>st</sup> 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 this quarter.

## 5. Segment information

The Group's operating segments information for the interim financial report to 31<sup>st</sup> March 2020 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	226,452	2,927	208	-	229,587	-	229,587
Inter-segment revenue	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>226,452</b>	<b>2,927</b>	<b>208</b>	<b>-</b>	<b>229,587</b>	<b>-</b>	<b>229,587</b>
Segment results <i>(Note A)</i>	48,384	(5,447)	860	6	43,803	5,432	49,235
Unallocated corporate expenses	-	-	-	(25,369)	(25,369)	-	(25,369)
Share of results of associates, net of tax	-	-	-	5	5	-	5
<b>Profit/(Loss) before taxation</b>	<b>48,384</b>	<b>(5,447)</b>	<b>860</b>	<b>(25,358)</b>	<b>18,439</b>	<b>5,432</b>	<b>23,871</b>
Income tax expense	(8,418)	-	-	-	(8,418)	-	(8,418)
<b>Profit/(Loss) after taxation</b>	<b>39,966</b>	<b>(5,447)</b>	<b>860</b>	<b>(25,358)</b>	<b>10,021</b>	<b>5,432</b>	<b>15,453</b>

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	55,289	98	440	-	55,827	-	55,827
<b>Add/(Less):</b>							
- Depreciation and amortisation	(10,122)	(14)	(89)	6	(10,219)	-	(10,219)
- Interest income	2,979	-	-	-	2,979	-	2,979
- Other income	1,249	193	1,034	-	2,476	5,432	7,908
-Allowance/ (reversal) for impairment loss of receivables	(2,845)	(4,515)	47	-	(7,313)	-	(7,313)
- Reversal of provision of staff related expenses	5,337	-	-	-	5,337	-	5,337
-Reversal of provision of compensation as a result of court judgement on litigation case	5,072	-	-	-	5,072	-	5,072
- Finance costs	(3,392)	(2)	(5)	-	(3,399)	-	(3,399)
- Administrative, operating and other expenses	(5,183)	(1,207)	(567)	-	(6,957)	-	(6,957)
	(6,905)	(5,545)	420	6	(12,024)	5,432	(6,592)
<b>Segment results</b>	<b>48,384</b>	<b>(5,447)</b>	<b>860</b>	<b>6</b>	<b>43,803</b>	<b>5,432</b>	<b>49,235</b>

**6. Capital Commitments**

**As at  
31<sup>st</sup> March  
2020  
RM'000**

**Approved and contracted for:-**

Purchase of equipment

436

**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 this quarter.

**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> March 2020.

**14. Taxation**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>12 months ended</b>	<b>12 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>March</b>	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<u>Continuing operations</u>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax				
- Current financial year	(643)	-	(978)	-
- Overprovision in prior year	-	2	-	297
	<u>(643)</u>	<u>2</u>	<u>(978)</u>	<u>297</u>
Deferred tax				
- Current financial year	(7,440)	(3,274)	(7,440)	(3,274)
- Revaluation of property	-	(332)	-	(332)
	<u>(7,440)</u>	<u>(3,606)</u>	<u>(7,440)</u>	<u>(3,606)</u>
Income tax credit/(expense) recognized in profit or loss	<u>(8,083)</u>	<u>(3,604)</u>	<u>(8,418)</u>	<u>(3,309)</u>

The Group's effective tax rate is higher than the statutory tax rate of 24% mainly due to utilisation of tax losses and capital allowances in prior year and certain non-deductible expenses.

**15. Related Party Transactions**

The Company has not entered into any significant transactions with related parties of the Group for the cumulative 12 months period ended 31<sup>st</sup> March 2020 under review.

## **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> March 2020, the Group recorded a revenue of RM41.2 million, an increase of RM5.8 million or 16.4% from RM35.4 million recorded in the previous comparable quarter ended 31<sup>st</sup> March 2019. The Group recorded a profit before taxation of RM3.6 million in this quarter as compared to profit before taxation of RM21.0 million recorded in the previous comparable quarter ended 31<sup>st</sup> March 2019. Higher profit for the financial quarter ended 31<sup>st</sup> March 2019 mainly due to reversal of impairment loss in trade receivables amounting RM55.3 million.

The performance of the respective business segments for this 3-month financial quarter ended 31<sup>st</sup> March 2020 as compared to the previous comparable quarter is analysed as follows:-

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

Trusted ID & IT recorded a revenue of RM41.0 million in the current financial quarter ended 31<sup>st</sup> March 2020, as compared to RM35.2 million in the previous comparable quarter, representing an increase of 16.5%. The increase was mainly attributable to higher 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 31<sup>st</sup> March 2020, the Group recorded revenue of RM41.2 million as compared to RM43.7 million recorded in the preceding quarter ended 31<sup>st</sup> December 2019.

The Group reported a profit before taxation of RM3.6 million as compared to profit before taxation of RM0.9 million recorded in the preceding quarter. Higher profit before taxation reported in the current quarter was mainly due to improvement of gross profit margin.

**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. However, the unprecedented worldwide outbreak of COVID -19 pandemic, which has resulted in the lockdown in many countries, has affected the economy and business opportunities in both international and domestic markets. The economic uncertainty and disruption of production activities, supply chain and logistic arrangements arising from the COVID-19 pandemic are expected to affect the performance of the Group in delivering existing sales order and new business opportunities in coming financial year.

Despite the challenges above, the Group will continue to actively pursue new growth opportunities in its core Trusted ID & adjacent IT business, including new offerings in business to business segment, in both international and domestic markets. The Group will continue to focus on cost optimization efforts to ensure the Group remains competitive in the challenging business environment and deliver sustainable growth in the long term.

**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 19<sup>th</sup> June 2020.

**22. Group Borrowings and Debt Securities**

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

	<b>As at 31 March 2020 RM'000</b>
Long Term	18,750
Short Term	12,500
Total	<u>31,250</u>

All of the above borrowings are denominated in Ringgit Malaysia.

**23. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at 19<sup>th</sup> June 2020 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

## 24. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 19<sup>th</sup> June 2020:

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

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

The claims construction hearing was held on 16 January 2020 and the decision was fixed on 22 January 2020, where the court concluded that the inventor intended the antenna to be included as part of the integrated circuit, as opposed to being apart from and connected to the integrated circuit. As such, the antenna under the court’s decision must be within the protective ring if there is to be infringement.

Following the court decision, the U.S Government had on 6 March 2020 filed a motion for summary judgment against IRIS. On 27 April 2020, the Court delivered its decision in favour of the U.S Government by granting their motion for Summary Judgment with no cost.

IRIS had on 19 June 2020 filed an appeal against the decision in favour of the US Government. All cost related to the appeal is capped as agreed with the appointed solicitors.

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

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

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

The new JVCO’s solicitor submitted a petition of appeal to the Cassation Court on 27 November 2018. On the hearing dated 15 October 2019, the Cassation Court decided to separate the 2 cases numbered 2009/343 and 2012/542 from the main case number 2017/404. The 2 separate cases was registered under new case number 2019/451 whereas our request for re-trial of new case number is fixed on 28 May 2020. The next hearing for main case number 2017/404 is fixed on 16 July 2020.

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

**(iii) 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.

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

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

The Plaintiff however filed a Notice of Appeal in the Court of Appeal against the whole decision on 20 December 2019 whereas the hearing of appeal is fixed on 11 November 2020 and both parties to file Written Submission 2 weeks before the hearing.

**(iv) 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.

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

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

The Suit is currently at case management stage. The Plaintiff’s application for Better and Further Particulars is fixed for hearing as follows:-

- (a) 8 July 2020 against 2<sup>nd</sup> Defendant (Enclosure 67); and
- (b) 16 July 2020 against 1<sup>st</sup> Defendant (Enclosure 69) and 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup> & 9<sup>th</sup> Defendants (Enclosure 65)

The full trial dates has been fixed by the court 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**

	<b>Individual 3 months ended 31<sup>st</sup> March 2020</b>		<b>Cumulative 12 months ended 31<sup>st</sup> March 2020</b>	
	<b>31<sup>st</sup> March 2019</b>	<b>31<sup>st</sup> March 2019</b>	<b>31<sup>st</sup> March 2020</b>	<b>31<sup>st</sup> March 2019</b>
<b>(a) Basic (loss)/earnings per ordinary share</b>				
(Loss)/Earnings attributable to owners of the Company for the period (RM'000)				
- continuing operations	(6,216)	18,243	8,280	38,259
- discontinued operations	-	-	5,432	-
	<b>(6,216)</b>	<b>18,243</b>	<b>13,712</b>	<b>38,259</b>
Weighted average number of ordinary shares ('000) at end of period	<b>2,966,283</b>	<b>2,734,669</b>	<b>2,966,283</b>	<b>2,734,669</b>
<b>Basic (loss)/earnings per ordinary share (Sen)</b>				
- continuing operations	(0.21)	0.67	0.28	1.40
- discontinued operations	-	-	0.18	-
	<b>(0.21)</b>	<b>0.67</b>	<b>0.46</b>	<b>1.40</b>
<b>(b) Diluted (loss)/earnings per ordinary share</b>				
(Loss)/Earnings attributable to owners of the Company for the period (RM'000)				
- continuing operations	(6,216)	18,243	8,280	38,259
- discontinued operations	-	-	5,432	-
	<b>(6,216)</b>	<b>18,243</b>	<b>13,712</b>	<b>38,259</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) at end of period	<b>2,966,283</b>	<b>2,734,669</b>	<b>2,966,283</b>	<b>2,734,669</b>
<b>Diluted (loss)/earnings per ordinary share (Sen)</b>				
- continuing operations	(0.21)	0.67	0.28	1.40
- discontinued operations	-	-	0.18	-
	<b>(0.21)</b>	<b>0.67</b>	<b>0.46</b>	<b>1.40</b>

**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**

	<b>Individual 3 months ended 31<sup>st</sup> March 2020 RM'000</b>	<b>Cumulative 12 months ended 31<sup>st</sup> March 2020 RM'000</b>
Profit before taxation is arrived at after charging and (crediting):		
<i>Continuing operations</i>		
- Allowance for impairment loss of receivables	6,495	7,313
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	1,699	10,219
- Reversal of provision of compensation as a result of court judgement on litigation case	(5,072)	(5,072)
- Reversal of provision of staff related expenses	-	(5,337)
	<hr/>	<hr/>

**29. Other income**

	<b>Individual 3 months ended 31<sup>st</sup> March 2020 RM'000</b>	<b>Cumulative 12 months ended 31<sup>st</sup> March 2020 RM'000</b>
<i>Continuing operations</i>		
- Interest income	361	2,979
- Net foreign currency exchange gain	468	468
- Others	177	2,008
	<hr/>	<hr/>
	1,006	5,455
	<hr/>	<hr/>

**30. Authorisation for Issue**

This interim financial report was authorised for issuance by the Board of Directors on 26<sup>th</sup> June 2020.