IRIS CORPORATION BERHAD (302232-X)
ANNUAL REPORT 2009

a journey for new horizon

IRIS
Bringing Solutions to Life

Bringing Solutions to Life

IRIS CORPORATION BERHAD
(302232-X)

IRIS SMART TECHNOLOGY COMPLEX
TECHNOLOGY PARK MALAYSIA
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MALAYSIA

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...that started with the invention of the world's first e-passport

Over a decade ago, IRIS invented proprietary compression techniques to enable a huge amount of data and images to be stored onto a contactless chip, an innovative technology that made the world's first electronic passport possible. Through it, we have provided unprecedented convenience and security to travellers all over the world.

Our pioneering technology has also opened more doors that lead to greater efficiency and service quality. We have initiated and managed an automated immigration clearance system, the world's first national multi-application identity card and a 2-hour passport renewal kiosk.

It is our lifelong commitment to enrich communities with creative yet beneficial solutions. Combining both experience and insights, we are driving more projects that will enhance the lives of people around the world. Our end-to-end digital identity solutions will be our vehicle towards empowering everyone with our continuous technological advantages.

INNOVATIVE LEADER
DIGITAL IDENTITY SOLUTIONS

RENOWNED EXPERTISE
BUSINESS SOLUTIONS

INTELLIGENT SOLUTIONS
FARMING SOLUTIONS

SOPHISTICATED TECHNOLOGY
ENVIRONMENTAL SOLUTIONS

IRIS CORPORATION BERHAD
ANNUAL REPORT 2009

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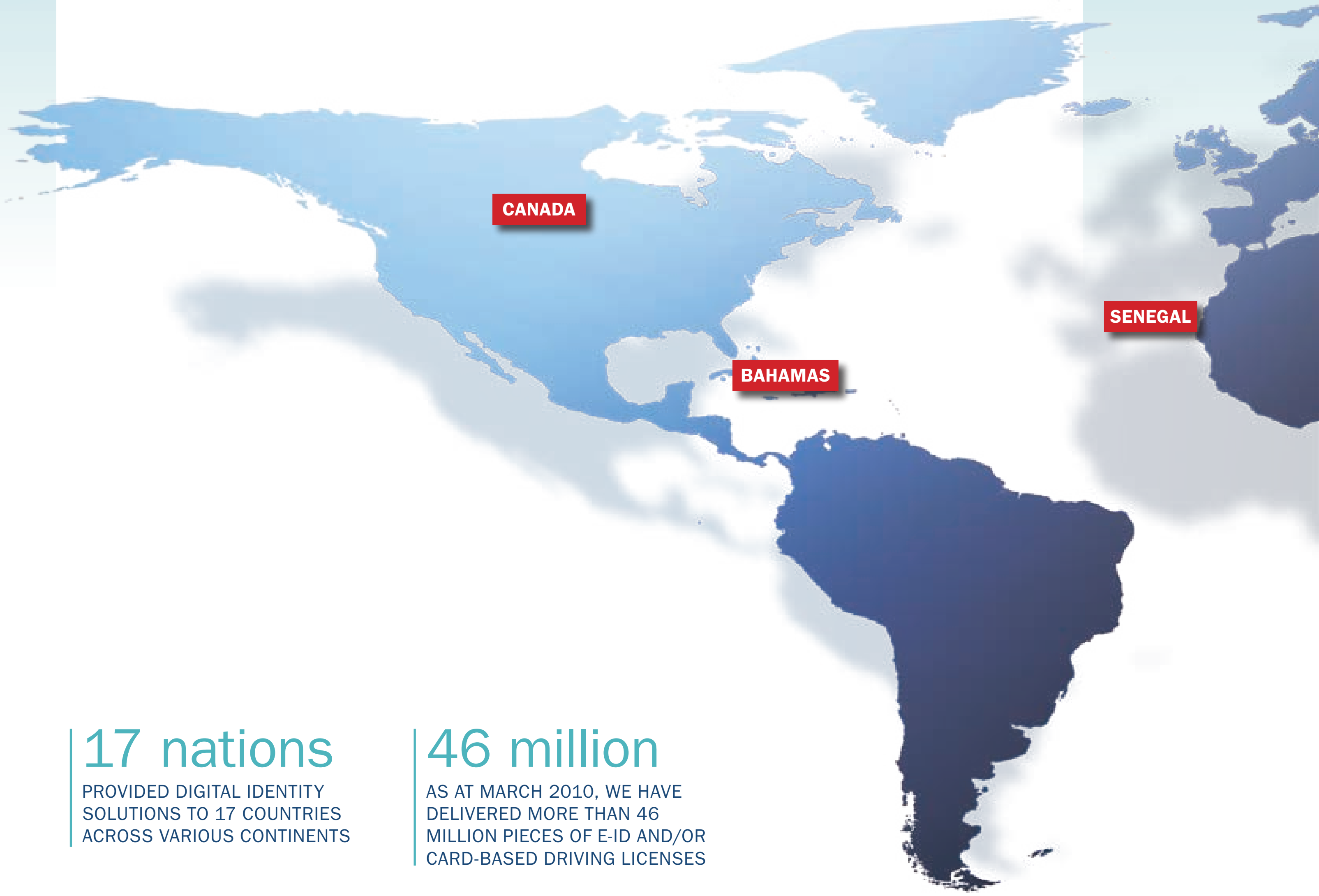
CORPORATE PROFILE

IRIS Corporation Berhad is a global solutions provider with core expertise in digital identity, business, farming and environmental solutions. Incorporated in 1994, IRIS is the first company in Asia to set up fully integrated manufacturing facilities for contact and contactless smart cards, contactless document inserts and assembled module in tapes and reels.

IRIS pioneered the world's first electronic passport and national multi-application identity card with the implementation of the Malaysian Electronic Passport in March 1998 and MyKAD – the Malaysian Government multi-application identity card in April 2001. These technologies are deployed in many countries across the Asia, Middle East and Africa regions.

In 2006, IRIS introduced the AutoPot system, an innovative farming solutions and environmental friendly fertigation system designed to supply water and nutrient to the exact needs of a plant. Within the same year, IRIS' environmental solutions were launched with the introduction of a green gas-powered waste disposal system capable of environmental-friendly incineration of solid and liquid waste.

IRIS Corporation Berhad is an MSC Status company and is listed on the ACE market of Bursa Malaysia Exchange.



17 nations

PROVIDED DIGITAL IDENTITY SOLUTIONS TO 17 COUNTRIES ACROSS VARIOUS CONTINENTS

46 million

AS AT MARCH 2010, WE HAVE DELIVERED MORE THAN 46 MILLION PIECES OF E-ID AND/OR CARD-BASED DRIVING LICENSES

GLOBAL PRESENCE

28 million

AS AT MARCH 2010, WE HAVE DELIVERED MORE THAN 28 MILLION PIECES OF E-PASSPORT AND/OR INLAY TO 12 COUNTRIES

161,000 units

CONTACT/CONTACTLESS CARD READERS SOLD TO 28 COUNTRIES

CHAIRMAN'S STATEMENT

ON BEHALF OF THE BOARD OF DIRECTORS OF IRIS CORPORATION BERHAD ("IRIS"), IT IS WITH GREAT PLEASURE THAT I PRESENT TO YOU THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009.

TAN SRI RAZALI BIN ISMAIL
CHAIRMAN

92%
PROFIT BEFORE TAX

RM30.4 MILLION PROFIT BEFORE TAXATION
PROFIT BEFORE TAX **UP BY** 92% FROM RM15.8 MILLION IN THE PREVIOUS FISCAL YEAR

16%
GROUP REVENUE

RM332 MILLION REVENUE
REVENUE **UP BY** 16% FROM RM286 MILLION IN LAST FISCAL YEAR

11%
SHAREHOLDERS' FUNDS

RM308 MILLION SHAREHOLDERS' FUNDS
SHAREHOLDERS' FUNDS **UP BY** 11% FROM RM278 MILLION IN THE PREVIOUS FISCAL YEAR

GROUP RESULTS

Despite the unprecedented economic crisis in the financial markets which resulted in the severe global recession in the past year, the Group was able to deliver credible results given the challenging year. The improved performance was due to aggressive measures that were implemented to maintain growth in overseas markets for the digital identity business. Against the backdrop of a gradual and uneven global economic recovery, the Group is continuously seeking growth opportunities, especially in the environmental division.

Group revenue increased by 16.1% to RM331.7 million for the year ended 31 December 2009, compared to RM285.6 million recorded in the previous year. This is the first time in the Group's history that revenue surpassed the RM300 million mark and that the overseas revenue surpassed domestic revenue. The overseas revenue increased to RM171.2 million or 52% of the total revenue compared with RM132.8 million or 47% of total revenue in the previous year. The strong growth in revenue was contributed mainly by sustained demand for digital identity solutions, making inroads into banking institutions for business solutions and recognized revenue for the 60 tonne per day Waste-to-Energy Plant in Amata Nakorn Industrial Estate in Bangkok.

Group profit before tax was up by 92% to RM30.4 million from RM15.8 million in fiscal 2008. This significant improvement was largely due to higher profit contributions from e-Passport projects both domestic and overseas and cost reduction measures implemented in operations.

We are pleased to inform that on 22 March 2010, ICB has redeemed and cancelled its entire BaIDs Bonds of RM178.8 million prior to their maturity date on 2 July 2010. However, cash flow from operations was affected by longer outstanding receivables. The outstanding balances had since been reduced as part of the amount has been received in fiscal 2010.

In line with the improved performance, profit attributable to shareholders grew by 46% to RM15.6 million, translating to diluted earnings per share of 1.10 sen as compared with 0.76 sen in the previous year. The record profit for 2009 is yet another milestone that IRIS has achieved.

READER - IPT 300

E-PASSPORT AND INLAYS

OPERATION REVIEWS

DIGITAL IDENTITY SOLUTIONS

The digital identity division recognized an increase in both revenue and profit before tax during the year. The impressive performance was due to strong demand from the domestic market for Malaysian e-Passports and MyKads and progressive billing from the latest overseas project, namely the Egypt CSO project. This project is to provide technical solutions for upgrading the existing Egyptian ID card production center in order to produce new contactless smart national ID cards.

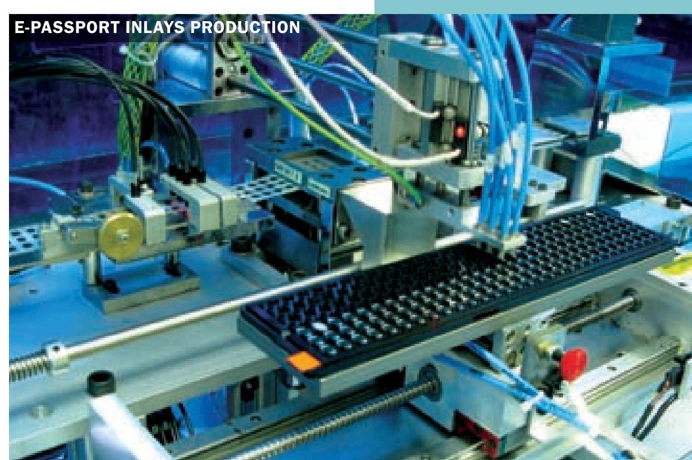
The projects already secured under this division continued to provide the momentum for the Group in 2009. These projects on hand include countries such as Senegal, Nigeria, Bahamas, Thailand, Cambodia, Egypt, Canada and Maldives that will carry on and keep the Group busy for 2010.

On 17 February 2010, IRIS JV, a consortium formed by IRIS Corporation Berhad, Data Edge Limited and Polish Security Printing Works, signed a contract with the Government of the People's Republic of Bangladesh for the introduction of machine readable passport ("MRP") and Machine Readable Visa ("MRV") in Bangladesh for a contract value of approximately USD76 million. This project commenced in the first quarter 2010 and will contribute positively to the Group revenue and earnings for fiscal 2010.

BUSINESS SOLUTIONS

The revenue for this division increased substantially during Financial Year 2009, primarily due to providing smart terminals and solutions to banks in Malaysia. These products and solutions are making inroads into financial institutions and the momentum is expected to carry on into 2010.

On 6 April 2010, INDRA-IRIS AFC Consortium, a consortium formed by Indra Sistemas S.A. and IRIS Information Technology Systems Sdn Bhd, have accepted the Letter of Award issued by Syarikat Prasarana Negara Berhad to design, manufacture, install, test, commission and warranty the automatic fare collection ("AFC") system for Kelana Jaya LRT line and Ampang LRT line. The contract value of this project is approximately RM115 million and is expected to be completed within 15 months from the date of the letter of Award.



E-PASSPORT INLAYS PRODUCTION

PUBLIC TRANSPORT TICKETING SYSTEM

FARMING SOLUTIONS

The farming division recorded revenue of RM2.2 million in Financial Year 2009. The revenue is not significant as there were fewer projects during the year.

On 5 November 2009, ICB has entered into a MOU with Koperasi Atlet Malaysia Berhad for the mutual interest and benefit in strengthening technical co-operation in areas relating to farming systems and solutions. The principal objective of the MOU is to appoint ICB for the study, design, deployment and implementation of AutoPot Systems for a farming project in Tanjung Tualang, Perak under the turnkey phased-delivery mode which will be specially defined and agreed upon in the context of the actual contract.

IRIS MOBILE INCINERATOR

ENVIRONMENTAL SOLUTIONS

The environmental division recorded significant revenue in 2009, primarily due to the recognition of the sale of the 60 tonne per day Waste-to-Energy Plant in Amata Nakorn Industrial Estate in Bangkok. For the year ahead, the environmental division is expected to kick start one project each in Malaysia and Thailand respectively in the second half of 2010.

ICB will form a Joint Venture Company together with WRP Asia Pacific Sdn Bhd (“WRP”) to undertake the design, build, maintain and operate an Integrated Biomass Power Plant to provide the energy requirements for WRP’s production plant in Sepang. The proposed plant has a capacity to generate electricity of up to 20 mega watt to fulfill WRP’s requirements and any unused balance would be sold.

Another signature project by the environmental division is the Phuket incinerator project. PJT Technology Co., Ltd. (“PJT”), our business partner in Thailand has been awarded a 15-year contract based on a build-own-transfer (BOT) project-financing model by the Municipality of Phuket, Thailand. PJT is to undertake the design, construct, install and operate a Waste-to-Energy Incineration Plant for the municipality of Phuket. The plant has a processing capability of 600-tonnes of municipal solid waste per day to generate 10 mega watt power-to-grid. Upon completion, the plant will generate annual revenue from sales of electricity together with tipping fees. ICB intends to participate in this project through investment via equity interest in PJT.

CHAIRMAN'S STATEMENT *continued*

CORPORATE DEVELOPMENTS

Corporate proposals reported during the financial year under review were:-

1. On 16 May 2008, the Board announced that the application to the Securities Commission ("SC") and Foreign Investment Committee on the Proposed Private Placement of up to 155,431,281 new ordinary shares of RM0.15 each representing up to ten percent (10%) of the issued and paid-up share capital of the company to investors to be identified had been approved. On 8 May 2009, the SC vide its letter approved the extension of time to 15 November 2009 for ICB to implement the Proposed Private Placement.

   In addition to the above, no further extension of time had been granted by the SC in relation to the implementation of the Proposed Private Placement, marking the expiry of the Proposed Private Placement.

2. On 30 July 2009, the Company acquired 375 ordinary shares of Egyptian Pound ("EGP") 100 each in IRIS Egypt LLC ("IE"), representing 12.5% of the issued and paid-up share capital of IE for a purchase consideration of EGP 37,500 (which is equivalent to RM24,000) from Moustafa Mohamed Mockbel Abdel Hamid. Upon Completion of the acquisition, ICB holds an 87.5% equity interest in IE.

3. On 12 August 2009, Capillary Agrotech (Malaysia) Sdn Bhd a wholly-owned subsidiary of the Company, incorporated a 60% owned subsidiary for a total consideration of RM60.

4. On 19 March 2010, the company had extended a company guarantee of Thai Baht 360 million (equivalent to RM36.8 million) in favour of PJT Technology Co., Ltd. ("PJT") for the proposed investment via equity interest in PJT, which was intended to partially finance the new waste incineration plant in Phuket, Thailand ("Project"). The Proposed Investment amounting to Thai Baht 360 million is payable to PJT via monthly installments over a period of thirteen (13) months, commencing from April 2010 to April 2011.

   The guarantee of Thai Baht 360 million ("Amount") extended by ICB to PJT for the Proposed Investment is conditional upon the following conditions:-

   i. That PJT shall ensure that the Amount be remitted into a project account in Thailand, where ICB and PJT are both joint signatories, as partners in the Project;

   ii. That the Amount shall be applied strictly towards the Project;

   iii. That PJT has received confirmation and approval for a loan to be applied towards the Project from the Government Savings Bank of Thailand.

5. On 22 March 2010, the Company undertook a renounceable rights issue of up to 223,408,274 new six (6)-year warrants ("New Warrants") on the basis of three (3) New Warrants for every twenty (20) existing ordinary shares of RM0.15 each held in the Company on 29 March 2010 ("Entitlement Date") at an issue price of RM0.05 per New Warrant.

READER - BCR300C

AUTOPOT SYSTEM

PROPOSED PHUKET WASTE-TO-ENERGY PLANT


SIGNING MOU WITH YAKEB


MANGROVE THERAPY DAY

CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes its social obligation to society and strives for a balanced approach between fulfilling its key business objectives and contributing to society and the environment by looking for and providing not only digital identity solutions, but also solutions to tackle food security issues and alleviate society's environmental concerns.

One of the ways this is done is via its ventures into farming solutions, which utilizes an environmentally-friendly farming system to enable plants to be grown on previously non-arable lands or unconventional spaces, by going back to the basics of farming to optimize nutrient absorption and to minimize wastage.

In playing its part to ensure a sustainable environment for future generations, the Group has also introduced an alternative to safely and efficiently manage waste disposal – through its green gas waste incineration system that uses water as the fuel source, with no carbon emission upon combustion.

The Group continuously strives to adopt eco-friendly practices such as minimizing the use of hazardous compounds in its manufacturing processes to protect the environment and also periodically contribute to various charities and generously sponsor a myriad of deserving events every year.

In true esprit de corps and sharing in its belief to give something back to society, the Group's employees also actively engage in Corporate Social Responsibility (CSR)-related activities, including the followings:-

i. In heeding the call from the National Blood Bank to help boost depleting blood supplies, the Company has begun organizing half-yearly blood donation drives held within IRIS' compound as part of its CSR initiatives.

ii. Organized a community service for the reforestation program initiated by the Malaysian Landscape Advisory Panel. The focus was on rejuvenating the deteriorating forest in the heart of Bukit Kiara which is under the care of the Ministry of Housing and Local Government Malaysia. IRIS' CSR effort resulted in the planting of 500 trees for the betterment of the community.

iii. Organized a Mangrove Therapy Day, which took place in Telok Gong, Klang, in conjunction with World Environmental Day 2009. The Company's CSR programme took efforts to contribute physically and financially by sponsoring 1,000 trees to restore and rehabilitate the area's mangrove reserve which is overseen by the Global Environment Center.

iv. The Company's CSR programme donated a Conference Microphone System to outfit the conference room at Senegal's largest university, Cheikh Anta Diop University in Dakar.

v. In promoting health and sports as well as creating awareness towards the well-being and plight of the nation's former athletes ('forgotten heros'), the Company's CSR programme supports and contributes to Yayasan Kebajikan Atlet Kebangsaan (YAKEB) via an unprecedented performance based donation scheme.

500

TREES PLANTED IN
BUKIT KIARA

1,000

TREES PLANTED IN
TELOK GONG

CHAIRMAN'S STATEMENT *continued*

AWARDS AND RECOGNITION

IRIS received several awards and recognition for its performance in 2009 with three recognised bench-marking awards in the digital security solutions and environmental solutions industry as highlighted below:

a) Certificate of Achievement Award 2009 as the Information Technology Service Management from MSC.

b) Recognised as a leading technology company in the Deloitte Technology Fast 500 Asia Pacific 2009 programme.

c) Excellence in Green Technology Sector at the International Business Review Awards 2009.

THE BOARD

Since the last Annual General Meeting, Dato' Syed Abdul Rahman Bin Syed Abdul Kadir, Dato' Mohamad Suparadi Bin Md Noor, Mr. Lee Kwee Hiang and Mr. Yap Hock Eng have resigned from the Board. On behalf of the Board, I would like to record our sincere gratitude and appreciation for the invaluable contributions these gentlemen had made during their tenure with the Group.

The Board and I are also pleased to welcome Datuk Domami bin Hussain, Encik Rizal Faris Bin Mohideen Abdul Kader and Mr. Indran A/L Swaminathan to the Board as Independent Non-Executive Directors.

Datuk Domami graduated with a Bachelor of Accounting and Master in Business Administration. With his diversified experience in the field of commercial banking sector, he will contribute to the sustainable growth and ongoing success of the Group.

Encik Rizal graduated with a Diploma of Law and currently is the Executive Chairman of Kemuncak Group of Companies. With his wealth of experience both locally and overseas, he will also play a meaningful role in the success of the Group.

Mr. Indran graduated with a LLB (Honours) and given his extensive experience, he will also contribute well to the success of the Group.

SPECIAL THANKS

The financial achievement for the year and continued success of the Group would not have been possible without the dedication and commitment of the Board of Directors, Management Team and Staff of IRIS. On behalf of the Board of Directors, I would like to express my heartfelt thanks. I would also like to convey my sincere gratitude and appreciation to our customers, government authorities, business partners, shareholders and other stakeholders for their continued support and confidence in IRIS.

TAN SRI RAZALI BIN ISMAIL
CHAIRMAN

OPERATIONS REVIEW

AUTOGATE AT
CIQ COMPLEX, JOHOR BAHRU

DIGITAL IDENTITY SOLUTIONS

During the financial year, the Digital Identity Division continued to achieve strong performance and record impressive results. Division revenue improved slightly to RM286.9 million for the year under review. The revenue and profit contributions were derived mainly from our existing projects namely Malaysia e-Passport, Malaysia National ID – MyKad, Nigeria e-Passport, Senegal e-Passport and Egypt CSO ID. Other revenue contributions included the Thai Inlay project, Cambodia e-Passport project, Bahamas e-Passport project, Maldives e-Passport project and Canadian driving license project which helped to contribute to the bottom line.

It was a challenging year for the overseas market as most governments were tightening their national budgets due to the flagging economic conditions. Despite this, we had actively participated in new tenders and explored new overseas avenues in fiscal 2009. Our efforts bore fruit in February 2010 when we managed to secure a new MRP Passport and MRV Visa project amounting to USD76 million in Bangladesh together with our Partners in Bangladesh and Poland.

On the international front, we will continue to focus on our success in emerging markets, mainly Southeast Asia, Middle East and Africa, where growth prospects of digital identity solutions are expected to remain positive. The sustained demand from these markets is supported by the deadline set by the International Civil Aviation Organization (ICAO) whereby all nations must issue a machine readable passport (MRP) before 1 April 2010 and all non machine readable passports should be out of circulation before 24 November 2015.

According to the Keesing Journal*, the e-Passport will be used by a growing number of travelers over the next year. It is expected that 15 countries will begin to issue e-Passports or implement e-Passport programmes in the next couple of years. In view of this, we foresee this Division would be kept busy and will benefit from the surge in demand for e-Passports.

The Digital Identity Division strives to put greater emphasis on timely and quality delivery to achieve high standards in delivering its solutions. We will continue to focus on research and development to enhance the functionality and security of our national digital identity solutions, with the objective of enabling immigration officers perform their duties with greater effectiveness and efficiency.

READER - SCR21U

OPERATIONS REVIEW *continued*

FARMING SOLUTIONS

The revenue for this Division was not material as there were fewer projects in 2009.

This Division had to-date supplied 6,000 units of AutoPots to the island nation of Maldives through its Ministry of Fisheries, Agriculture and Marine Resources for use in its government initiated Post-Tsunami Restoration of Livelihoods Programme. This generated revenue of about RM1 million in financial years 2008 & 2009, while sales of the harvests from the programme was used for the betterment of communities in the Maldives.

A memorandum of understanding had been signed between ICB and Koperasi Atlet Malaysia Berhad (National Athletes Cooperation) to supply a complete consolidated turnkey farming system comprising greenhouses complete with AutoPot Systems (SmartTrays and planting materials) on 100 acres of land owned by the Perak Agricultural Development Corporation in Tanjung Tualang, Perak. This project was valued at approximately RM50 million and is scheduled to commence once a formal contract is signed.

Our focus for the Farming Division centers on continuing our reach into the domestic agriculture market and expanding our collaboration with the Ministry of Agriculture of Malaysia.

BUSINESS SOLUTIONS

For financial year 2009, the Business Division achieved a significantly higher turnover of RM18.4 million, mainly from a contract secured with a financial institution to provide smart terminals and solutions. This contract is expected to be completed within financial year 2010.

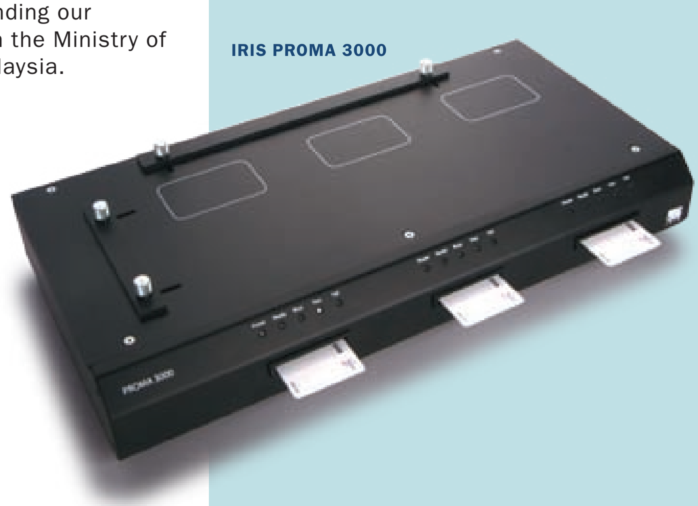
As reported in the previous year, the Division partnered with Indra Sistemas S.A., a reputable transport solution provider to actively bid for the automatic fare collection tender in the country. In April 2010, Syarikat Prasarana Negara Berhad issued a Letter of Award to INDRA-IRIS AFC consortium for the design, manufacture, install, test and commission the automatic fare collection ("AFC") system for Kelana Jaya LRT line and Ampang LRT line. The contract value of the base project is approximately RM115 million.

With the above projects on-hand, it is anticipated that the performance of the Business Division would be satisfactory for financial year 2010.

leading technology company

DELOITTE TECHNOLOGY FAST 500 ASIA PACIFIC 2009

IRIS PROMA 3000



SMARTTRAYS

SOLAR PANELS USED BY ENVIRONMENTAL SOLUTIONS

ENVIRONMENTAL SOLUTIONS

Worldwide sentiment towards the impact of pollution on the environment and climate is on the rise. We expect the global momentum towards renewable energy derived from alternative technologies for waste disposal to increase dramatically. With our experiences and capabilities of converting waste, be it municipal, agricultural, medical or hazardous waste, into green energy, we are looking to secure new markets while leveraging on ICB's successes globally.

The Division's first Waste-to-Energy Plant was a 60 tonne-per day waste-to-energy facility capable of processing 60 tonnes of industrial waste and exporting 1.5 mega watt of electricity to the grid located at the Amata Nakorn Industrial Estate in Bangkok. The construction of this facility had been completed and the sale was recorded in the financial year 2009.

In Malaysia, the Division will form a Joint Venture with WRP Asia Pacific Sdn Bhd ("WRP") to undertake the design, build, maintain and operate an integrated biomass power plant in WRP's production plant in Sepang, Selangor. This plant when completed has a capacity to generate 20 mega watt of electricity.

In Thailand, ICB undertook to invest Thai Baht 360 million into PJT Technology Co., Ltd. ("PJT"), which was intended to partially finance a new Waste-to-Energy Plant in Phuket, Thailand. PJT had won a tender for the award of a 15 years contract from the Municipality of Phuket to undertake the design, construct, install and operate a Waste-to-Energy Incineration Plant in Phuket, Thailand. The plant has a processing capability of 600-tonnes of municipal solid waste per day to generate 10 mega watt of electricity to supply to the grid.

The investment of the above two projects are expected to contribute stable income streams to the Group after the completion of the plants.

CONCLUSION

The Digital Identity Division is well-positioned to maintain its strong performance locally and overseas. The Business Division is expected to perform better arising from the implementation of the AFC project and the completion of the contract with the financial institution.
The Farming Division's result is expected to be satisfactory once the new contract is signed and the Environmental Division will focus on the delivery on the two new projects on hand and will continue to explore new markets.

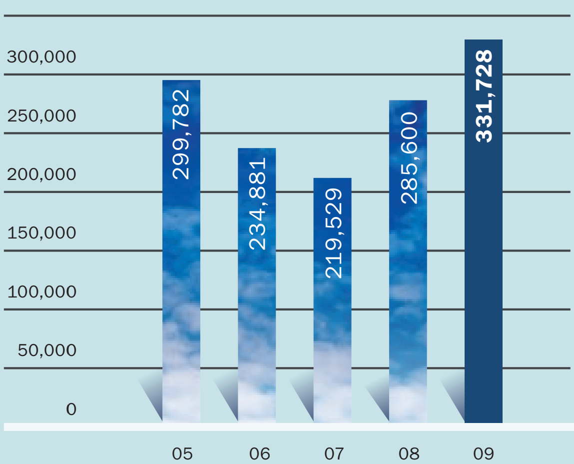
The many measures made in 2009 in terms of operational efficiencies, quality enhancement, and cost efficiency had laid a strong foundation for IRIS going forward. With this foundation and the upswing in the economy, the Group is positioned to continue to perform well in 2010.

**Keesing Journal of Documents & Identity is an authoritative magazine for professionals active in the document security and identity verification sectors*

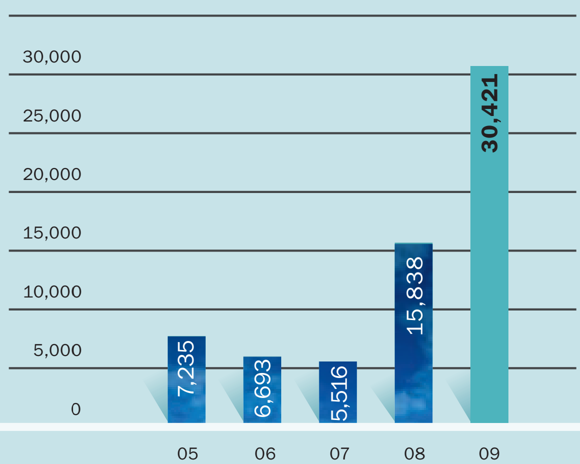
GROUP
FINANCIAL SUMMARY

Description	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000
Revenue	331,728	285,600	219,529	234,881	299,782
Profit before taxation	30,421	15,838	5,516	6,693	7,235
Profit after taxation	15,581	10,632	7,528	4,768	7,386
Share capital	216,416	216,416	216,416	196,886	137,101
Reserves	91,957	61,870	50,799	33,044	27,097
Shareholders' equity	308,373	278,286	267,215	229,930	164,198
Current liabilities	197,072	165,877	119,579	139,239	141,992
Non-current liabilities	44,541	116,924	140,724	174,159	181,508
	549,986	561,087	527,518	543,328	487,698
Non-current assets	275,236	286,166	292,391	279,148	263,403
Current assets	274,750	274,921	235,127	264,180	224,295
Total assets	549,986	561,087	527,518	543,328	487,698
Pre-tax profit margin (%)	9.17	5.55	2.51	2.85	2.41
Post-tax profit margin (%)	4.70	3.72	3.43	2.03	2.46
Basic earnings per share (sen)	1.11	0.78	0.60	0.47	0.86
Net assets per share (sen)	21.79	19.81	19.52	19.85	17.97
Total borrowings to equity ratio (%)	44.59	65.59	73.66	100.69	139.13

REVENUE (RM'000)



PROFIT BEFORE TAXATION (RM'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI RAZALI BIN ISMAIL
Chairman,
Non-Independent Non-Executive Director

YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN
Vice Chairman,
Independent Non-Executive Director

DATO' TAN SAY JIM
Managing Director

EOW KWAN HOONG
Executive Director

SYED ABDULLAH BIN SYED ABD KADIR
Independent Non-Executive Director

DATUK KAMARUDDIN BIN TAIB
Independent Non-Executive Director

CHAN FEOI CHUN
Independent Non-Executive Director

DATO' NOORAZMAN BIN ABD AZIZ
Non-Independent Non-Executive Director

DATUK DOMAMI BIN HUSSAIN
Independent Non-Executive Director

RIZAL FARIS BIN MOHIDEEN ABDUL KADER
Independent Non-Executive Director

INDRAN A/L SWAMINATHAN
Independent Non-Executive Director

AUDIT COMMITTEE

YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN
Chairman

SYED ABDULLAH BIN SYED ABD KADIR

DATUK KAMARUDDIN BIN TAIB

CHAN FEOI CHUN

COMPANY SECRETARY

EOW KWAN HOONG (MIA 3184)

NG YEN HOONG (LS 008016)

LOO CHOON KEOW (MAICSA 7039252)

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Fax: +603 8996 0442
Website: www.iris.com.my

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Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: +603 2264 3883
Fax: +603 2282 1886

PRINCIPAL BANKERS

EON Bank Berhad

AmBank (M) Berhad

Export-Import Bank of Malaysia Berhad (EXIM)

Malaysia Debt Ventures Berhad

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Code: 0010
Stock name: IRIS

CORPORATE STRUCTURE

IRIS CORPORATION BERHAD

- **100%** IRIS TECHNOLOGIES (M) SDN BHD
  - **100%** IRIS INFORMATION TECHNOLOGY SYSTEMS SDN BHD
  - **51%** IRIS ECO POWER SDN BHD *(Formerly Known As Versatile P4 Power Resources Sdn Bhd)*
  - **25%** GMPC CORPORATION SDN BHD
- **100%** IRIS CORPORATION NORTH AMERICA
- **100%** CAPILLARY AGROTECH (M) SDN BHD
  - **60%** ENDAH FARM SDN BHD
- **100%** TL TECHNOLOGY RESEARCH (AUSTRALIA) PTY LTD*
- **80%** ASIATRONICS SDN BHD*
- **87.5%** IRIS EGYPT LLC
- **44.4%** MULTIMEDIA DISPLAY TECHNOLOGIES SDN BHD
- **30%** PAYSYS (M) SDN BHD

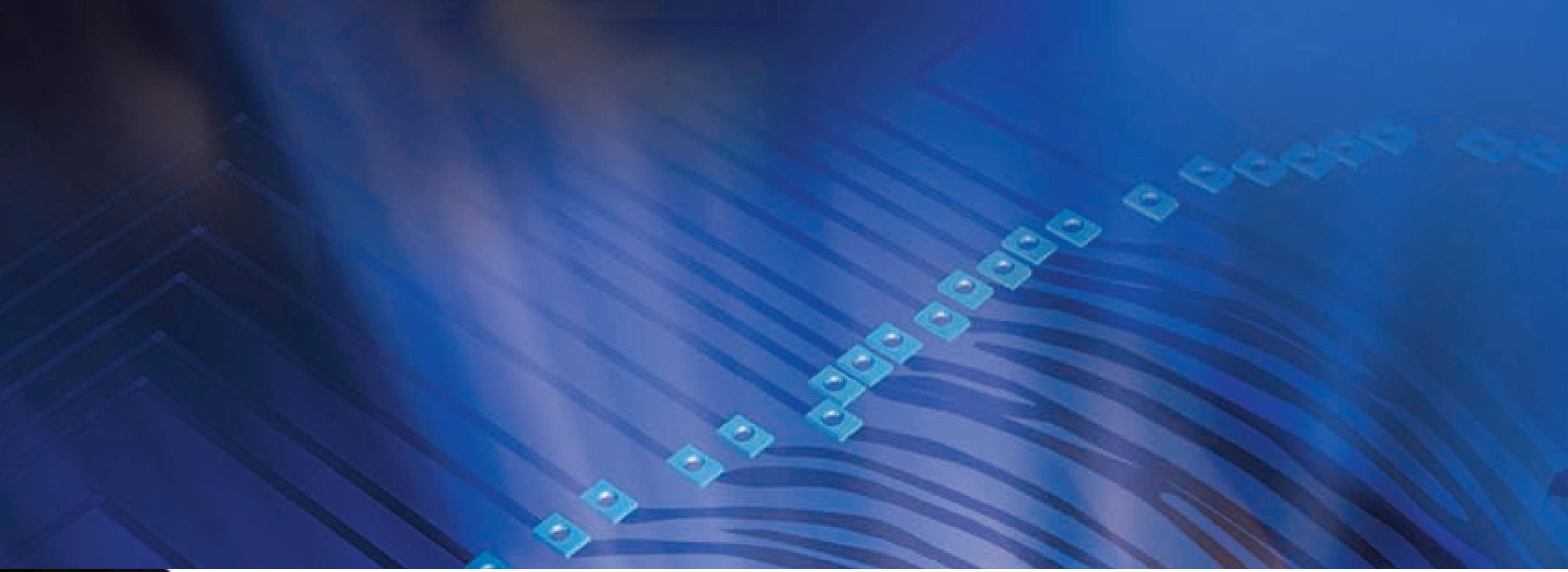
*Note: *Company is under creditors' / members' voluntary winding up*

AWARDS & RECOGNITION

Certificate of Achievement Award 2009 as the Information Technology Service Management from MSC, Le Meridien Hotel, Kuala Lumpur

Recognised as a leading technology company in the Deloitte Technology Fast500 Asia Pacific 2009 programme. IRIS Corporation Berhad Ranked 350th

Excellence in Green Technology Sector at the International Business Review Awards 2009, Putrajaya International Convention Center



DIGITAL IDENTITY SOLUTIONS

WE ARE LEADERS IN OUR FIELD. WITH

exceptional innovation and expertise

IN IDENTIFICATION TECHNOLOGY, WE CONSISTENTLY SET NEW STANDARDS OF PERFORMANCE TO DELIVER UNRIVALLED SOLUTIONS AND SERVICE EXCELLENCE TO OUR CUSTOMERS.

Innovative

- ELECTRONIC PASSPORT
- AUTOGATE
- PASSPORT RENEWAL KIOSK (KIPPAS)

- NATIONAL IDENTITY SYSTEMS
- DESKTOP CARD READERS
- SMART CARD READERS
- BIOMETRICS CARD READERS

- KEY RING READERS
- MOBILE SMARTTERM
- MOBILE ENROLMENT UNIT

leader

- SUBSIDY PROGRAM
- AUTOMATED ELECTRONIC TICKETING AND FARE COLLECTION
- DIGITAL CONFERENCE SYSTEM
- RFID
- PAYMENTS CARDS
- LOYALTY MANAGEMENT

Renowned

BUSINESS SOLUTIONS

OUR CLIENTS RELY ON US
FOR OUR RENOWNED EXPERTISE.
OUR RELENTLESS PURSUIT OF

unconventional yet strategic ideas

HAS ENABLED US TO CONSISTENTLY
OFFER PREMIER SOLUTIONS
THAT MEET THE UNIQUE EXPECTATIONS
OF EVERY CUSTOMER.

expertise

FARMING SOLUTIONS

WE PUSH BOUNDARIES TO

deliver the smartest solutions.

IN OUR EFFORT TO MAKE
A QUANTUM LEAP
IN EVERY ASPECT OF OUR BUSINESS,
WE EMPLOY INTELLIGENT FERTIGATION
AND IRRIGATION TECHNOLOGY
TO DEFY THE CAUSES OF FOOD SHORTAGE
AND ENSURE SUFFICIENT FOOD SUPPLY
FOR THE WORLD.

- AUTOPOT SYSTEMS
- SMARTPOTS
- SMARTTRAY
- SMARTTABLE
- SMARTPLANTER
- ACCESSORIES

solutions

- ALTERNATIVE & RENEWAL ENERGY
- WASTE MANAGEMENT
- WATER TREATMENT
- WASTEWATER TREATMENT
- WATER DESALINATION

IRI Sophisticated

ENVIRONMENTAL SOLUTIONS

WE LEAD THE WAY IN
EMBRACING OUR ENVIRONMENT. WE
invest in sophisticated technology
AND THINKING THAT TAPS
OUR NATURAL RESOURCES
TO HARNESS VITAL ENERGY FOR
THE NEEDS OF THE 21ST CENTURY
- WHILE KEEPING OUR ENVIRONMENT GREEN
AND SAFE FOR THE WORLD;
AND OUR FUTURE GENERATIONS.

technology

PROFILE OF DIRECTORS

TAN SRI RAZALI BIN ISMAIL
Chairman,
Non-Independent Non-Executive Director

A Malaysian aged 71, was appointed to the Board on 2 May 2002. He graduated with a Bachelor of Arts Degree from University of Malaya in 1962. He has an extensive experience gained in the Malaysian Diplomatic Services, which he has served over 35 years until his retirement in 1998. He was last appointed Malaysia's Permanent Representative to the United Nations in New York and he was also the UN Secretary-General's Special Envoy for Myanmar from April 2000 to December 2005.

He is currently the Pro Chancellor of the University Science Malaysia, Chairman of the National Peace Volunteer Corp (Yayasan Salam), President of World Wildlife Fund Malaysia and advises on a government supported project on street and displaced children. He is the Special Envoy of the Malaysian Prime Minister to facilitate assistance for natural disaster victims.

He is also a director of Leader Universal Holdings Berhad, Allianz General Insurance Malaysia Berhad and several private limited companies.

YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN, D.K, S.P.T.J., AO (AUSTRALIA)
Vice Chairman,
Independent Non-Executive Director

A Malaysian aged 74 was appointed to the Board on 11 February 1998. He graduated with a Bachelor of Science (Economics) from Queens University of Belfast.

He began his career with Esso Malaysia Limited as an economic analyst and moved into finance industry as a Manager within Malayan Banking Group. Currently, he is the Executive Chairman and co-founder of Kompakar which is a leading technology provider offering scalable integrated solutions. He has been instrumentally localising the company and expanding it to countries in the Asia Pacific region.

Amongst the accolades bestowed on Tunku were the Darjah Kerabat Terengganu Yang Amat Mulia Darjah Yang Pertama ("D.K), the Darjah Seri Paduka Tuanku Ja'afar Yang Amat Terpuji Negeri Sembilan (S.P.T.J), Honorary Officer (AO) in the General Division of the Order of Australia (for his service to Australian-Malaysian relations) and the Austrade's International Award 2000 for "outstanding contribution to Australia's international trade" by a foreign individual based outside Australia.

He sits on the board of the Totalisator Board of Malaysia and the Honorary Life Chairman of the Malaysian Australian Business Council. He is the immediate past Chairman of the Selangor Turf Club.

Tunku is also the Chairman of Axis REIT Managers Bhd, Berjaya Assets Berhad, DHL Worldwide Express (M) Sdn Bhd, Jotun (M) Sdn Bhd, Baker Hughes Inteq Sdn Bhd, Rotol Group Sdn Bhd and Vision Four Sdn Bhd.

YAM Tunku Dato' Seri Shahabuddin currently serves as the Chairman of Audit Committee, Remuneration Committee and Nomination Committee.

DATO' TAN SAY JIM
Managing Director

A Malaysian aged 52, was appointed to the Board on 30 June 1996. He is the co-founder and the Managing Director of IRIS Corporation Berhad. He is an associate member of the Chartered Institute of Management Accountants, UK.

He began his career with UMW Holdings Berhad and he was the Group Finance Manager when he left the company in 1986.

Prior to joining IRIS Corporation Berhad, he was with Lion Group as the Group Treasurer, a post he held till 1997.

In 2006, he was awarded the "Technopreneur of the Year" at the PIKOM National ICT Awards, as one of the outstanding ICT entrepreneurs in Malaysia.

PROFILE OF DIRECTORS *continued*

EOW KWAN HOONG
Executive Director

A Malaysian aged 56, was appointed to the Board on 2 May 2002.

He is a fellow member of the Chartered Institute of Management Accountants, UK and a member of Malaysian Institute of Accountants. He is the Immediate Past President of the CIMA Malaysia Division.

He began his career as a Cost Accountant with Intel Technology Sdn Bhd in 1979. He later joined Socoil Corporation Sdn Bhd as the Factory Accountant in 1980. In 1982, he joined Lion Group as Accounts Manager and moved his way up to Group Chief Accountant after serving seventeen years in the Group. He then left and joined IRIS Corporation Berhad in 1998 as the Chief Operating Officer.

He is currently a Director of Versatile Creative Berhad, Silverstone Corporation Berhad, Delloyd Ventures Berhad and several private limited companies.

Mr. Eow is currently a member of the Remuneration Committee and Nomination Committee.

DATUK KAMARUDDIN BIN TAIB
Independent Non-Executive Director

A Malaysian aged 52, was appointed to the Board on 6 November 2003. He graduated with Bachelor of Science Degree in Mathematics from University of Salford, United Kingdom.

He started his career with a leading Merchant Bank in Malaysia and subsequently he served as a Director for several Companies listed on Bursa Malaysia and private companies. He has gained considerable experience by serving on the Board of Companies listed on the Stock Exchange of India and Nasdaq in United States of America as well.

He is currently the director of Malaysian Pacific Corporation Berhad, Unicorn International Islamic Bank Berhad, Great Eastern Life Assurance (Malaysia) Berhad and several private limited companies.

Datuk Kamaruddin currently serves as a member of the Audit Committee.

SYED ABDULLAH BIN SYED ABD KADIR
Independent Non-Executive Director

A Malaysian aged 56, was appointed to the Board in 7 May 1998. He graduated with a Bachelor of Science (Engineering Production) and a Bachelor of Commerce (Economics) Double Degree from University of Birmingham, United Kingdom in 1977.

He has 10 years of vast experience in banking and financial services with Bumiputra Merchant Bankers, holding the position of General Manager immediately prior to his departure from the bank. He then left in 1994 to join Amanah Capital Partners Berhad, a public listed subsidiaries involved in, inter alia, discount house, money broking, unit trusts, finance and fund management operations, a post he held as General Manager till February 1996.

He also serves on the Board of YTL Corporation Berhad, YTL Power International Berhad, YTL E-Solutions Berhad, Versatile Creative Berhad and Stenta Films (M) Sdn Bhd.

Syed Abdullah currently is a member of Audit Committee, Remuneration Committee and Nomination Committee.

DATO' NOORAZMAN BIN ABDUL AZIZ
Non-Independent Non-Executive Director

A Malaysian aged 54, was appointed to the Board on 3 March 2008. He graduated with a Bachelor of Science (Finance) Degree from Louisiana State University, USA.

He has vast experience of 22 years in international finance, banking and financial markets especially in treasury, direct investment, corporate banking and finance such as offshore financing and capital markets. The experience he gained is from the positions he held as a Managing Director of Bank Islam, a Chief Operating Officer of Kuala Lumpur Stock Exchange, a Director General of Labuan Offshore Financial Services and in Citigroup for Malaysia, New York, London, Hong Kong and Singapore.

He is currently the Managing Director of Fajr Capital PLC.

PROFILE OF DIRECTORS *continued*

CHAN FEOI CHUN
Independent Non-Executive Director

A Malaysian aged 57, was appointed to the Board on 23 January 2009. He graduated with a Master of Business Studies (Banking & Finance) from University of College Dublin, Ireland and graduate from Institute of Chartered Secretaries and Administrators UK.

He is a fellow member of Chartered Institute of Management Accountants, UK and a member of Malaysian Institute of Accountants. He is the Deputy President of CIMA Malaysia Division presently.

He has gained extensive experience for 25 years from the international working experience in Britain and Thailand in the areas of financial management and business re-engineering.

Prior to joining IRIS Corporation Berhad, he held senior management positions in financial services Group of MBF Holdings and various senior positions in PJD Berhad Group of Companies.

Currently, he is the Chief Executive Officer of Swiss Garden International Vacation Club Berhad and a director and Audit Committee Chairman of Perisai Petroleum Teknologi Berhad.

Mr. Chan currently serves as a member of Audit Committee.

RIZAL FARIS BIN MOHIDEEN ABDUL KADER
Independent Non-Executive Director

A Malaysian aged 39, was appointed to the Board on 1 July 2009. He graduated with a Diploma of Law in UK.

He has an extensive experience in the facilities management to a whole array of intra-industry services such as asset management, construction, trading and IT. He is actively involved in the development of the intra-industry services both local and overseas.

Being a passion and strong belief development entrepreneur, he has played a pivotal role in setting up the Youth Wing (Dewan Muda) of Malay Chamber of Commerce Malaysia. He is now the Yang Di Pertua (President) Malay Chamber of Commerce Malaysia, Penang. He also represents the Penang private sector in Indonesia Malaysia Thailand Growth Triangle.

He is currently the Founder and Executive Chairman of Kemuncak Group of Companies.

Notes:

1. *Save as disclosed above, none of the Directors have any family relationship with any other directors and/or other major shareholders of the Company.*
2. *None of the Directors have conflict of interest with the Company.*
3. *None of the Directors has been convicted of any offence within the past ten years other than traffic offences, if any.*
4. *The attendance of the Directors at Board of Directors' Meetings is disclosed in Corporate Governance Statement.*

INDRAN A/L SWAMINATHAN
Independent Non-Executive Director

A Malaysian aged 52, was appointed to the Board on 1 July 2009. He graduated with a LLB (Hons) from University of London.

He has 26 years of working experience as an advisor in technical, network and legal for companies, namely HSBC Bank Berhad, Malaysian Resources Corporation Berhad (MRCB) and Ashtech Holdings Sdn Bhd.

DATUK DOMAMI BIN HUSSAIN
Independent Non-Executive Director

A Malaysian aged 62, was appointed to the Board on 1 July 2009. He graduated with a Bachelor of Accounting and Master in Business Administration.

He has more than 35 years of working experience in the commercial banking sector.

KEY MANAGEMENT TEAM

bottom, from left to right

LEE KWEE HIANG
Executive Director
Manufacturing and R&D

YAP HOCK ENG
Executive Director
Technology

above, from left to right

DATO' MOHAMAD SUPARADI BIN MD NOOR
Executive Director
Business Development

RONALD SAADE
Chief Operating Officer
Digital Identity/Business Division

SU THAI PING
Managing Director
Environmental/Farming Division

CALENDAR OF EVENTS


6 – 8 April

CORPORATE EVENTS

13 – 15 JANUARY 2009
7TH ANNUAL DISCUSSION FORUM ON ELECTRONICS IDENTITY DOCUMENTS 2009
Venue: The Grand Rashidiya Ballroom, Al Bustan Rotana Hotel, Dubai

8 – 11 FEBRUARY 2009
CAIRO, ICT 2009
Venue: The Cairo International Conference Center, Nasr City, Cairo, Egypt

6 – 8 APRIL 2009
ICAO REGIONAL SEMINAR ON MRTDS, BIOMETRICS AND SECURITY STANDARDS 2009
Venue: Congress hall of the Transcorp Hilton Hotel, Abuja, Nigeria

9 – 11 JUNE 2009
NATIONAL ICT CONFERENCE (NICT) 2009
Venue: Putrajaya International Convention Center, Putrajaya, Malaysia

9 JULY 2009
IRIS ENVIRONMENTAL SOLUTIONS LAUNCH
Venue: Grand Ballroom, Mandarin Oriental Hotel, Kuala Lumpur, Malaysia

24 JULY 2009
LAUNCH OF THE NATIONAL GREEN TECHNOLOGY POLICY AND THE OPENING CEREMONY OF GEO BUILDING, PUSAT TENAGA MALAYSIA
Venue: Green Energy Office (GEO)/ Pusat Tenaga Malaysia, Bangi, Selangor

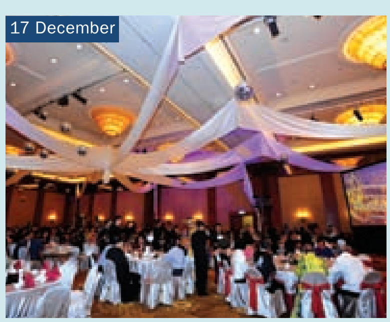
18 & 19 AUGUST 2009
NATIONAL RENEWABLE ENERGY SUMMIT 2009
Venue: The Grand Margherita Hotel, Kuching, Sarawak

21 – 23 SEPTEMBER 2009
5TH SYMPOSIUM AND EXHIBITION ON ICAO MRTDS, BIOMETRICS AND SECURITY STANDARDS 2009
Venue: ICAO Headquarters, Montreal, Canada

17 – 19 NOVEMBER 2009
CARTES & IDENTIFICATION 2009
Venue: Paris-Nord Villepinte Exhibition Center, Paris, France

13 – 15 DECEMBER 2009
8TH DIGITAL IDENTITY ASSURANCE CONFERENCE AND EXPO MIDDLE EAST AND AFRICA (CARDEX) 2009
Venue: Hall 4, Cairo International Conference Center (CICC), Cairo, Egypt

17 DECEMBER 2009
IRIS ANNUAL DINNER & DANCE
Venue: Nikko Hotel Kuala Lumpur


17 December

9 July


24 July

CORPORATE/VIP VISITS

14 JANUARY 2009
Ghana High Commissioner

23 JANUARY 2009
President of Timor Leste, His Excellency José Manuel Ramos

5 FEBRUARY 2009
Visit by Delegation from Cameroon & Senegal

5 FEBRUARY 2009
YTM Tengku Seri Panglima Raja Tengku Baderulzaman Ibni Al-Marhum Sultan Mahmud Al-Muktafi Billah Shah, President of the Regency Advisory Council for State of Terengganu

6 APRIL 2009
H.E. Carlos Amores, Cuban Ambassador to Malaysia and Mr. Florentino Batista, First Secretary

15 APRIL 2009
H.E. Dato' Jamaiyah Mohamed Yusof, Malaysian Consulate to Senegal

14 MAY 2009
Visit by Mr. Ross Greenwood, Branch Head, Passport Business Improvement and Technology Branch, Australia Passports Office

25 MAY 2009
Passports & Civil Registration Corporation, Ministry of Interior, Sudan

23 January

21 AUGUST 2009
Rt. Hon Sir Michael Somare GCMC CH, Prime Minister & Minister of Autonomy and Autonomous Regions of the Independent State of Papua New Guinea

16 OCTOBER 2009
Her Excellency Ms. Ntsebe Kokome, High Commissioner of Lesotho

26 OCTOBER 2009
Mr. Kamal Gubara, Counsellor of Economic & Trade Section of the Embassy of the Republic of Sudan, Kuala Lumpur and Ms. Sharifah Faridah Syed Ibrahim, Assistant Director of Economic & Trade Section

12 NOVEMBER 2009
Dutch Embassy and Ministry of Home Affairs Malaysia (KDN)

17 NOVEMBER 2009
Federation of Nepalese Chamber of Commerce and Industry (FNCCI)

17 NOVEMBER 2009
Visit by H.E. Khalifa Ababacar Sall, Mayor of Dakar City, Senegal

15 April

21 August

17 November

STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS IS FULLY COMMITTED TO MAINTAIN HIGH STANDARDS OF CORPORATE GOVERNANCE THROUGHOUT THE GROUP TO SAFEGUARD AND PROMOTE THE INTERESTS OF THE SHAREHOLDERS AND TO ENHANCE THE LONG TERM VALUE OF THE GROUP. THE BOARD CONSIDERS THAT IT HAS ADOPTED AND COMPLIED WITH THE PRINCIPLES AND BEST PRACTICES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE.

The following is the statement explaining how the Group has applied the principles and complied with the best practices provisions laid out in the Code throughout the twelve months ended 31 December 2009.

THE BOARD OF DIRECTORS

BOARD RESPONSIBILITY

The Board is responsible for determining the long term direction and strategy of the Group, create value for shareholders, monitor the achievement of business objectives, ensure that good corporate governance is practiced and to ensure that the Group meets its other responsibility. The Board is also responsible for ensuring that appropriate processes are in place in respect of succession planning for appointments to the Board and to senior management positions.

BOARD COMMITTEES

Where appropriate, the Board has delegated certain responsibilities to the various Board Committees with clearly defined terms of reference.

The following Board Committees with the respective functions have been set up to assist the Board in discharging its responsibilities:

Type of Committee	Principal Functions	Members	Status
Audit Committee	To review and report on the Group's results, accounting and audit procedures	YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin - *Chairman*	Independent Non-Executive
		Syed Abdullah Bin Syed Abd Kadir	Independent Non-Executive
		Datuk Kamaruddin Bin Taib	Independent Non-Executive
		Chan Feoi Chun	Independent Non-Executive
Nomination Committee	To recommend to the Board on all new Board appointments	YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin - *Chairman*	Independent Non-Executive
		Syed Abdullah Bin Syed Abd Kadir	Independent Non-Executive
		Eow Kwan Hoong	Executive Director
Remuneration Committee	To recommend to the Board the Directors' remuneration	YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin - *Chairman*	Independent Non-Executive
		Syed Abdullah Bin Syed Abd Kadir	Independent Non-Executive
		Eow Kwan Hoong	Executive Director

COMPOSITION OF THE BOARD

The Board has eleven (11) directors, comprising two Non-Independent Non-Executive Directors including the Chairman, two Executive Directors, and seven Independent Non-Executive Directors. The number of Independent Directors is in compliance with Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") which requires one third of the Board to comprise independent directors.

The roles of the Chairman and the Managing Director have been clearly segregated to ensure a balance of power and authority. The Independent Directors are not related to the major shareholders and the management of the Company, and are free from any relationship that could interfere with the exercise of their independent judgement or the ability to act in the best interest of the Company. In any case, if there is concern from any party on Board matters, it can be directed to any one of the Independent Directors.

The Directors are from various professions bring to the Board a wide range of experience, skills and knowledge that are necessary to direct and manage successfully the business and affairs of the Group towards enhancing business prosperity and corporate accountability. Please refer to the profiles of the directors of the Board, as set out on pages 26 to 31.

SUPPLY OF INFORMATION AND BOARD MEETINGS

The Board and its Committees are supplied with full and timely information which enables them to discharge their responsibilities. The agenda for each meeting, together with the detailed reports and supplementary papers are circulated to the Directors in advance of the meetings.

During the financial year ended 31 December 2009, the Board met four (4) times, where it deliberated and considered a variety of matters affecting the Group's operations including the Group's financial results, business plan and the direction of the Group. Management and performance of the Group and any other strategic issues that may affect the Group's businesses are also deliberated.

Details of attendance of each Director who was in office during the financial year ended 31 December 2009 are as follows:

Directors	Total Meetings Attended By Director
Tan Sri Razali Bin Ismail	4/4
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	4/4
Dato' Tan Say Jim	4/4
Yap Hock Eng (Resigned w.e.f 31/8/09)	3/3
Lee Kwee Hiang (Resigned w.e.f 31/8/09)	3/3
Syed Abdullah Bin Syed Abd Kadir	4/4
Eow Kwan Hoong	4/4
Dato' Syed Abdul Rahman bin Syed Abdul Kadir (Resigned w.e.f 17/6/09)	2/2
Datuk Kamaruddin Bin Taib	3/4
Dato' Mohamad Suparadi Bin Md Noor (Resigned w.e.f 31/8/09)	3/3
Dato' Noorazman Bin Abd Aziz	3/4
Chan Feoi Chun	4/4
Datuk Domami Bin Hussain (Appointed w.e.f 1/7/09)	1/2
Indran A/L Swaminathan (Appointed w.e.f 1/7/09)	2/2
Rizal Faris Bin Mohideen Abdul Kader (Appointed w.e.f 1/7/09)*	0/2

*Notes: * En. Rizal has vacated the office on 5 February 2010 in compliance with Paragraph 15.05(3)(c) of Bursa Malaysia Securities Berhad Ace Market Listing Requirements and appointed on 8 February 2010.*

APPOINTMENTS TO THE BOARD

NOMINATION COMMITTEE

The Nomination Committee consists two (2) Independent Non-Executive Directors and one (1) Executive Director. The Committee is empowered by the Board and its terms of reference to bring to the Board recommendations as to the appointment of new Directors. The Committee also assesses the Board's effectiveness, its committee and the contribution of each individual Director on an annual basis. The Committee also keeps under review the Board structure, size and composition.

APPOINTMENT PROCESS

The Board through the Nomination Committee's annual appraisal believes that the current composition of the Board brings the required mix of skills and core competencies required for the Board to discharge its duties effectively.

The Board appoints its members through a formal and transparent selection process which is consistent with Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

DIRECTORS' TRAINING

All the Directors of the Company have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. During the year, they received briefings and updates on the Group businesses, operations, risk management, internal controls, finance and any new or changes to the companies and other relevant legislation, rules and regulations.

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

Amongst the training and seminar courses attended by some of the directors were as follows:

- Key Obligations under the Listing Requirements of Bursa Malaysia Securities Bhd and Expectations on Directors
- Board Effectiveness: Redefining the Roles & Functions of an Independent Director
- SC-Bursa Malaysia Lecture Series – Corporate Governance: Lesson from Hong Kong
- High Level Forum for Directors of Listed Issuers in Enhancing Corporate Governance
- Risk Awareness
- Bursa Malaysia Evening Talk on Directors' Duties by Malaysia Bar Council
- 3rd IFSB Public Lecture on Financial Policy and Stability
- BNM High Level Conference on Financial Stability
- Financial Institutions Directors' Education ("FIDE") Programme – Banking Insights
- CIMA World Conference
- Finance for Non-Finance Directors – Main Market Listing Requirements which will take effect on 3 August 2009

The Directors will undertake to attend relevant trainings and seminars courses in 2010 to continue enhancing their skills and knowledge for the purpose of discharging their duties and responsibilities.

RE-ELECTION OF DIRECTOR

In accordance to the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election at the forthcoming Annual General Meeting. The Articles further provide that in every subsequent year, one-third of the Directors shall retire and be eligible for re-election provided always that all Directors except a Managing Director appointed for a fixed period pursuant to the Articles shall retire once at least in each three (3) years but shall be eligible for re-election.

DIRECTORS' REMUNERATION

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration packages of Executive Directors.

The policy practiced on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of the shareholders.

REMUNERATION PACKAGE

The Company has complied with the Listing Requirement of Bursa Securities on the disclosure of remuneration of Directors on Group basis for the financial year ended 31 December 2009 are set out as follows:

AGGREGATE REMUNERATION

	Executive Directors RM	Non-Executive Directors RM
Basic salaries, bonus and allowance	980,000	–
Defined contribution plan	117,600	–
Benefits-in-kind	20,200	–
Fee	432,001	501,880
TOTAL	**1,549,801**	**501,880**

ANALYSIS OF REMUNERATION

Range of Remuneration	Executive	Non-Executive
RM1 – RM50,000	–	8
RM50,001 – RM100,000	–	–
RM100,001 – RM200,000	1	1
RM200,001 – RM300,000	2	1
RM300,001 – RM400,000	1	–
RM400,001 – RM500,000	1	–

RELATIONSHIP WITH SHAREHOLDERS

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Company is committed to maintain good communications with shareholders and investors. Communication is facilitated by a number of formal channels used to inform shareholders about the performance of the Group. These include the Annual Report and Accounts and announcements made through Bursa Malaysia Securities Berhad, as well as through the Annual General Meeting. Shareholders, investors and analysts are kept abreast with the major developments of the Group through the various means of communications as follows:-

- Quarterly financial statements and annual report
- Announcements on major developments made to Bursa Malaysia Securities Berhad
- Company's general meetings
- Company's web site at http://www.iris.com.my

ANNUAL GENERAL MEETING (AGM)

The AGM is the principal forum for dialogue with public shareholders. Shareholders have the opportunity to ask questions on resolutions being proposed, the audited financial statement of the year and the operation of the Company and the Group. Notice of the AGM is circulated at least 21 days before the meeting.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board aims to ensure that the quarterly reports, annual audited financial statements as well as the annual review of operations in the Annual Report reflect full, fair and accurate recording and reporting of financial and business information in accordance with the Listing Requirements of Bursa Malaysia. The Directors are also required by the Companies Act, 1965 to prepare the Group's annual audited financial statements with all material disclosures such that they are complete, accurate and in conformance with the applicable accounting standards and rules and regulations. The Audit Committee assists the Board in overseeing the financial reporting process.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets by identifying principal risks and ensuring the implementation of appropriate systems to manage these risk; and reviewing the adequacy and integrity of the internal control system.

The Board seeks regular assurance on the effectiveness of the internal control system through independent appraisals by the internal and external auditors.

The Statement on Internal Controls provides an overview of the state of internal controls within the Group and is set out on pages 43 to 44.

RELATIONSHIP WITH THE AUDITORS

The Board through the Audit Committee has an appropriate and transparent relationship with the external auditors. From time to time, the external auditors highlight and update to the Board and Audit Committee on matters that require their attention.

AUDIT COMMITTEE REPORT

OBJECTIVES

Audit Committee is established to support and advise the Company's Board of Director in relation to the IRIS Group of companies. The primary objective of the audit committee is set out as below:

1. Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Group.
2. Improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results.
3. Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.
4. Enhance the independence of both the external and internal auditors function through active participation in the audit process.
5. Strengthen the role of the independent Directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the Committee.
6. Act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Group.
7. Create a climate of discipline and control which will reduce opportunity to fraud.

COMPOSITION OF AUDIT COMMITTEE

The Board of Directors shall appoint the members of the Audit Committee from amongst themselves, which fulfills the following requirements:

a) The Audit Committee shall be composed of no fewer than three (3) members, whom shall be Non-Executive Directors.
b) A majority of the Audit Committee must be Independent Directors.
c) The chairman of the Audit Committee shall be an Independent Non-Executive Director.
d) The Audit Committee shall be financially literate.
e) At least one member of the Audit Committee:
    i) must be a member of the Malaysian Institute of Accountants (MIA); or
    ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and:
        a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
        b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
    iii) Fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

The Board must ensure that no alternate Director is appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee, the Company shall fill in the vacancy within two (2) months, but in any case not later than three (3) months. Thereafter a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

The term of office and performance of the Audit Committee and of its members shall be reviewed by the Board at least once every three (3) years.

COMMITTEE MEETINGS

a) The committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
b) There should be at least two meetings with the external auditors without the executive director present.
c) The quorum for any meeting shall be at least two (2) members where a majority of members present must be Independent Directors.
d) Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.

e) The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
f) The Committee may invite any Board member or any member of management or any employee of the Company whom the Committee thinks fit to attend its meetings, assist and provide pertinent information as necessary.
g) The Company must ensure that other directors and employee attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.
h) The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.

AUTHORITIES

The Audit Committee is fully authorized by the Board to independently investigate without interference from any party any matter within its terms of reference at the cost of the Company. It shall have:

i) full and unrestricted access to any information pertaining to the Company and the Group in the course of performing its duties.
ii) direct communication channels with the external and internal auditors or person (s) carrying out the internal audit function.
iii) full access to any employee or member of the management; and
iv) the resources, which are required to perform its duties.

The Audit Committee also have authority to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary and reasonable for the performance of its duties.

DUTIES AND RESPONSIBILITIES

The Audit Committee is to be provided with sufficient resources to discharge its duties. All members of the Audit Committee must be able to read, analyse and interpret financial statements. In fulfilling its primary objectives, the Audit Committee will need to undertake inter-alia the following function:

1. To review the following and report the same to the Board of Directors:

    a) the nomination of external auditors
    b) the adequacy of existing external auditors audit arrangements, with particular emphasis on the scope and quality of the audit
    c) the effectiveness and adequacy of the scope, functions, resources and competency of the internal audit functions and ensure that it has the necessary authority to carry out its work.
    d) in relation to the internal audit function:
        - the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors
        - any appraisal or assessment of the performance of members of the internal audit function
        - approve any appointment or termination of the internal auditors; and
        - take cognizance of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning
    e) the financial statements of the Company with both the external auditors and management.
    f) the external auditors' audit report.
    g) any management letter sent by the external auditors to the Company and the management's response to such letter.
    h) any letter of resignation from the Company's external auditors.
    i) the quarterly and year end financial statements of the Group and thereafter submit to the Board.
    j) the assistance given by the employees of the Company to the external auditors.
    k) all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels.
    l) all related party transactions and potential conflict of interests situations that may arise within the Company or Group.

2. To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.

3. To carry out any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

4. The Committee's actions shall be reported to the Board of Directors with such recommendations as the Committee deems appropriate.

MEMBERSHIP AND ATTENDANCE AT MEETING

The present members of the Audit Committee comprise four (4) Board members and the current composition is set out as follows:

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	CHAIRMAN Independent Non-Executive Director
Syed Abdullah Bin Syed Abd Kadir	MEMBER Independent Non-Executive Director
Datuk Kamaruddin Bin Taib	MEMBER Independent Non-Executive Director
Chan Feoi Chun	MEMBER Independent Non-Executive Director

The details of attendance as at 31 December 2009 as set out below:

Name of Audit Committee	Total meetings attended by members
YAM Tunku Dato' Seri Shahabuddin bin Tunku Besar Burhanuddin	4/4
Syed Abdullah bin Syed Abd Kadir	4/4
Datuk Kamaruddin bin Taib	3/4
Chan Feoi Chun	4/4

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties and responsibilities in accordance with its terms of reference during the year. The main activities undertaken by the Committee were as follows:

1. Reviewed the quarterly unaudited financial results of the Company and Group before tabling to the Board for consideration and approval.
2. Reviewed and discussed with the external auditors the nature and scope of the audit prior to the commencement of the audit.
3. Consideration and recommendation to the Board for approval of audit fees payable to the external auditors.
4. Reviewed the independence and objectivity of the external auditors and the services provided.
5. Discussed significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements.
6. Reviewed the related party transactions entered into by the Company and the Group.
7. Received and reviewed internal audit reports.
8. Reviewed internal audit plans for the financial year of the Company and the Group, prepared by internal auditors.

INTERNAL AUDIT FUNCTION

Pleiades Associates Sdn Bhd, who is independent of the activities or operations of the Group, carries out the Group's Internal Audit Function. The Internal Auditors are empowered to audit the Group's business units, review the units' compliance with internal control procedures and to assist the Audit Committee in maintaining a sound system of internal control. The Audit Committee has full access to the Internal Auditors for internal audit purposes.

STATEMENT ON INTERNAL CONTROL

In complying with the Malaysian Code on Corporate Governance, the Board of Directors is committed to maintain a sound system of internal control and risk management to safeguard shareholders' investments and the Group's assets. To this effect, the Group has established an appropriate control environment and framework as well as reviewing its adequacy and integrity. The system of internal control covers, inter alia, financial, operational and compliance controls and risk management procedures. According to Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Directors of public listed companies are required to include in its annual report a "statement about the state of internal control of the listed issuer as a group".

The Board is pleased to outline the nature and scope of internal control of the Group for the financial year 31 December 2009.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The key elements of the internal control structure and processes are set out as below:

- In order to avoid conflict of interest, the Group is upholding segregation of duties through clear delegation of responsibilities and authority among Board Committees and management.
- Departmental units are required to prepare budget every year accordingly and the compiled Group budget is required to be approved by the Board to ensure effective execution. Following, the results against budget are monitored to ensure necessary management action is being taken on the variances.
- Adequate reporting systems are in place for information transfer to the Board and management relating to operating and financial performance and key business issues.
- The Group's internal policies and procedures are well documented in Standard Operating Procedures to ensure compliance with internal control.
- Closed-circuit cameras and card access system are installed in the office building and factory site coupled with all times security check at the main entrance for security purpose.

The internal control system by nature has its limitation in assuring the companies of the Group from material misstatement and loss. Therefore, risk management plays a part in the Group's business operation in pursuit of its business objective. The Group has implemented a formal process in identifying, monitoring and managing the risk as well as setting up suitable internal control in accordance with the guidance prescribed in the Malaysian Code on Corporate Governance. The Board is assisted by the assurance team, internal auditors for the risk management and internal control implementation. This process is continually reviewed by internal auditors and strengthened as appropriate.

INTERNAL AUDIT FRAMEWORK

The Board fully supports the internal audit function and through the Audit Committee, continually reviews the adequacy and effectiveness of the risk management process in place.

The Group has outsourced its internal audit function. Internal audit independently reviews the risk identification procedures and control processes implemented by management, and reports to the Audit Committee. Internal audit also reviews the internal controls in the key activities of the Group's businesses. The internal audit function adopts a risk based-approach and prepares its audit strategy and plan based on the risk profiles of the various business units of the Group.

Internal audit also undertakes a review of the Company's compliance with recommended principles and best practices. The results and any corrective action that may be necessary are reported directly to the Audit Committee.

The Audit Committee reviews the risk monitoring and compliance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Audit Committee considers reports from internal audit and from management, before reporting and making recommendations to the Board in strengthening the risk management, internal control and governance systems. The committee presents its findings to the Board on a regular basis.

OTHER RISK AND CONTROL PROCESS

Apart form risk management and internal audit, the Board has put in place an organizational structure with formally defined lines of responsibility. A reporting process has been established which provide for a documented and auditable trail of accountability. These processes were reviewed by internal audit, which provides a degree of assurance as to operations and validity of the systems of internal control.

STATEMENT ON INTERNAL CONTROL *continued*

INTERNAL AUDIT FUNCTION

Pleiades Associates Sdn Bhd ("Pleiades"), an independent internal audit service provider, supports the Audit Committee, and by extension, the Board, by providing independent assurance on the effectiveness of the Group's system of internal controls.

Pleiades submits audit reports and plan status for review and approval to the Audit Committee which included the reports with the recommended corrective measures on risks identified, if any, for implementation by the management of the business units and operation.

The internal audit work plan, which reflects the risk profile of the Group's major business sectors is periodically reviewed and approved by the Audit Committee.

CONCLUSION

The Board is pleased to report that there were no material losses incurred during the financial year that would require disclosure in the annual report as a result of weaknesses or deficiencies in internal control. The Group is at all times to strengthen the internal control environment through the internal audit framework.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Directors are responsible for ensuring that the financial statements give a true and fair view of state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Groups and of the Company for the financial year ended. The financial statements of the Group and of the Company are drawn up in accordance with the applicable approved financial reporting standards in Malaysia and provision of the Companies Act, 1965.

The Directors have considered that all applicable approved accounting standards have been followed in preparing the financial statements for the financial year ended 31 December 2009. The Group has fulfilled the requirements of using appropriate accounting policies and applying them consistently and made judgments and estimates that are reasonable and prudent. The financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence in the foreseeable future.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act,1965 and the applicable approved accounting standards in Malaysia.

The Directors have a general responsibility for taking all steps as are reasonably opened to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2009.

2. SHARE BUY-BACK

The Company did not make any proposal for share buy-back during the financial year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no exercise of options and warrants during the financial year other than a conversion of 10,659,100 non-cumulative irredeemable convertible preference shares of RM0.15 each into 10,659,100 ordinary shares. The IRIS Corporation Berhad Employees Share Option Scheme ("ESOS") has expired on 5 February 2009.

4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2009.

5. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2009.

6. NON-AUDIT FEES

There were no non-audit fees incurred to the Company by the external auditors for the financial year ended 31 December 2009.

7. VARIATION IN RESULTS

There is no materials variance between the audited results for the financial year ended 31 December, 2009 and the unaudited results previously announced.

8. PROFIT GUARANTEE

During the financial year ended 31 December 2009, the Group and the Company did not give any profit guarantee.

9. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS'

For the financial year ended 31 December 2009, no contract of a material nature was entered into or subsisted between the Company and its Directors or major shareholders.

10. REVALUATION POLICY ON LANDED PROPERTIES

On 31 December 2009, the property of its subsidiary was revalued by the directors using the open market value basis on the valuation carried out by independent firm of professional valuers on 27 January 2010.

11. LIST OF PROPERTIES

For the financial year ended 31 December 2009, the list of the property as set out below:

Location	Description of land	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Existing Use	Tenure/Lease Period	Age of building	Date of Acquisition	Net book Value (RM'000)
H.S (D) 85958 P.T, No. 5517, Mukim Petaling, Daerah Kuala Lumpur	Land with a 4 and half storey building and car park facilities	188,179	328,459	Factory, warehouse and office	Sub-Lease (Term of 30 years, expiring on 16 July 2025)	15	17 July 1995	80,000

ADDITIONAL COMPLIANCE INFORMATION *continued*

12. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

On 17 June 2009, the Company obtained a mandate from its shareholders to enter into recurrent related party transactions of revenue or trading nature. The details of the recurrent related party transactions are disclosed on pages 111 to 112.

IRIS CORPORATION BERHAD

REPORTS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of technology consulting, and the implementation of digital identity and business solutions. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM'000	THE COMPANY RM'000
Profit after taxation	15,581	14,729
Attributable to:-		
Equity holders of the Company	15,581	14,729

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised share capital of the Company;

(b) the conversion of 10,659,100 non-cumulative irredeemable convertible preference shares ("ICPS") of RM 0.15 each into 10,659,100 ordinary shares. The new shares which arose from the conversion of the ICPS rank pari passu in all respects with the existing shares of the Company; and

(c) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS is governed by the by-laws approved by the shareholders on 28 January 2004. The ESOS was implemented on 16 February 2004 and is to be in force for a period of 5 years from the date of implementation.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (cont'd)

The number of the options and the exercise price for the options under the ESOS had been revised after incorporating the effects of the Bonus Issue and Share Consolidation. The movement in the options to subscribe for the new ordinary shares of RM0.15 each at the revised exercise price of RM0.24 per share is as follows:-

	NUMBER OF OPTIONS OVER ORDINARY SHARES
Ordinary Shares of RM0.15 each:-	
As at 1 January 2009	50,415,971
Cancellation due to staff resignations during the financial year	(795,720)
Expired on 16 February 2009	(49,620,251)
As at 31 December 2009	–

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders who were granted less than 1,000,000 options during the financial year in the annual report. Eligible employees who were granted options under the ESOS for and in excess of 1,000,000 ordinary shares each are as follows:-

	NUMBER OF OPTIONS OVER ORDINARY SHARE		
	AT 1.1.2009	EXPIRED	AT 31.12.2009
1. Chuah Ban Cheng	1,386,000	1,386,000	–
2. Lee Wai Sum	1,385,500	1,385,500	–
3. Wong Yit Long	1,325,175	1,325,175	–
4. Choong Wan An	1,004,500	1,004,500	–

Interests of directors in the ESOS are disclosed under Directors' Interests.

The salient terms and conditions of the ESOS were as follows:-

(i) the ESOS shall be in force for a period of 5 years commencing from the effective date of the implementation of the ESOS;

(ii) not more than 50% of the new ordinary shares of the Company available under the ESOS should be allocated, in aggregate, to the directors and senior management of the Group;

(iii) not more than 25% of the new ordinary shares of the Company available under the ESOS should be allocated to any individual eligible employee;

(iv) only 12.5% of the options can be exercised in the first year, 12.5% in the second year, 20% in the third year, 25% in the fourth year and the remaining 30% in the fifth year;

(v) the initial option price offered was RM0.28 per share and has been reduced to RM0.24 per share after revision on 15 June 2006; and

(vi) the new shares to be allotted upon the exercise of any option will rank pari passu in all respects with the existing issued and paid-up share capital of the Company, except that the new shares allotted under the ESOS will not rank for any dividends, rights, allotment or other distributions declare, made or paid prior to the date of allotment of the option.

NON-NUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

On 27 June 2006, the Company issued 368,343,533 units of 3% ICPS at RM0.15 each. The main features of the ICPS are disclosed in Note 24 to the financial statements.

WARRANTS

On 24 April 2006, the Company executed a deed poll pertaining to the creation and issuance of 55,251,530 2006/2016 warrants on the basis of three warrants for every fifty existing ordinary shares held in the Company. The warrants were listed on the Ace Market of Bursa Malaysia Securities Berhad. The main features of the 2006/2016 warrants are disclosed in Note 24 to the financial statements.

On 27 June 2006, the Company issued 55,251,530 units of free detachable warrants to the shareholders of the Company on the basis of twenty ICPS and three free warrants for every fifty existing ordinary shares of RM0.15 each held in the Company.

As at the end of the financial year, 46,617,589 warrants remained unexercised.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Group and of the Company are disclosed in Note 47 to the financial statements. At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

CONTINGENT AND OTHER LIABILITIES (cont'd)

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

TAN SRI RAZALI BIN ISMAIL
YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN
DATO' TAN SAY JIM
EOW KWAN HOONG
DATUK KAMARUDDIN BIN TAIB
DATO' NOORAZMAN BIN ABD. AZIZ
SYED ABDULLAH BIN SYED ABD KADIR
CHAN FEOI CHUN
DOMANI BIN HUSSAIN (APPOINTED ON 01.07.2009)
INDRAN A/L SWAMINATHAN (APPOINTED ON 01.07.2009)
RIZAL FARIS BIN MOHIDEEN ABDUL KADER (APPOINTED ON 08.02.2010)
DATO' SYED ABDUL RAHMAN BIN SYED ABDUL KADIR (RESIGNED ON 17.06.2009)
LEE KWEE HIANG (RESIGNED ON 31.08.2009)
YAP HOCK ENG (RESIGNED ON 31.08.2009)
DATO' MOHAMAD SUPARADI BIN MD NOOR (RESIGNED ON 31.08.2009)

DIRECTORS' REPORT *continued*

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in the shares and the options in the Company and its related corporations during the financial year are as follows:-

THE COMPANY	NUMBER OF ORDINARY SHARES OF RM0.15 EACH AT 1.1.2009	BOUGHT	ICPS CONVERSION	SOLD	AT 31.12.2009
DIRECT INTERESTS:					
Tan Sri Razali Bin Ismail	39,551,733	–	–	–	39,551,733
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	2,666,667	–	–	–	2,666,667
Dato' Tan Say Jim	46,492,233	–	–	–	46,492,233
Eow Kwan Hoong	1,593,333	–	–	–	1,593,333
Syed Abdullah Bin Syed Abd Kadir	333,333	–	–	–	333,333
Chan Feoi Chun	300,000	–	–	200,000	100,000
INDIRECT INTERESTS:					
Dato' Tan Say Jim #	130,124,033	–	–	3,700,000	126,424,033

	NUMBER OF NON-CUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.15 EACH AT 1.1.2009	CONVERSION TO ORDINARY SHARES	AT 31.12.2009
DIRECT INTERESTS :			
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	1,866,666	–	1,866,666
Syed Abdullah Bin Syed Abd Kadir	133,333	–	133,333

Deemed interest by virtue of his direct substantial shareholding in Versatile Paper Boxes Sdn Bhd

	AT 1.1.2009	NUMBER OF WARRANTS BOUGHT	SOLD	AT 31.12.2009
DIRECT INTERESTS :				
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	280,000	–	–	280,000
Dato' Tan Say Jim	1,385,000	–	–	1,385,000
Syed Abdullah Bin Syed Abd Kadir	19,999	–	–	19,999
Chan Feoi Chun	1,800	–	–	1,800

The interests of directors holding office at the end of the financial year in the options under the ESOS are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.15 EACH GRANTED UNDER OPTION AT AN EXERCISE PRICE OF RM0.24 EACH AT 1.1.2009	EXPIRED	AT 31.12.2009
Dato' Tan Say Jim	8,395,000	8,395,000	–
Eow Kwan Hoong	4,716,000	4,716,000	–

DIRECTORS' INTERESTS (cont'd)
By virtue of their interests in shares in the Company, Tan Sri Razali Bin Ismail and Dato' Tan Say Jim are deemed to have interests in the shares in its related corporations to the extent of the Company's interests, in accordance with section 6A of the Companies Act 1965.

The other directors, Datuk Kamaruddin Bin Taib, Domani Bin Hussain, Rizal Faris Bin Mohideen Abdul Kader, Indran A/L Swaminathan and Dato' Noorazman Bin Abd. Aziz had no interests in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS
Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 48 to the financial statements.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR
The significant events during the financial year are disclosed in Note 50 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR
The significant event subsequent to the financial year is disclosed in Note 51 to the financial statements.

AUDITORS
The auditors, Messrs. Crowe Horwath (formerly known as Messrs. Horwath), have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 15 APRIL 2010

Dato' Tan Say Jim

Eow Kwan Hoong

STATEMENT BY DIRECTORS

We, Dato' Tan Say Jim and Eow Kwan Hoong, being two of the directors of IRIS Corporation Berhad, state that, in the opinion of the directors, the financial statements set out on pages 57 to 117 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2009 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 15 APRIL 2010

Dato' Tan Say Jim **Eow Kwan Hoong**

STATUTORY DECLARATION

I, Dato' Tan Say Jim, I/C No. 571109-08-6215, being the director primarily responsible for the financial management of IRIS Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 117 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Dato' Tan Say Jim, I/C No. 571109-08-6215,
at Kuala Lumpur in the Federal Territory
on this 15 April 2010

Dato' Tan Say Jim

Before me
Datin Hajah Raihela Wanchik
(No. W -275)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF IRIS CORPORATION BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of IRIS Corporation Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 57 to 117.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (cont'd)

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

James Chan Kuan Chee
Approval No: 2271/10/11 (J)
Chartered Accountant

Kuala Lumpur
15 April 2010

BALANCE SHEETS
AS AT 31 DECEMBER 2009

		THE GROUP		THE COMPANY	
		2009	2008	2009	2008
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	6	–	–	180,451	180,427
Investment in associates	7	4,686	6,223	4,814	5,814
Property, plant and equipment	8	107,162	39,466	1,889	1,291
Prepaid land lease payments	9	5,651	–	–	–
Concession assets	10	7,753	23,225	7,753	23,375
Development costs	11	3,417	7,355	3,417	7,355
Intellectual properties	12	12,179	13,496	5,738	6,353
Other investments	13	406	406	406	406
Goodwill on consolidation	14	133,982	133,982	–	–
		275,236	224,153	204,468	225,021
CURRENT ASSETS					
Inventories	15	64,174	69,980	25,498	23,203
Trade receivables	16	139,081	101,601	74,681	48,351
Amount owing by contract customers	17	21	6,783	–	5,150
Other receivables, deposits and prepayments	18	20,419	38,336	3,889	17,983
Amount owing by subsidiaries	19	–	–	48,778	39,161
Amount owing by associates	20	21,245	2,428	–	–
Amount owing by related parties	21	194	249	83	193
Promissory notes		–	–	–	9,000
Tax refundable		1,129	210	1,129	–
Deposits with licensed banks	22	17,044	17,428	12,879	13,367
Cash and bank balances		11,443	37,906	7,591	11,148
		274,750	274,921	174,528	167,556
Non-current assets held for sale	23	–	62,013	–	–
		274,750	336,934	174,528	167,556
TOTAL ASSETS		549,986	561,087	378,996	392,577

BALANCE SHEETS
AS AT 31 DECEMBER 2009 *continued*

	NOTE	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	24	216,416	216,416	216,416	216,416
Share premium	25	35,052	35,052	35,052	35,052
Foreign exchange translation reserve	26	(27)	19	–	–
Revaluation reserve	27	27,971	–	–	–
Reserve relating to assets held for sale	27	–	13,724	–	–
Retained profits/ (Accumulated losses)		28,961	13,075	(49,768)	(64,497)
TOTAL EQUITY		308,373	278,286	201,700	186,971
NON-CURRENT LIABILITIES					
Other payables	28	2,636	2,812	–	–
Hire purchase payables	29	743	462	504	358
Lease payables	30	288	1,847	–	–
Term loans	31	27,428	15,341	27,428	15,341
Bonds	32	–	88,875	–	28,875
Deferred tax liabilities	33	13,446	7,587	–	–
		44,541	116,924	27,932	44,574
CURRENT LIABILITIES					
Trade payables	34	38,657	48,348	17,216	25,816
Amount owing to contract customers	17	13,828	8,515	13,828	8,357
Other payables and accruals	28	29,806	30,592	11,013	18,715
Amount owing to subsidiaries	19	–	–	88,646	65,814
Amount owing to related parties	21	94	313	1	269
Amount owing to directors		–	378	–	378
Hire purchase payables	29	187	392	114	104
Lease payables	30	1,559	5,066	–	–
Short-term borrowings	35	38,561	34,894	8,200	4,200
Bonds	32	68,750	36,125	8,750	36,125
Provision for taxation		5,630	1,254	1,596	1,254
		197,072	165,877	149,364	161,032
TOTAL LIABILITIES		241,613	282,801	177,296	205,606
TOTAL EQUITY AND LIABILITIES		549,986	561,087	378,996	392,577
NET ASSETS PER ORDINARY SHARE (sen)	37	21.79	19.81		

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		THE GROUP		THE COMPANY	
		2009	2008	2009	2008
	NOTE	RM'000	RM'000	RM'000	RM'000
REVENUE	38	331,728	285,600	190,342	142,958
COST OF SALES	39	(254,392)	(222,209)	(156,778)	(106,730)
GROSS PROFIT		77,336	63,391	33,564	36,228
OTHER INCOME		2,141	3,719	12,504	2,083
		79,477	67,110	46,068	38,311
ADMINISTRATIVE EXPENSES		(28,247)	(25,557)	(18,378)	(16,909)
FINANCE COSTS		(11,745)	(15,058)	(5,111)	(7,602)
OTHER OPERATING EXPENSES		(8,527)	(10,659)	(5,700)	(4,914)
		30,958	15,836	16,879	8,886
SHARE OF (LOSS)/PROFIT IN ASSOCIATES		(537)	2	–	–
PROFIT BEFORE TAXATION	40	30,421	15,838	16,879	8,886
INCOME TAX EXPENSE	41	(14,840)	(5,206)	(2,150)	(1,350)
PROFIT AFTER TAXATION		15,581	10,632	14,729	7,536
ATTRIBUTABLE TO:-					
Equity holders of the Company		15,581	10,677	14,729	7,536
Minority Interests		–	(45)	–	–
		15,581	10,632	14,729	7,536
Earnings Per Share					
- Basic	42	1.11sen	0.78sen		
- Diluted	42	1.10sen	0.76sen		

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

THE GROUP	SHARE CAPITAL ORDINARY SHARE CAPITAL RM'000	SHARE CAPITAL NON-CUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") RM'000	SHARE PREMIUM RM'000
Balance at 1.1.2008	205,296	11,120	35,052
Conversion of ICPS into ordinary shares	5,382	(5,382)	–
Overprovision of deferred taxation	–	–	–
Realisation on usage of property	–	–	–
Amount recognised directly in equity relating to assets held for sale	–	–	–
Incorporation of a subsidiary	–	–	–
Profit after taxation	–	–	–
Currency translation difference not recognised in the income statements	–	–	–
Balance at 31.12.2008/1.1.2009	210,678	5,738	35,052
Conversion of ICPS into ordinary shares	1,599	(1,599)	–
Additional investment in a subsidiary	–	–	–
Net effect of change in equity interest as a result of additional investment in a subsidiary	–	–	–
Reclassified from reserve related to assets held for sale to revaluation reserve	–	–	–
Realisation on usage of property	–	–	–
Revaluation surplus	–	–	–
Profit after taxation	–	–	–
Currency translation difference not recognised in the income statements	–	–	–
Balance at 31.12.2009	212,277	4,139	35,052

THE COMPANY
Balance at 1.1.2008
Conversion of ICPS into ordinary shares
Profit after taxation
Balance at 31.12.2008/1.1.2009
Conversion of ICPS into ordinary shares
Profit after taxation
Balance at 31.12.2009

Attributable to equity holders of Company: Non-distributable			Distributable			
FOREIGN EXCHANGE TRANSLATION RESERVE RM'000	RESERVE RELATING TO ASSET HELD FOR SALE RM'000	REVALUATION RESERVE RM'000	RETAINED PROFITS RM'000	TOTAL RM'000	MINORITY INTEREST RM'000	TOTAL EQUITY RM'000
–	–	13,516	2,231	267,215	–	267,215
–	–	–	–	–	–	–
–	–	375	–	375	–	375
–	–	(167)	167	–	–	–
–	13,724	(13,724)	–	–	–	–
–	–	–	–	–	45	45
–	–	–	10,677	10,677	(45)	10,632
19	–	–	–	19	–	19
19	13,724	–	13,075	278,286	–	278,286
–	–	–	–	–	–	–
–	–	–	–	–	(24)	(24)
–	–	–	(24)	(24)	24	–
–	(13,724)	13,724	–	–	–	–
–	–	(329)	329	–	–	–
–	–	14,576	–	14,576	–	14,576
–	–	–	15,581	15,581	–	15,581
(46)	–	–	–	(46)	–	(46)
(27)	–	27,971	28,961	308,373	–	308,373

Attributable to equity holders of Company: Share capital		Non-distributable	Distributable	
ORDINARY SHARE CAPITAL RM'000	NON-CUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARE ("ICPS") RM'000	SHARE PREMIUM RM'000	ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000
205,296	11,120	35,052	(72,033)	179,435
5,382	(5,382)	–	–	–
–	–	–	7,536	7,536
210,678	5,738	35,052	(64,497)	186,971
1,599	(1,599)	–	–	–
–	–	–	14,729	14,729
212,277	4,139	35,052	(49,768)	201,700

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		THE GROUP		THE COMPANY	
		2009	2008	2009	2008
	NOTE	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		30,421	15,838	16,879	8,886
Adjustments for:-					
Allowance for foreseeable loss on a contract		2,257	8,711	–	–
Allowance for doubtful debts		713	800	607	–
Allowance for impairment loss on associates		1,000	–	1,000	–
Allowance for slow-moving inventories		–	311	–	–
Amortisation of concession assets		262	288	262	288
Amortisation of intellectual properties		1,380	1,380	615	615
Amortisation of prepaid land lease payments		309	308	–	–
Amortisation of development costs		1,851	2,552	1,851	2,552
Bad debts written off		3,274	4,335	3,082	4,335
Depreciation of property, plant and equipment		11,067	12,815	668	657
Interest expense		11,745	14,286	5,111	6,906
Inventories written off		13,452	12,050	3,468	6,164
Loss on deconsolidation of subsidiaries		–	144	–	–
Provision for warranty claim		5,697	–	2,500	–
Development costs written off		2,085	–	2,085	–
Share of (profit)/loss in an associate		537	(2)	–	–
Bad debts recovered		(16)	–	(1)	–
Gain on disposal of plant and equipment		(41)	(79)	(19)	(77)
Interest income		(659)	(1,338)	(463)	(773)
Reversal/Overprovision of allowance for slow-moving inventories		(800)	(10,359)	–	(4,453)
Unrealised (gain)/loss on foreign exchange		140	(40)	305	(8)
Writeback of:					
- allowance for doubtful debts		–	(115)	–	(10)
- inventories previously written off		(304)	–	(216)	–
Operating profit before working capital changes/ Balance carried forward		84,370	61,885	37,734	25,082

	NOTE	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
Operating profit before working capital changes/ Balance brought forward		84,370	61,885	37,734	25,082
(Increase)/Decrease in inventories		(6,542)	2,805	(5,547)	740
Increase in trade and other receivables		(9,384)	(34,541)	(1,230)	(37,242)
(Decrease)/Increase in trade and other payables		(16,460)	24,119	(16,655)	23,320
Decrease in amount owing by/to contract customers		12,075	7,557	10,621	7,826
Net increase in amount owing to subsidiaries		–	–	13,215	10,467
(Increase)/Decrease in amount owing by associates		(18,817)	3,850	–	8
Proceeds from issuance of shares by subsidiary to minority shareholders		–	45	–	–
Net (decrease)/increase in amount owing to related parties		(164)	55	(158)	67
CASH FROM OPERATIONS		45,078	65,775	37,980	30,268
Interest paid		(12,273)	(14,286)	(6,135)	(6,906)
Interest received		659	1,338	463	773
Tax paid		(10,383)	(1,475)	(2,937)	(46)
NET CASH FROM OPERATING ACTIVITIES		23,081	51,352	29,371	24,089
CASH FLOWS FOR INVESTING ACTIVITIES					
Purchase of intellectual properties		–	(4)	–	–
Net cash flow on additional investment in subsidiary		(24)	–	(24)	–
Incorporation of a subsidiary		–	–	–	(133)
Acquisition of concession assets		(1,140)	(7,715)	(1,140)	(7,865)
Purchase of plant and equipment	43	(2,798)	(3,101)	(999)	(335)
Proceeds from disposal of plant and equipment		172	606	150	583
Grant received on development costs		2	371	2	371
NET CASH FOR INVESTING ACTIVITIES		(3,788)	(9,843)	(2,011)	(7,379)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 *continued*

		THE GROUP		THE COMPANY	
		2009	2008	2009	2008
	NOTE	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FOR FINANCING ACTIVITIES					
Drawdown of revolving credit		–	10,314	–	–
Drawdown of term loans		20,286	20,211	20,286	20,211
Decrease in bankers' acceptances		(333)	(7,608)		(8,292)
Repayment of bonds		(56,250)	(25,000)	(56,250)	(25,000)
Repayment of Murabahah commercial papers		–	(5,000)	–	–
Repayment of hire purchase and lease obligations		(5,598)	(6,389)	(242)	(270)
Repayment of promissory notes by a subsidiary		–	–	9,000	8,500
Repayment of term loans		(4,199)	(670)	(4,199)	(670)
NET CASH FOR FINANCING ACTIVITIES		(46,094)	(14,142)	(31,405)	(5,521)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(26,801)	27,367	(4,045)	11,189
Foreign exchange translation differences		(46)	19	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		55,334	27,948	24,515	13,326
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	44	28,487	55,334	20,470	24,515

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
Principal place of business	:	4th Floor, IRIS Smart Technology Complex, Technology Park Malaysia, Bukit Jalil, 57000 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 15 April 2010.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in technology consulting, and the implementation of digital identity and business solutions. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign exchange risk on investments, sales and purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

Surpluses of convertible currencies are either retained in foreign currency or sold for Ringgit Malaysia. The Group's foreign currency transactions and balances are substantially denominated in United States ("US") Dollar, Euro, Pound Sterling, Singapore Dollar, New Turkish Lira, Egyptian Pound, and Australian Dollar.

(ii) Interest Rate Risk

The Group obtains financing through bank borrowings, hire purchase and lease facilities. Its policy is to obtain the most favourable interest rates available.

Surplus funds are placed with licensed financial institutions at the most favourable interest rates.

(iii) Price Risk

The Group does not have any quoted investment and hence is not exposed to price risk.

(b) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

3. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Credit Risk (cont'd)

The Group's concentration of credit risks relates to the amounts owing by four major customers which made up approximately 60% of its total receivables at the balance sheet date.

The Group manages its exposure to credit risks by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(c) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and adequate working capital to meet its obligations as and when they fall due.

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other section under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

The Group has not applied in advance the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

FRSs/IC INTERPRETATIONS	EFFECTIVE DATE
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011

4. BASIS OF PREPARATION (cont'd)

FRSs/IC INTERPRETATIONS	EFFECTIVE DATE
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments	1 January 2010/ 1 March 2010
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:

The revised FRS 3 (2010) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

4. BASIS OF PREPARATION (cont'd)

The Group considers financial guarantee contracts entered into to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

FRS 8 replaces FRS 114_{2004} Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

The revised FRS 101 (2009) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the next financial year.

The revised FRS 127 (2010) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of the revised FRS 127 (2010) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 1 and FRS 127 remove the definition of "cost method' currently set out in FRS 127, and instead require an investor to recognise all dividend from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent recognises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganization date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 2: Vesting Conditions and Cancellation clarify the definition of vesting conditions for the purposes of FRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

Amendments to FRS 138 clarify the requirements under the revised FRS 3 (2010) regarding accounting for intangible assets acquired in a business combination. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

IC Interpretation 9 requires embedded derivatives to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date the entity first became a party to the contract. The possible impacts of IC Interpretation 9 on the financial statements upon its initial application are not disclosed by virtue of the exemptions given under the revised FRS 139 (2010).

4. BASIS OF PREPARATION (cont'd)

IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

IC Interpretation 12 requires an operator in a service concession arrangement to recognise either its unconditional contractual right to receive cash (or another financial asset) for the construction of the infrastructure assets as a financial asset or its right to charge users of the public service as an intangible asset; or a combination of both. Currently, the Group recognises the infrastructure assets as property, plant and equipment and depreciates them on the same basis as owned assets. The possible impacts of IC Interpretation 12 on the financial statements upon its initial applications are not disclosed by virtue of the exemption given in this interpretation.

Amendments to IC Interpretation 9 are a consequential amendment from the revised FRS 3 (2010). These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application except for leasehold land where in substance a finance lease will be reclassified from 'prepaid lease payments' to 'property, plant and equipment' and measured as such retrospectively.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Critical Accounting Estimates And Judgements (cont'd)

(iv) Amortisation of Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

(v) Contracts

Contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

- *Contract Revenue*

  Contracts accounting requires that variation claims and incentives payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

- *Contract Cost*

  Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract management estimates the profitability of the contract on an individual basis any particular time.

(vi) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vii) Allowance for Slow-moving Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(viii) Revaluation of Properties

The Group's properties which are reported at valuation are based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(ix) Contingent Liabilities

The directors' are of the opinion that provisions are not required in respect of the contingent liabilities as it is not probable that a future sacrifice of economic benefit will be required.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Critical Accounting Estimates And Judgements (cont'd)

(x) Share-based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(xi) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(c) Functional and Foreign Currencies

(i) Functional and Presentation Currencies

The functional currency of each of the Group's entity is the currency of the primary economic environment in which that entity operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the Group's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into RM at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Functional and Foreign Currencies (cont'd)

(iii) Foreign Operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition of foreign operations, are translated to RM for consolidation at the rates of exchange ruling at the balance sheet date. Revenues and expenses of foreign operations are translated into RM at the average rates for the financial year. All resulting exchange differences arising on translation are recognised as a separate component of equity. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of foreign currency balances at the balance sheet date were as follows:-

	2009 RM	2008 RM
Euro	4.92	4.88
Pound Sterling	5.50	5.05
Egyptian Pound	0.62	0.64
United States Dollar	3.42	3.49
Singapore Dollar	2.44	2.42
Australian Dollar	3.06	2.41
Chinese Renminbi	0.50	–
Thai Baht	0.10	–
Canadian Dollar	3.26	–

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2009.

A subsidiary is defined as a company in which the Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated balance sheet consist of the minorities' share of fair values of the identifiable, assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

(f) Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are probable;

(iv) its ability to use or sell the developed asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense are not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

(g) Intangible Assets

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Intangible Assets (cont'd)

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(h) Investments

(i) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(ii) Other Investments

Other investments held on a long-term basis are stated at cost less allowance for permanent diminution in value.

On the disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(i) Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investments in associates in the consolidated financial statements are accounted for under the equity method, based on the financial statements of the associates made up to 31 December 2009. The Group's share of the post acquisition profits of the associates is included in the consolidated income statement and the Group's interest in associates is stated at cost plus the Group's share of the post-acquisition retained profits and reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

(j) Property, Plant and Equipment

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Property, Plant and Equipment (cont'd)

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Building	2%
Office equipment, furniture and fittings	10% - 33.3%
Motor vehicles	20%
Plant and machinery	7.5% - 33%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

(k) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 – Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and its value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(l) Assets under Hire Purchase and Lease

Leases of plant and equipment where substantially all the benefits and risk of ownership are transferred to the Group are classified as finance leases.

Plant and equipment acquired under finance lease and hire purchase are capitalised in the financial statements.

Each lease or hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Assets under Hire Purchase and Lease (cont'd)

Finance charges are allocated to the income statement over the period of the respective lease and hire purchase agreements.

Plant and equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Group, the assets are depreciated over the shorter of the lease terms and their useful lives.

(m) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from lessor) are charged to the income statement on a straight-line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(n) Prepaid Land Lease Payments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the term of the leases of 24 years.

(o) Non-Current Assets held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

(p) Concession Assets

Items classified as concession assets comprise Electronic Passport System ("EPS") and Solid Waste Disposal and Electricity Power Generation Plant.

(i) Electronic Passport System

EPS comprises computer hardware, software development and special equipment (to provide a fully integrated and highly secure system for production, issuance and authentication of e-passports) incurred in connection with the concession.

EPS is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 5(k) to the financial statements.

The amortisation formula applied in the preparation of the financial statements to arrive at the annual amortisation charge for each financial period is as follows:

$$\frac{\text{Cumulative Inlay Revenue To-date}}{\text{Projected Total Inlay Revenue of The Concession}} \times \text{Cumulative Actual Development Expenditure} - \text{Accumulated Amortisation To-date}$$

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Concession Assets (cont'd)

(ii) Solid Waste Disposal and Electricity Power Generation Plant

The development expenditure comprises design, construction and maintenance expenditure of a 60-ton per day rated-capacity solid waste disposal and 1,500 kilowatt electricity generation plant in connection with the concession.

Incinerator plant is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement is in accordance with Note 5(k) to the financial statements.

The annual amortisation in respect of the plant is computed on a straight-line basis over a 12-year concession period.

(q) Government Grants

Government grants which relate to the cost of development expenditure and brand promotion are recognised on a receivable basis, and are set off against the related advertisement and promotional expenses.

(r) Intellectual Property

The intellectual property consists of the acquisition cost of the exclusive rights of a suite of software modules, including the trademarks, copyright, source codes and associated documentation. The acquisition cost is capitalised as an intangible asset as it is able to generate future economic benefits to the Group.

The intellectual property is amortised on a straight-line basis over the period of 20 years during which its economic benefits are expected to be consumed.

When the indication of impairment exists, the carrying amount is assessed and written down immediately to its recoverable amount.

(s) Promissory Notes

Promissory notes represent non-interest bearing promissory notes issued by a subsidiary namely IRIS Technologies (M) Sdn Bhd which are redeemable commencing from 2005 to 2009. Promissory notes are recognised at cost when the contractual right to receive cash or another financial asset from the subsidiary is established.

Promissory notes are classified as current assets unless the subsidiary has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Revaluation Reserve

The revaluation of the building is undertaken periodically whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Surpluses arising from the revaluation of properties are credited to the revaluation reserve account. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are charged to the income statement.

In the year of disposal of the revalued asset, the attributable remaining revaluation surplus is transferred from the revaluation reserve account to retained profits.

(u) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and an appropriate proportion of production overheads.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Inventories (cont'd)

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(v) Amounts Due By/To Contract Customers

The amounts due by/to contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

(w) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(x) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(y) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

(z) Interest-bearing Borrowings

The interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

(aa) Bonds

Bonds issued by the Company are initially recognised based on proceeds received, net of issuance expenses incurred and are adjusted in subsequent years for amortisation of premium and/or accretion of discount to maturity, using the effective yield method. The premium amortised and/or discount accreted is recognised in the income statement over the period of the bonds.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ab) Income Taxes

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(ac) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options as shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ad) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(ae) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ae) Employee Benefits (cont'd)

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(iii) Share-based Payment Transactions

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The share options granted to the directors and employees of the Group are disclosed in the notes to the financial statements. The Group makes a charge to the income statement in connection with expenses relating to share based payments from grant date to vesting date. The Group has adopted FRS 2 - Share-based Payment, to the Group's ESOS which are treated as equity settled. Reserves are made for equity settled share-based compensation according to the requirement of FRS 2.

(af) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venture;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) or;

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(ag) Revenue Recognition

(i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ag) Revenue Recognition (cont'd)

(iii) Interest Income

Interest income is recognised on an accrual basis based on the effective yield on the investment.

(iv) Contract Revenue

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on completion of a physical proportion of the contract work.

(v) Rental Income

Rental income is recognised on an accrual basis.

(vii) Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(ah) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of plant and equipment (net of accumulated depreciation, where applicable), other investments, inventories, receivables and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

6. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	190,180	190,156
Accumulated impairment losses	(9,729)	(9,729)
	180,451	180,427

6. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:-

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST 2009 %	2008 %	PRINCIPAL ACTIVITIES
Asiatronics Sdn Bhd *# (In Members' Voluntary Winding Up)	Malaysia	80	80	Dormant.
TL Technology Research (Aust) Pty Limited *## (In Creditors' Voluntary Winding Up)	Australia	100	100	Dormant.
IRIS Technologies (M) Sdn Bhd ("ITech")	Malaysia	100	100	Research, development and manufacturing of contact and contactless smart technology based products.
IRIS Corporation North America Ltd *	United States of America	100	100	Dormant.
IRIS Egypt LLC*	Egypt	87.5	75	Provision of products, services, maintenance and solutions for identity security documents, biometrics information technology and communication in Egypt.
Capillary Agrotech (Malaysia) Sdn Bhd	Malaysia	100	100	Professional design, construction and maintenance of automatic watering and feeding system for agricultural horticultural and other purposes.
IRIS Information Technology Systems Sdn Bhd^	Malaysia	100	100	Maintaining and servicing autogate, image retrieval identification system (I.R.I.S) and marketing of contact and contactless smart technology based products.
IRIS Eco Power Sdn Bhd (formerly known as Versatile P4 Power Resources Sdn Bhd)^	Malaysia	51	51	Manufacture, supply and trading of power and energy related equipment, the manufacture and supply of incinerators and the manufacture and supply of desalination equipment.
Endah Farm Sdn Bhd^^	Malaysia	60	–	Dormant.

* Not audited by Messrs. Crowe Horwath.
^ Held through IRIS Technologies (M) Sdn Bhd
^^ Held through Capillary Agrotech (Malaysia) Sdn Bhd
\# At an Extraordinary General Meeting held on 6 October 2008, the company was wound up via a Members Voluntary Winding Up and the winding up is in progress.
\## At an Extraordinary General Meeting held on 21 December 2007, the company was wound up via a Creditors Voluntary Liquidation and the liquidation is in progress.

6. INVESTMENT IN SUBSIDIARIES (cont'd)

The winding up and liquidation of the two companies have no material financial impact on the Group as the companies were dormant.

7. INVESTMENT IN ASSOCIATES

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
Unquoted shares, at cost	7,014	7,014	5,814	5,814
Allowance for impairment losses	(1,000)	–	(1,000)	–
Share of post acquisition loss	(1,328)	(791)	–	–
At 31 December	4,686	6,223	4,814	5,814

Details of the associates are as follows:-

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST 2009 %	EFFECTIVE EQUITY INTEREST 2008 %	PRINCIPAL ACTIVITIES
GMPC Corporation Sdn Bhd *#	Malaysia	25	25	Provision of multi-purpose Smart Cards to the Malaysian Government.
Multimedia Display Technologies Sdn Bhd *	Malaysia	44.4	44.4	Research, development, marketing and distribution of CRT/LCD display monitors and Radio frequency identity system (RFID).
Loyalty Wizards Sdn Bhd *#	Malaysia	16.2	20	Provision of solutions for loyalty management program.
Paysys (M) Sdn Bhd *	Malaysia	30	30	Provision of terminals and solutions for credit card transactions.

* Equity accounting was done based on the management financial statements as the audited financial statements of these companies were not available.

\# Held through IRIS Technologies (M) Sdn Bhd

The Group's share of the associated companies' revenue, expenses, assets and liabilities are as follows:-

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
Assets and Liabilities				
Total assets	9,741	11,625	5,567	6,864
Total liabilities	4,989	6,512	1,533	1,522
Results				
Revenue	23,214	25,184	4,960	5,036
Profit/(Loss) for the year	(537)	2	(569)	(106)

8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	
NET BOOK VALUE	
Building	
- at cost	
- at valuation	
Office equipment, furniture and fittings	
Motor vehicles	
Plant and machinery	

THE GROUP	AT 1.1.2008 RM'000	ADDITIONS RM'000
NET BOOK VALUE		
Building		
- at cost	40,232	–
- at valuation	16,961	–
Office equipment, furniture and fittings	7,476	731
Motor vehicles	591	351
Plant and machinery	39,162	2,796
	104,422	3,878

AT 1.1.2009 RM'000	ADDITIONS RM'000	REVALUATION SURPLUS RM'000	DISPOSALS RM'000	DEPRECIATION CHARGE RM'000	RECLASSIFIED FROM NON-CURRENT ASSET HELD FOR SALE (NOTE 23) RM'000	AT 31.12.2009 RM'000
–	–	–	–	(789)	39,442	38,653
–	–	19,435	–	(350)	16,611	35,696
6,130	1,318	–	–	(1,691)	–	5,757
612	722	–	(131)	(255)	–	948
32,724	1,366	–	–	(7,982)	–	26,108
39,466	3,406	19,435	(131)	(11,067)	56,053	107,162

DISPOSALS RM'000	REVERSAL RM'000	RECLASSIFIED FROM INVENTORIES RM'000	RECLASSI-FICATIONS RM'000	DEPRECIATION CHARGE RM'000	RECLASSIFIED TO NON-CURRENT ASSET HELD FOR SALE (NOTE 23) RM'000	AT 31.12.2008 RM'000
–	–	–	–	(790)	(39,442)	–
–	–	–	–	(350)	(16,611)	–
(258)	–	–	(34)	(1,785)	–	6,130
(95)	–	–	–	(235)	–	612
(174)	(466)	1,027	34	(9,655)	–	32,724
(527)	(466)	1,027	–	(12,815)	(56,053)	39,466

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

THE GROUP	COST RM'000	AT VALUATION RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2009				
Building				
- at cost	42,594	–	(3,941)	38,653
- at valuation	–	37,446	(1,750)	35,696
Office equipment, furniture and fitting	17,591	–	(11,834)	5,757
Motor vehicles	1,906	–	(958)	948
Plant and machinery	83,619	–	(57,511)	26,108
	145,710	37,446	(75,994)	107,162
AT 31.12.2008				
Office equipment, furniture and fitting	16,272	–	(10,142)	6,130
Motor vehicles	1,359	–	(747)	612
Plant and machinery	82,253	–	(49,529)	32,724
	99,884	–	(60,418)	39,466

THE COMPANY	AT 1.1.2009 RM'000	ADDITIONS RM'000	DISPOSALS RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2009 RM'000
NET BOOK VALUE					
Office equipment, furniture and fittings	814	920	–	(502)	1,232
Motor vehicles	474	464	(131)	(164)	643
Plant and machinery	3	13	–	(2)	14
	1,291	1,397	(131)	(668)	1,889

	AT 1.1.2008 RM'000	ADDITIONS RM'000	RECLASSI-FICATION RM'000	DISPOSALS RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2008 RM'000
NET BOOK VALUE						
Office equipment, furniture and fittings	1,318	295	(34)	(237)	(528)	814
Motor vehicles	346	351	–	(95)	(128)	474
Plant and machinery	144	–	34	(174)	(1)	3
	1,808	646	–	(506)	(657)	1,291

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

THE COMPANY	COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2009			
Office equipment, furniture and fittings	4,667	(3,435)	1,232
Motor vehicles	1,025	(382)	643
Plant and machinery	18	(4)	14
	5,710	(3,821)	1,889
AT 31.12.2008			
Office equipment, furniture and fittings	3,747	(2,933)	814
Motor vehicles	735	(261)	474
Plant and machinery	5	(2)	3
	4,487	(3,196)	1,291

All the property, plant and equipment have been pledged to financial institutions as security for banking facilities granted to a subsidiary of the Company and the bonds issued by them as disclosed in Note 32 to the financial statements.

On 31 December 2009, the property was revalued by the directors using the open market value basis based on the valuation carried out by an independent firm of professional valuers on 27 January 2010.

At the balance sheet date, the net book values of the following assets of the Group and of the Company acquired under hire purchase and finance lease terms were as follows:-

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Office equipment	–	166	–	–
Motor vehicles	925	608	626	474
Plant and machinery	10,963	13,632	–	–

Had the revalued property been carried at cost less accumulated depreciation, the net book value of the property would be RM32,668,633 at balance sheet date.

9. PREPAID LAND LEASE PAYMENTS

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000
At surrogate cost	–	7,193
Reclassified from/(to) non-current assets held for sale (Note 23)	7,193	(7,193)
Accumulated amortisation	(1,542)	–
	5,651	–
Accumulated amortisation:-		
At 1 January	–	(925)
Amortisation for the financial year	(309)	(308)
Reclassified from/(to) non-current assets held for sale (Note 23)	(1,233)	1,233
At 31 December	(1,542)	–

The leasehold land has been pledged as security for banking facilities granted to the Group and the Company.

10. CONCESSION ASSETS

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
Electronic Passport System	7,753	6,875	7,753	6,875
Solid Waste Disposal and Electricity Power Generation Plant	–	16,350	–	16,500
	7,753	23,225	7,753	23,375

10. CONCESSION ASSETS (cont'd)

Details of the Concession Assets are as follows:-

THE GROUP	ELECTRONIC PASSPORT SYSTEM RM'000	SOLID WASTE DISPOSAL AND ELECTRICITY POWER GENERATION PLANT RM'000	TOTAL RM'000
COST:-			
At 1 January 2008	5,669	10,129	15,798
Addition	1,494	6,221	7,715
At 31 December 2008/1 January 2009	7,163	16,350	23,513
Addition	1,140	2,171	3,311
	8,303	18,521	26,824
Transfer to income statements	–	(18,521)	(18,521)
Accumulated amortisation:-			
At 31 December 2008/1 January 2009	(288)	–	(288)
Amortisation charge	(262)	–	(262)
	(550)	–	(550)
At 31 December 2009	7,753	–	7,753

THE COMPANY	ELECTRONIC PASSPORT SYSTEM RM'000	SOLID WASTE DISPOSAL AND ELECTRICITY POWER GENERATION PLANT RM'000	TOTAL RM'000
COST:			
At 1 January 2008	5,669	10,129	15,798
Addition	1,494	6,371	7,865
At 31 December 2008/1 January 2009	7,163	16,500	23,663
Addition	1,140	2,200	3,340
	8,303	18,700	27,003
Transfer to income statements	–	(18,700)	(18,700)
Accumulated amortisation:-			
At 31 December 2008/1 January 2009	(288)	–	(288)
Amortisation charge	(262)	–	(262)
	(550)	–	(550)
At 31 December 2009	7,753	–	7,753

At 31 December 2009, no amortisation had been made for the solid waste disposal and electricity power generation plant as the concession asset was disposed of during the current financial year as a result of the amendments made to the terms of the contract.

11. DEVELOPMENT COSTS

	THE GROUP/THE COMPANY 2009 RM'000	2008 RM'000
At 1 January	19,461	19,832
Written off during the financial year	(3,209)	–
At 31 December	16,252	19,832
Government grants	(2)	(371)
Amortisation of development costs:-		
At 1 January	(12,106)	(9,554)
Amortisation charge	(1,851)	(2,552)
Written off during the financial year	1,124	–
	(12,833)	(12,106)
At 31 December	3,417	7,355

12. INTELLECTUAL PROPERTIES

	THE GROUP 2009 RM'000	2008 RM'000	THE COMPANY 2009 RM'000	2008 RM'000
At cost	28,217	28,154	12,851	12,851
Accumulated amortisation				
As at 1 January	(14,658)	(13,278)	(6,498)	(5,883)
Charge during the financial year	(1,380)	(1,380)	(615)	(615)
As at 31 December	(16,038)	(14,658)	(7,113)	(6,498)
	12,179	13,496	5,738	6,353

13. OTHER INVESTMENTS

	THE GROUP/THE COMPANY 2009 RM'000	2008 RM'000
Unquoted shares, at cost		
- in Singapore	2,378	2,378
- in Hong Kong	981	981
Club membership	406	406
	3,765	3,765
Less: Impairment loss in value	(3,359)	(3,359)
	406	406

The fair value of the investment in a golf club membership approximated the carrying value as at the balance sheet date.

14. GOODWILL ON CONSOLIDATION

	THE GROUP 2009 RM'000	2008 RM'000
IRIS Technologies (M) Sdn Bhd	128,268	128,268
Capillary Agrotech (Malaysia) Sdn Bhd	5,714	5,714
	133,982	133,982

During the financial year, the Group assessed the recoverable amount of purchase goodwill and the Directors are of the opinion that goodwill is not impaired.

The basis of the determination of the recoverable amount is set out below.

The recoverable amount of a cash-generating unit is determined using the value-in-use approach, and this is derived from the present value of the future cash flows from this segment computed based on the projections of financial budgets approved by management covering a period of five years. The key assumptions used in the determination of the recoverable amount are as follows:-

	GROSS MARGIN		GROWTH RATE		DISCOUNT RATE	
	2009	2008	2009	2008	2009	2008
IRIS Technologies (M) Sdn Bhd	22%	21%	2%	2%	6.6%	6.6%
Capillary Agrotech (M) Sdn Bhd	40%	40%	2%	10%	6%	6%

14. GOODWILL ON CONSOLIDATION (cont'd)

Item	Basis of assumption
(a) Budgeted gross margin	The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements and cost saving measures.
(b) Growth rate	The growth rates used are based on the most recent financial budgets approved by the management covering a five years period based on the expected projection of revenue.
(c) Discount rate	The discount rate used is based on the average borrowing rates.

15. INVENTORIES

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
AT COST:-				
Raw materials	17,805	28,683	7,804	8,439
Work in progress	11,287	5,384	–	–
Finished goods	35,082	36,713	17,694	14,764
	64,174	70,780	25,498	23,203
Allowance for slow-moving inventories:-				
At 1 January	(800)	(10,848)	–	(4,453)
Addition for the financial year	–	(311)	–	–
Overprovision in the previous financial year	–	10,359	–	4,453
Reversal of provision	800	–	–	–
At 31 December	–	(800)	–	–
	64,174	69,980	25,498	23,203

None of the inventories is carried at net realisable value.

16. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade receivables	139,814	102,662	75,288	49,392
Allowance for doubtful debts	(733)	(1,061)	(607)	(1,041)
	139,081	101,601	74,681	48,351

16. TRADE RECEIVABLES (cont'd)

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Allowance for doubtful debts				
At 1 January	(1,061)	(6,917)	(1,041)	(2,524)
Addition for the financial year	(713)	–	(607)	–
Written off during the financial year	1,041	5,741	1,041	1,473
Writeback during the financial year	–	115	–	10
At 31 December	(733)	(1,061)	(607)	(1,041)

The Group and the Company's normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

17. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

The following tabulation of construction contracts shows the elements included in the amounts due from and due to the contract customers:

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Aggregate costs incurred to date	245,422	144,250	188,271	70,770
Attributable profit	73,760	45,430	92,134	53,958
	319,182	189,680	280,405	124,728
Foreseeable losses	–	(8,711)	–	–
Progress billings	(332,989)	(182,701)	(294,233)	(127,935)
	(13,807)	(1,732)	(13,828)	(3,207)
Represented by:				
Due by contract customers	21	6,783	–	5,150
Due to contract customers	(13,828)	(8,515)	(13,828)	(8,357)
	(13,807)	(1,732)	(13,828)	(3,207)
Amount of contract revenue recognised as revenue during the financial year (Note 38)	173,972	135,315	167,804	93,702
Amount of contract costs recognised as expenses during the financial year (Note 39)	135,775	93,464	128,737	53,041

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Other receivables	16,128	28,785	991	14,673
Deposits	580	1,058	278	645
Prepayments	3,711	8,493	2,620	2,665
	20,419	38,336	3,889	17,983

Other receivables represent amounts advanced for projects which have credit terms based on the completion period of each project.

Included in the prepayments of the Group and the Company are RM974,742 (2008 - RM2,593,487) and RM561,314 (2008 - RM1,683,944) respectively representing the amount discounted from the proceeds from the issue of bonds which will be amortised over the repayment period of 7 years from the issue date.

19. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	THE COMPANY	
	2009	2008
	RM'000	RM'000
Amount owing by:		
- trade balances	26,283	19,906
- non-trade balances	22,495	19,255
	48,778	39,161
Amount owing to:		
- trade balances	(81,645)	(55,843)
- non-trade balances	(7,001)	(9,971)
	(88,646)	(65,814)

The amounts owing are unsecured, interest-free, repayable on demand and to be settled in cash.

20. AMOUNT OWING BY ASSOCIATES

	THE GROUP	
	2009	2008
	RM'000	RM'000
Amount owing by:		
- trade balances	21,245	3,228
Less: allowance for doubtful debts	–	(800)
	21,245	2,428

The amount owing is unsecured, interest-free, repayable on demand and to be settled in cash.

21. AMOUNTS OWING BY/(TO) RELATED PARTIES

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amount owing by:				
- trade balances	72	20	–	–
- non-trade balances	122	229	83	193
	194	249	83	193
Amount owing to:				
- trade balances	(56)	(89)	(1)	(81)
- non-trade balances	(38)	(224)	–	(188)
	(94)	(313)	(1)	(269)

The amounts owing are unsecured, interest-free, repayable on demand and to be settled in cash.

22. DEPOSITS WITH LICENSED BANKS

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term deposit with a licensed bank	–	2,874	–	2,212
Fixed deposits with licensed banks	17,044	14,554	12,879	11,155
	17,044	17,428	12,879	13,367

Deposits with licensed banks of the Group and the Company amounting to RM17,044,010 (2008 - RM15,280,511) and RM12,878,833 (2008 - RM11,219,706) respectively are charged to the bank for credit facilities granted to the Group and the Company.

The weighted average effective interest rates of the deposits at the balance sheet date ranged from 1.75% to 3.02% (2008 - 1.75% to 3.60%). The fixed deposits have maturity periods of 1 to 365 (2008 - 1 to 365) days.

23. NON-CURRENT ASSETS HELD FOR SALE

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000
At 1 January	62,013	–
Reclassified from/(to) property, plant and equipment (Note 8)	(56,053)	56,053
Reclassified from/(to) prepaid land lease payments (Note 9)	(5,960)	5,960
At 31 December	–	62,013

The intended sale of the two plots of leasehold land and a four (4) and a half storey office and manufacturing building bearing the postal address Lot 8 & 9, IRIS Smart Technology Complex, Technology Park Malaysia, Bukit Jalil, 57000 Kuala Lumpur with an estimated land area of approximately 188,179 sq ft is no longer required during the financial year.

The property at the balance sheet date was revalued on 31 December 2004 by an independent firm of professional valuers using the open market basis.

The property at the balance sheet date has been pledged as security for bank borrowings.

24. SHARE CAPITAL

	THE COMPANY			
	2009	2008	2009	2008
	NUMBER OF SHARE '000	NUMBER OF SHARE '000	RM'000	RM'000
AUTHORISED				
Ordinary shares of RM0.15 each	2,500,000	2,500,000	375,000	375,000
Non-cumulative Irredeemable Convertible Preference Shares ("ICPS") of RM0.15 each	700,000	700,000	105,000	105,000
	3,200,000	3,200,000	480,000	480,000

24. SHARE CAPITAL (cont'd)

	THE COMPANY			
	2009	2008	2009	2008
	NUMBER OF SHARE			
	'000	'000	RM'000	RM'000
ISSUED AND FULLY PAID-UP:				
Ordinary Shares of RM0.15 each:				
At 1 January	1,404,520	1,368,642	210,678	205,296
Issuance of shares pursuant to the conversion of ICPS to ordinary shares	10,659	35,878	1,599	5,382
At 31 December	1,415,179	1,404,520	212,277	210,678
Non-cumulative Redeemable Convertible Preference Shares ("ICPS") of RM0.15 each				
At 1 January	38,251	74,129	5,738	11,120
Conversion to ordinary shares	(10,659)	(35,878)	(1,599)	(5,382)
At 31 December	27,592	38,251	4,139	5,738
TOTAL	1,442,771	1,442,771	216,416	216,416

During the financial year, 10,659,100 non-cumulative irredeemable convertible preference shares of ("ICPS") of RM0.15 each were converted into 10,659,100 ordinary shares. The new shares which arose from the conversion of the ICPS rank pari passu in all respects with the existing shares of the Company.

Non-cumulative Irredeemable Convertible Preference Shares
On 27 June 2006, the Company issued 368,343,533 units of 3% Non-cumulative Irredeemable Convertible Preference Shares ("ICPS") at RM0.15 each. The salient terms of the ICPS are as follows:-

a) The ICPS are unsecured and shall rank pari passu amongst all ICPS in all respects and without discrimination or preference;

b) The ICPS are not redeemable for cash. Unless previously converted, all ICPS will be mandatorily converted into new ICB shares at the Conversion Price on the Maturity Date of the ICPS;

c) The tenure of the ICPS is five (5) years commencing from and inclusive of the date of issue (27 June 2006);

d) The ICPS are entitled to an annual non-cumulative preferential dividend rate of 3% per annum upon declaration calculated based on the nominal value of RM0.15 per ICPS;

e) Preferential dividends on the ICPS shall be payable on an ICPS dividend date up to the maturity date. ICPS dividend date means the market day immediately before the ICPS anniversary date of the issue date and if such anniversary date falls on the date which is not a market day, than the next market day;

f) The registered holder of the ICPS has the right to convert the ICPS at the conversion price into new ordinary shares of RM0.15 each in ICB or at any time from the date of listing up to and including the maturity date of the ICPS;

g) The conversion price is fixed at RM0.15 per share;

24. SHARE CAPITAL (cont'd)

Non-cumulative Irredeemable Convertible Preference Shares (cont'd)

h) The conversion price shall be satisfied by surrendering one (1) ICPS for each new ordinary share in ICB;

i) The ICPS shall carry no right to vote at any general meeting of ICB except with regard to any proposal to reduce the capital of ICB, to dispose of the whole of ICB's property, business and undertaking, to wind up ICB, during the winding-up of ICB and on any proposal that affects the rights attached to the ICPS. In such cases, the holders of ICPS shall be entitled to vote together with the holders of ordinary shares and to one (1) vote for each ICPS held.

   Each ICPS shall entitle a holder to one (1) vote at any class meeting in relation to any proposal by ICB to vary or abrogate the rights of the ICPS as stated in the Articles of Association of ICB. In all class meetings, each ICPS shall entitle the holder to one (1) vote;

j) The new ICB shares to be issued upon conversion of the ICPS shall upon allotment and issue, rank pari passu in all respects with ICB's existing shares except that such new ICB shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, the entitlement date of which is prior to the date of allotment of the said new ICB shares;

k) The ICPS holders shall have the right on a winding up offer or other return of capital, in priority to any payment to the holders of any other ICB shares (but pari passu amongst the ICPS holders) then in issue in the capital of ICB;

l) The ICPS holders shall not be entitled to participate in surplus assets and profits, and in any distribution and/or offers of further securities until and unless such ICPS holders convert their ICPS into new ICB shares; and

m) The conversion price may be adjusted from time to time by ICB, in consultation with ICB's professional advisers (auditors, merchant banks or universal brokers), in certain circumstances such as capitalisation of reserves, or rights issues of shares, or capital distribution whether by way of reduction of capital or otherwise (but excluding any cancellation of capital that is lost or unrepresented by available assets), which would in the opinion of the ICB's Board have the effect of diluting the interests of the ICPS holders provided that in no event shall any adjustments involve a reduction of the conversion price below the par value of the ordinary shares for the time being.

Warrants

The movement in the warrants is as follows:-

	NUMBER OF WARRANTS		
	AT 1.1.2009 '000	EXERCISED	AT 31.12.2009 '000
Warrants 2006/2016	46,618	–	46,618

On 24 April 2006, the Company executed a deed poll ("Deed Poll") pertaining to the creation and issuance of 55,251,530 2006/2016 warrants on the basis of three (3) warrants for every fifty (50) existing ordinary shares held in the Company. The warrants were listed on the Ace Market of Bursa Malaysia Securities Berhard.

On 27 June 2006, the Company issued 55,251,530 units of detachable warrants to the shareholders of the Company on the basis of twenty (20) ICPS and three (3) free warrants for every fifty (50) existing ordinary shares of RM0.15 each held in the Company.

A premium of RM0.15 is payable on conversion of each warrant into ordinary shares.

24. SHARE CAPITAL (cont'd)

Warrants (cont'd)

The main features of the warrants are as follows:-

a) Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share of par value of RM0.15 each in the Company at an exercise price of RM0.15 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;

b) The warrants may be exercised at any time on or before the maturity date falling ten years (2006/2016) from the date of issue of the warrants on 27 June 2006. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid;

c) The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividends, rights, allotment or other distributions, the entitlement date of which is before the allotment and issuance of the new shares; and

d) The persons to whom the warrants have been granted no rights to participate in any distribution and/on offer of further securities in the Company until/and unless warrants holders exercise their warrant for new shares.

25. SHARE PREMIUM

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

26. FOREIGN EXCHANGE TRANSLATION RESERVE

The exchange fluctuation reserve arose from the translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

27. REVALUATION RESERVE/RESERVE RELATING TO ASSETS HELD FOR SALE

The revaluation reserve/reserve relating to assets held for sale represented surpluses which arose from the valuation of the property. This reserve is not distributable by way of dividends.

28. OTHER PAYABLES

Included in other payables is an amount due to the lessor for the leasehold land as follows:-

	THE GROUP	
	2009 RM'000	2008 RM'000
Current:-		
Repayable within one year	176	351
Non-Current:-		
- repayable between one to two years	176	176
- repayable between two to five years	527	527
- repayable more than five years	1,933	2,109
	2,636	2,812
	2,812	3,163

29. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Minimum hire purchase payments:				
- not later than one year	221	426	138	127
- later than one year and not later than five years	708	504	493	394
- later than five years	162	–	99	–
	1,091	930	730	521
Less:				
Future finance charge	(161)	(76)	(112)	(59)
Present value of hire purchase payables	930	854	618	462
The net hire purchase payables are repayable as follows:-				
Current:				
- not later than one year	187	392	114	104
Non-current:				
- later than one year and not later than five years	596	462	409	358
- later than five years	147	–	95	–
	743	462	504	358
	930	854	618	462

The hire purchase payables of the Group and of the Company bore effective interest rates ranging from 4.28% to 7.77% (2008 - 4.35% to 8.80%) per annum at the balance sheet date.

30. LEASE PAYABLES

	THE GROUP	
	2009 RM'000	2008 RM'000
Minimum lease payments:		
- not later than one year	1,632	5,325
- later than one year and not later than five years	313	2,207
	1,945	7,532
Less: Future finance charges	(98)	(619)
Present value of lease payables	1,847	6,913

30. LEASE PAYABLES (cont'd)

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000
The net lease payables are repayable as follows:		
Current:		
- not later than one year	1,559	5,066
Non-current:		
- later than one year and not later than five years	288	1,847
Present value of lease payables	1,847	6,913

The lease payables of the Group bore effective interest rates ranging from 8.14% to 8.67% (2008 - 5.70% to 8.67%) per annum at the balance sheet date.

31. TERM LOANS

	THE GROUP/THE COMPANY 2009 RM'000	THE GROUP/THE COMPANY 2008 RM'000
Current portion:		
- repayable within one year (Note 35)	8,200	4,200
Non-current portion:		
- repayable between one and two years	8,200	8,400
- repayable between two and five years	19,228	6,941
	27,428	15,341
	35,628	19,541

Details of the repayment terms are as follows:-

NO.	NUMBER OF MONTHLY INSTALMENT	MONTHLY INSTALMENT AMOUNTS RM'000	COMMENCEMENT DATE OF REPAYMENT	AMOUNT OUTSTANDING THE GROUP/THE COMPANY 2009 RM'000	AMOUNT OUTSTANDING THE GROUP/THE COMPANY 2008 RM'000
1	60	350	November 2008	16,130	19,541
2	60	333	January 2010	19,498	–

The loans are secured by an assignment of all the contract proceeds received from certain projects.

The term loans of the Group and of the Company bore an effective interest rate of 7% (2008 - 7%) per annum at the balance sheet date.

32. BONDS

The Bai Bithaman Ajil Islamic Debt Securities ("bonds") at the balance sheet date are as follows:-

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
AMOUNT REDEEMABLE WITHIN:				
- next 2 years	68,750	125,000	8,750	65,000
Less:				
- amount redeemable within next 12 months	(68,750)	(36,125)	(8,750)	(36,125)
	–	88,875	–	28,875
Consists of:				
- fixed profit rate bonds	60,000	60,000	–	–
- variable profit rate bonds	8,750	65,000	8,750	65,000

The principal features of the bonds are as follows:-

(a) The fixed profit rate bonds are required to pay profit on the principal at 7% per annum while the variable profit rate bonds are required to pay profit ranging from 5.25% to 6.70% per annum gradually increasing from the date of issue until the full redemption date. The remaining variable profit rate bonds' are required to pay profit of 6.70% per annum.

(b) The fixed profit rate bonds and variable profit rate bonds were issued on 31 October 2003 and 27 June 2003 respectively. The fixed profit rate bonds are redeemable on its maturity date which is 7 years from the issue date.

(c) The above bonds are secured by:-

(i) fixed and floating charges over all the present and future assets of the Company;

(ii) an assignment over the Promissory Notes issued by IRIS Technologies (M) Sdn Bhd for RM9,000,000 together with all the rights thereon;

(iii) a first charge over the Designated Account which consists of Debt Service Reserve Account, Principal Redemption Account and the Proceeds Account, all created to maintain a bond redemption fund in the Company and ranked first in priority;

(iv) a second ranking charge over all proceeds and receivable balances of certain projects of the subsidiary, IRIS Technologies (M) Sdn Bhd; and

(v) a first ranking charge over all the building, land, plant and machinery of IRIS Technologies (M) Sdn Bhd.

The fair values of the above bonds for the Group and the Company as at the balance sheet date are RM68,750,000 (2008 - RM115,740,741) and RM8,750,000 (2008 - RM60,185,185) respectively.

33. DEFERRED TAX LIABILITIES

	THE GROUP/THE COMPANY	
	2009 RM'000	2008 RM'000
At 1 January	7,587	5,356
Recognised in income statements (Note 41)	1,000	3,093
Arising from revaluation surplus	4,859	–
Overprovision in prior years (Note 41)	–	(487)
Overprovision of deferred tax on revaluation reserve	–	(375)
At 31 December	13,446	7,587
Deferred tax liabilities:		
Unutilised capital allowances	4,122	3,013
Revaluation reserve	9,324	4,574
	13,446	7,587

34. TRADE PAYABLES

The normal credit terms granted to the Group and the Company range from 30 to 120 days.

35. SHORT-TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revolving credit	16,240	16,240	–	–
Murabahah Commercial Papers (Note 36)	10,000	10,000	–	–
Bankers' acceptances	4,121	4,454	–	–
Term loans (Note 31)	8,200	4,200	8,200	4,200
	38,561	34,894	8,200	4,200

The bankers' acceptances bore effective interest rates ranging from 3.27% to 3.94% (2008 - 4.10% to 4.68%) per annum at the balance sheet date.

The bankers' acceptances are secured by:-

(a) a debenture creating fixed and floating charges over all the present and future assets of the Company ranking pari passu with the Bai Bithaman Ajil Islamic Debt securities bond holders;

(b) a joint and several guarantee of a director and certain key management personnels namely Dato' Tan Say Jim, Lee Kwee Hiang and Yap Hock Eng;

(c) a facility agreement executed between the customers and the bank; and

(d) a letter of undertaking from the Group and the Company to effect the Deed of Assignment on future contracts.

35. SHORT-TERM BORROWINGS (cont'd)

The revolving credits are secured by an assignment of the contract proceeds which are credited into a Project Account and will be maintained with a bank. It bears interest at the bank's cost of funds ("COF") plus a margin of 1.75% per annum.

The bank overdraft bears an effective interest of 7.55% (2008 - 8.25%) per annum.

The bank overdraft is secured by:-

(a) a debenture creating fixed and floating charges over all the present and future assets of the Company ranking pari-passu with the Bai Bithaman Ajil Islamic Debt securities bond holders; and

(b) a joint and several guarantee of a director and certain key management personnels namely Dato' Tan Say Jim, Lee Kwee Hiang and Yap Hock Eng.

36. MURABAHAH COMMERCIAL PAPERS ("CPs")

	THE GROUP	
	2009 RM'000	2008 RM'000
At 1 January	10,000	15,000
Repayment during the financial year	–	(5,000)
At 31 December (Note 35)	10,000	10,000

The principal terms of the commercial papers are as follows:-

(a)	Tenure/Maturity	The CPs facility is available up to 7 years from the date of execution of the Facility Agreements with the issuance of CPs with 1 month to 12 months maturity.
(b)	Security	The CPs issued are unsecured in nature.
(c)	Interest rate	The interest on the CPs are recognised based on the difference between gross and net proceeds received, and amortised to the income statement over the period of the CPs.
(d)	Redemption	At par on the respective maturity dates.

The Murabahah Commercial Papers are redeemable within 364 days (2008 - 364 days) from the issue date and are secured by a second charge over the short-term leasehold building and bear interest of 6.2% (2008 - 6.3%) per annum.

37. NET ASSETS PER SHARE

The net assets per share is calculated based on the assets value at the balance sheet date of RM308,373,548 (2008 - RM278,285,803) divided by the number of ordinary shares in issue at the balance sheet date of 1,415,179,403 (2008 - 1,404,520,303).

38. REVENUE

Revenue of the Group and of the Company represents the invoiced value of goods sold and services rendered less discounts and returns.

Details of the revenue are as follows:-

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Sale of goods	157,756	150,285	22,538	49,256
Contract revenue (Note 17)	173,972	135,315	167,804	93,702
	331,728	285,600	190,342	142,958

39. COST OF SALES

Details of the cost of sales are as follows:-

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cost of inventories sold	118,617	128,745	28,041	53,689
Contract costs (Note 17)	135,775	93,464	128,737	53,041
	254,392	222,209	156,778	106,730

40. PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/ (crediting):-				
Allowance for foreseeable loss on a contract	2,257	8,711	–	–
Allowance for doubtful debts	713	800	607	–
Allowance for impairment loss on associates	1,000	–	1,000	–
Allowance for slow-moving inventories	–	311	–	–
Amortisation of concession assets	262	288	262	288
Amortisation of intellectual properties	1,380	1,380	615	615
Amortisation of prepaid land lease payments	309	308	–	–
Amortisation of development costs	1,851	2,552	1,851	2,552
Audit fee:				
- for the current financial year	171	86	107	35
- underprovision in the previous financial year	–	78	–	60
Bad debts written off	3,274	4,335	3,082	4,335
Depreciation of property, plant and equipment	11,067	12,815	668	657

40. PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration				
- salaries and other remuneration	1,154	1,546	980	1,377
- defined contribution plans	139	168	118	148
Directors' fee	934	1,080	665	811
Interest expense:				
- bank overdraft	–	5	–	5
- bankers' acceptances and LC charges	366	786	78	240
- bonds	8,358	10,777	3,662	6,081
- commercial papers	607	661	–	–
- hire purchase and lease	372	823	32	38
- revolving credits	703	692	–	–
- loan	1,339	542	1,339	542
Inventories written off	13,452	12,050	3,468	6,164
Lease rental	2,959	2,382	2,959	2,382
Loss on deconsolidation of subsidiaries	–	144	–	–
Provision for warranty claim	5,697	–	2,500	–
Rental	865	1,368	933	2,285
Development costs written off	2,085	–	2,085	–
Research and development expenses	2,390	4,375	1,894	2,993
Royalty	100	(1,374)	–	(621)
Staff costs				
- salaries and other remuneration	20,523	23,219	9,638	8,009
- defined contribution plans	1,924	1,787	970	815
Bad debts recovered	(16)	–	(1)	–
Dividend income	–	–	(12,000)	–
Gain on disposal of plant and equipment	(41)	(79)	(19)	(77)
(Gain)/Loss on foreign exchange:				
- realised	(325)	1,282	136	(1,225)
- unrealised	140	(40)	305	(8)
Interest income	(659)	(1,338)	(463)	(773)
Rental income	(666)	(900)	–	–
Reversal/Overprovision of allowance for slow-moving inventories	(800)	(10,359)	–	(4,453)
Writeback of:				
- allowance for doubtful debts	–	(115)	–	(10)
- inventories previously written off	(304)	–	(216)	–

41. INCOME TAX EXPENSE

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
Current tax				
- for the financial year	13,340	2,600	3,500	1,350
- under/(over)provision in the previous financial year	500	–	(1,350)	–
	13,840	2,600	2,150	1,350
Deferred tax (Note 33)				
- for the financial year	859	3,093	–	–
- under/(over)provision in the previous financial year	141	(487)	–	–
	1,000	2,606	–	–
	14,840	5,206	2,150	1,350

During the financial year, the statutory tax rate was reduced from 26% to 25%, as announced in the Malaysian Budget 2008.

As gazetted in Finance Act 2009 the subsidiaries will no longer enjoy the preferential tax rate of 20% on its chargeable income of up to RM500,000 effective from year of assessment 2009. Therefore, the corporate tax rate applicable to the subsidiaries for the current financial year is 25%.

The Group and the Company have unrecognised deferred tax assets arising from temporary differences as follows:-

	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
Unabsorbed tax losses	8,505	1,066	–	–
Unabsorbed capital allowances	2,584	355	–	–

41. INCOME TAX EXPENSE (cont'd)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:-

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before taxation	30,421	15,838	16,879	8,886
Tax at the statutory tax rate	7,207	4,118	3,829	2,310
Non-taxable income	(614)	–	(3,614)	–
Non-deductible expenses	8,600	4,339	4,628	2,063
Under/(Over)provision of in the previous financial year				
- current tax	500	–	(1,350)	–
- deferred tax	141	(487)	–	–
Deferred tax assets not recognised during the financial year	458	486	–	–
Utilisation of reinvestment tax allowance	–	(951)	–	(863)
Utilisation of increase in export allowance	(839)	–	(839)	–
Realisation of deferred taxation on usage of factory building and leasehold land	(109)	(109)	–	–
Differential in tax rates	–	(30)	–	–
Utilisation of previously unrecognised deferred tax assets	(504)	(2,160)	(504)	(2,160)
Tax expense for the year	14,840	5,206	2,150	1,350

42. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the Group's profit attributable to the equity holders of the Group of RM15,583,329 (2008 - RM10,675,492) by the weighted average number of ordinary shares in issue during the financial year of 1,407,313,182 (2008 - 1,375,042,735).

The fully diluted earnings per share is arrived at by dividing the Group's profit attributable to the equity holders of the Group of RM15,583,329 (2008 - RM10,675,492) by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year of 1,417,972,282 (2008 - 1,413,293,339).

43. PURCHASE OF PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cost of plant and equipment purchased	3,406	3,878	1,397	646
Amount financed through hire purchase	(608)	(311)	(398)	(311)
Reversal	–	(466)	–	–
Cash disbursed for purchase of plant and equipment	2,798	3,101	999	335

44. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits with licensed banks	17,044	17,428	12,879	13,367
Cash and bank balances	11,443	37,906	7,591	11,148
	28,487	55,334	20,470	24,515

45. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Approved and contracted for:				
- construction of greenhouse	–	3,006	–	–
- plant and equipment	–	489	–	–
	–	3,495	–	–

46. LEASE COMMITMENTS

The Company have commitments for future minimum lease payments under the non-cancellable operating lease in respect of the rental of office.

	THE GROUP/THE COMPANY	
	2009 RM'000	2008 RM'000
The minimum lease payments		
- within next 2 years	5,306	5,400
- within next 3 years to 5 years	1,491	4,443
	6,797	9,843
Less : payable within next 12 months	(2,653)	(2,700)
	4,144	7,143

There are no operating lease commitments that exceeded five years.

47. CONTINGENT ASSETS/(LIABILITIES)

(a) Contingent Liabilities

(i) Corporate guarantees given to banks for credit facilities granted to a subsidiary amounting to RM65,318,750 (2008 - RM65,318,750).

(ii) Counter guarantees given to a foreign bank for a Performance Bond issued on behalf of the Company amounting to RM4,589,000 (2008 - RM4,589,000)

(iii) On 19 March 2010, the Company had extended a company guarantee of Thai Baht 360 million (equivalent to RM36.8 million) in favour of PJT Technology Co., Ltd. (“PJT”) for the proposed investment via equity interest in PJT, which was intended to partially finance the new waste incineration plant in Phuket, Thailand (“Project”).

The Proposed Investment amounting to Thai Baht 360 million is payable to PJT via monthly instalments over a period of thirteen (13) months, commencing from April 2010 to April 2011.

The guarantee of Thai Baht 360 million (“Amount”) extended by ICB to PJT for the Proposed Investment is conditional upon the following conditions:-

(a) that PJT shall ensure that the Amount be remitted into a project account in Thailand, where ICB and PJT are both joint signatories, as partners in the Project;

(b) that the Amount shall be applied strictly towards the Project; and

(c) that PJT has received confirmation and approval for a loan to be applied towards the Project from the Government Savings Bank of Thailand.

(b) Contingent Assets

On 12 July 2006, ICB entered into a Sale and Purchase Agreement with Enve Hi-tech Farming Solutions Sdn Bhd (“ENVE”) to purchase Capillary Agrotech (Malaysia) Sdn Bhd (“CA”) whereby ENVE would guarantee ICB a profit before taxation of RM6 million before 30 June 2008.

In the event of CA’s inability to achieve the cumulative profit of RM6 million at the stipulated date, ENVE would be liable to compensate ICB for an amount of 70% of the shortfall in cumulative profit before tax.

On 4 March 2008, ICB agreed to an extension of eighteen (18) months by ENVE to fulfill the profit guarantee.

On 30 November 2009, ICB accepted a proposal from ENVE on the change of condition for the profit guarantee. The profit guarantee is deemed to be fulfilled if ICB achieves any one of the following conditions:-

(i) Signing of supply agreement for farming system in Perak
The identified project in Perak is to supply a complete and consolidated turnkey farming system, comprising greenhouses completed with AutoPots Systems to be installed in an area measuring 100 acres. The project deliverables include the supply of greenhouses, up to 800,000 units of SmartTrays and planting materials. The profit guarantee is deemed to be fulfilled if ICB is able to sign the above project agreement within 12 months from 30 November 2009.

(ii) Sales of 600,000 units of AutoPots
The profit guarantee is also deemed as fulfilled if ICB is able to achieve a cumulative sales volume of 600,000 AutoPots over a period of 5 years, effective from the date of Sale and Purchase Agreement between ICB and ENVE.

Other than above, there were no changes in the contingent liabilities and contingent assets since the last balance sheet date.

48. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

(i) the Company has related party relationships with its subsidiaries and associates as disclosed in Notes 6 and 7 to the financial statements;

(ii) the executive directors who are the key management personnel; and

(iii) entities controlled by certain key management personnel, directors and/or substantial shareholders.

(b) In addition to the information detailed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with related parties during the financial year:

	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
(i) Subsidiaries		
IRIS Technologies (M) Sdn Bhd		
- Royalty	6,264	5,057
- Sales	196	264
- Purchases	23,037	15,297
- Rental payable	668	1,077
IRIS Information Technology Systems Sdn Bhd		
- Sales	3,639	24,262
- Management fee	240	240
IRIS Eco Power Sdn Bhd (formerly known as Versatile P4 Power Resources Sdn Bhd)		
- Purchase of concession assets	2,200	6,371

	NOTE	THE GROUP 2009 RM'000	THE GROUP 2008 RM'000	THE COMPANY 2009 RM'000	THE COMPANY 2008 RM'000
(ii) Associates					
GMPC Corporation Sdn Bhd					
- Sales		64,933	52,596	–	–
- Rental received		6	6	–	–
(iii) Other Related parties					
MCS Microsystems Sdn Bhd ("MCSM")	(a)				
- Purchases		897	1,414	84	95
- Rental received		78	78	78	78
Versatile Paper Boxes Sdn Bhd ("VPB")	(b)				
- Purchases		1	17	1	13

48. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

		THE GROUP		THE COMPANY	
		2009	2008	2009	2008
	NOTE	RM'000	RM'000	RM'000	RM'000
(iv) Key Management personnel					
- Short term employee benefits		4,871	4,896	3,558	3,501
- Defined contribution plans		476	445	340	278

(a) A Company in which Yap Hock Eng is a director and shareholder.

(b) Dato' Tan Say Jim is a director and major shareholder of ICB and has a substantial shareholding in VPB.

49. SEGMENTAL REPORTING

BUSINESS SEGMENTS

2009	DIGITAL IDENTITY AND BUSINESS SOLUTIONS RM'000	OTHERS RM'000	INTER-SEGMENT ELIMINATION RM'000	GROUP RM'000
REVENUE				
External sales	305,298	26,430	–	331,728
RESULTS				
Segment results	87,494	(10,158)	–	77,336
Unallocated corporate expenses				(36,774)
Operating profit				40,562
Other income				2,141
Finance costs				(11,745)
				30,958
Share of profit in associate				(537)
Profit before taxation				30,421
Income tax expense				(14,840)
Profit after taxation				15,581
OTHER INFORMATION				
Segmental assets #	503,841	45,016	–	548,857
Segment liabilities *	168,554	53,983	–	222,537
Capital expenditure	3,581	966	–	4,547
Depreciation and amortisation	14,271	598	–	14,869

- Segment assets comprise total current and non-current assets.

* - Segment liabilities comprise total current liabilities and non-current liabilities.

49. SEGMENTAL REPORTING (cont'd)

BY GEOGRAPHICAL LOCATION

2009	MALAYSIA RM'000	OTHERS RM'000	GROUP RM'000
Revenue from external customers	160,504	171,224	331,728
Segment assets	516,925	31,932	548,857
Capital expenditure	3,407	1,140	4,547

BUSINESS SEGMENTS

2008	DIGITAL IDENTITY AND BUSINESS SOLUTIONS RM'000	OTHERS RM'000	INTER-SEGMENT ELIMINATION RM'000	GROUP RM'000
REVENUE				
External sales	283,921	1,679	–	285,600
RESULTS				
Segment results	63,089	302	–	63,391
Unallocated corporate expenses				(36,216)
Operating profit				27,175
Other income				3,719
Finance costs				(15,058)
				15,836
Share of profit in associate				2
Profit before taxation				15,838
Income tax expense				(5,206)
Profit after taxation				10,632
OTHER INFORMATION				
Segmental assets #	504,709	56,168	–	560,877
Segment liabilities *	227,802	46,158	–	273,960
Capital expenditure	4,904	7,716	–	12,620
Depreciation and amortisation	16,935	408	–	17,343

- Segment assets comprise total current and non-current assets.

* - Segment liabilities comprise total current liabilities and non-current liabilities.

49. SEGMENTAL REPORTING (cont'd)

BY GEOGRAPHICAL LOCATION

2008	MALAYSIA RM'000	OTHERS RM'000	GROUP RM'000
Revenue from external customers	152,844	132,756	285,600
Segment assets	537,333	23,544	560,877
Capital expenditure	4,830	7,790	12,620

50. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

(a) Conversion of Non-Cumulative Irredeemable Convertible Preference Shares ("ICPS")

For the financial year from 1 January 2009 to 31 December 2009, a total of 10,659,100 units of ICPS has been converted into ordinary shares of RM0.15 each.

(b) Proposed Private Placement

On 16 May 2008, the Board announced that the application to the Securities Commission and Foreign Investment Committee on the Proposed Private Placement of up to 155,431,281 new ordinary shares of RM0.15 each representing up to ten percent (10%) of the issued and paid-up share capital of the Company to investors to be identified had been approved.

On 8 May 2009, Securities Commission ("SC") vide its letter approved the extension of time up to 15 November 2009 for ICB to implement the Proposed Private Placement.

In addition to the above, no further extension of time had been granted by the SC in relation to the implementation of the Proposed Private Placement, marking the completion of the Proposed Private Placement.

(c) Acquisition of 12.5% of the equity interest in IRIS Egypt LLC ("IE"), a subsidiary of ICB

On 30 July 2009, the Company acquired 375 ordinary shares of Egyptian Pound ("EGP") 100 each in IE, representing 12.5% of the issued and paid-up share capital of IE for a purchase consideration of EGP 37,500 (which is equivalent to RM24,000) (based on an exchange book rate of EGP1:RM0.64 for the month of July 2009) from Moustafa Mohamed Mockbel Abdel Hamid.

Upon completion of the Acquisition, ICB holds a 87.5% equity interest in IE.

(d) Incorporation of a Subsidiary

On 12 August 2009, Capillary Agrotech (Malaysia) Sdn Bhd a wholly-owned subsidiary of the Company incorporated a 60% owned subsidiary for a total consideration of RM60.

(e) Material Litigations

(i) On 29 November 2006, the Company filed a lawsuit against Japan Air Lines ("JAL") in the U.S. District Court, Eastern District of New York for JAL's infringement of the Company's US patent. This claim is based on the allegation that JAL's inspection of passports at United States airports infringes on the Company's patent over a method of manufacturing a secure electronic passport.

50. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

(e) Material Litigations (cont'd)

JAL has filed a motion to dismiss the claim. The Company's solicitors, Messrs Moses & Singer LLP (the "Solicitors"), has opposed the motion to dismiss. The briefs on the motion had been filed in June 2007. The District Court had on 30 September 2009 granted JAL's motion to dismiss the claim and the decision stated that the patent protections conferred on the Company conflicted with, and were superseded by JAL's federal legal obligation to inspect passenger passports. The Solicitors had, on behalf of the Company, filed a notice to appeal to the United States Court of Appeals for the Federal Circuit in Washington and the matter is currently stayed pending the outcome of JAL's bankruptcy proceedings in Japan.

The Solicitors of the Company stated that there are no US case precedents to indicate the likelihood of success on appeal. However, by analogy, the Solicitors pointed out that there are many regulations affecting airlines, such as JAL, as well as affecting other commercial operations, requiring these commercial entities to use intellectual property and other property that they do not own. These commercial entities do not get such property for free, and must buy them, even though regulations require that they use them. The Solicitors argued further that JAL should not be able to use the Company's intellectual property for free, as part of their commercial operations. The Solicitors further informed that in any event, it does not appear that this case will be heard within the next year or two, as the Federal Circuit in Washington proceedings are dependent upon the outcome of the Japanese bankruptcy proceedings. Until these proceedings are complete there is nothing for the Company to do with respect to the JAL litigation.

(ii) IRIS Technologies (M) Sdn Bhd ("ITSB"), a wholly-owned subsidiary of the Company, and its joint venture Turkish partner Kunt Elektronik San.Ve Tic. A.S ("KUNT") ("JV Company") on 17 September 2009 received a Letter of Termination dated 14 September 2009 ("Letter of Termination"), from Emniyet Genel Mudurlugu, known as General Directorate of Security ("Defendant") in relation to the provision of Electronic Passport Issuing Systems in Turkey ("The Agreement").

Pursuant to the Letter of Termination, the Defendant requested for a refund of New Turkish Lira ("YTL") 6.195 million (equivalent to approximately RM14.6 million at an exchange rate of YTL 1: RM2.36 as at 18 September 2009) which is equivalent to the first phase payment received by the JV Company. Subsequently, all the hardware and equipment delivered shall be returned to the JV Company.

On 18 September 2009, Messrs Sen & Arpaci on behalf of the JV Company, made an application to the Ankara Civil Court of Turkey ("Court"), for an injunction to restrain the Defendant from claiming on the performance bond submitted by the JV Company in 2007.

On 24 September 2009, an interlocutory injunction was obtained by the JV Company from the Court. Subsequently, on behalf of the JV Company, Messrs Sen & Arpaci on 5 October 2009 filed a lawsuit against the Defendant in Ankara Court of First Instance ("Ankara Court") for the unlawful termination of the Agreement. The JV Company is claiming a total of YTL 5 million from the Defendant and the return of the performance bond. This matter was first heard on 22 December 2009. The second hearing was held on 23 March 2010. During the second hearing, the Defendant presented a counter claim, claiming approximately YTL 5.25 million from the JV Company. Specifically, the Defendant is seeking to return all the hardware and equipments to the JV Company in exchange for a refund of YTL 5.25 million paid to the JV Company. This matter is now fixed for hearing on 10 June 2010.

Messrs Sen & Arpaci is of the opinion that the JV Company has a good chance of recovering all the amount claimed and having the performance bond returned. Messrs Sen & Arpaci is also of the view that the counter claim filed by the Defendant is likely to be rejected by the Ankara Court.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 *continued*

51. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 22 March 2010, the Company undertook a renounceable rights issue of up to 223,408,274 new six (6)-year warrants ("New Warrants") on the basis of three (3) New Warrants for every twenty (20) existing ordinary shares of RM0.15 each held in the Company on 29 March 2010 ("Entitlement Date") at an issue price of RM0.05 per New Warrant.

52. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(a) Unquoted Investments

It is not practicable to determine the fair value of the unquoted investments because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably estimated.

(b) Cash and Cash equivalents and Short-term Receivables/Payables

The carrying amounts approximated the fair values due to the relatively short term maturity of these instruments.

(c) Payables and Other Current Liabilities and Commercial Papers

The carrying amounts approximated the fair values due to the short period to maturity of these instruments.

(d) Hire Purchase and Lease Payables

The fair value of hire purchase and lease payables is determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

(e) Short-term Borrowings

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

(i) Contingent Liability

The nominal amount and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company are as follows:

	THE GROUP/THE COMPANY	
	NOMINAL AMOUNT RM'000	NET FAIR VALUE RM'000
At 31 December 2009		
Contingent liability	69,908	*
At 31 December 2008		
Contingent liability	69,908	*

* It is not practicable to estimate the fair value of the contingent liability reliably due to uncertainties of timing, costs and eventual outcome.

(ii) Long-term Bank Loans and Bonds

The carrying amounts approximated their fair values as these instruments bear interest at variable rates.

53. FINANCIAL RISK

(a) Foreign Currency Risk

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:-

2009	THAI BAHT RM'000	UNITED STATES DOLLAR RM'000	EURO RM'000	CHINESE RENMINBI RM'000	CANADIAN DOLLAR RM'000	EGYPTIAN POUND RM'000	OTHERS RM'000
Trade receivables	23,352	19,929	3,216	–	412	21,143	69
Trade payables	–	(16,936)	(98)	(719)	–	–	(90)
Cash and bank balances	–	3,635	2,666	–	–	798	17
Deposits with licensed bank	–	634	797	–	–	–	–

2008	UNITED STATES DOLLAR RM'000	EURO RM'000	CHINESE RENMINBI RM'000	CANADIAN DOLLAR RM'000	EGYPTIAN POUND RM'000	OTHERS RM'000
Trade receivables	27,885	29,589	–	–	–	102
Trade payables	(18,815)	(516)	(329)	(4)	(4,243)	(72)
Other payables	(16,925)	–	–	–	–	–
Cash and bank balances	8,880	242	–	–	–	449
Deposits with licensed bank	–	634	797	–	–	–

The net unhedged financial assets and liabilities of the Company that are not denominated in their functional currencies are as follows:-

2009	THAI BAHT RM'000	UNITED STATES DOLLAR RM'000	EURO RM'000	POUND STERLING RM'000	CANADIAN DOLLAR RM'000	EGYPTIAN POUND RM'000	OTHERS RM'000
Trade receivables	23,352	6,080	3,215	–	412	21,143	69
Trade payables	–	(2,003)	–	–	–	–	(73)
Cash and bank balances	–	2,492	2,657	–	–	798	–
Deposits with licensed bank	–	510	797	–	–	–	–
2008							
Trade receivables	–	14,760	29,589	–	95	–	7
Trade payables	–	(3,103)	–	(325)	–	(4,243)	(72)
Cash and bank balances	–	8,140	240	–	–	–	449
Deposits with licensed bank	–	510	797	–	–	–	–

STATISTICS ON SHAREHOLDING
AS AT 19 APRIL 2010

Authorised Share Capital		
Ordinary Shares of RM0.15 each	:	RM 375,000,000
Non-cumulative Irredeemable Convertible Preference Shares Of RM0.15 each	:	RM 105,000,000
		RM 480,000,000
Issued and Fully Paid-Up Share Capital		
Ordinary Shares of RM0.15 each	:	RM 212,336,610
Non-cumulative Irredeemable Convertible Preference Shares Of RM0.15 each	:	RM 4,079,026
		RM 216,415,636

DISTRIBUTION OF SHAREHOLDINGS

ORDINARY SHARES

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHARES HELD
1 – 99	26	945	0.00
100 – 1,000	915	769,289	0.06
1,001 – 10,000	8,050	53,702,582	3.79
10,001 – 100,000	8,619	343,728,583	24.28
100,001 – 70,778,869	1,604	918,520,337	64.89
70,778,870 and above (5% of issued shares)	1	98,855,667	6.98
TOTAL	**19,215**	**1,415,577,403**	**100.00**

NON-CUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES (ICPS)

SIZE OF ICPS HOLDINGS	NO. OF ICPS HOLDERS	NO. OF ICPS HELD	% OF ICPS HELD
1 – 99	9	376	0.00
100 – 1,000	219	133,190	0.49
1,001 – 10,000	585	2,411,340	8.87
10,001 – 100,000	132	3,981,800	14.64
100,001 – 1,359,674	8	2,013,333	7.40
1,359,675 and above (5% of issued shares)	3	18,653,465	68.60
TOTAL	**956**	**27,193,504**	**100.00**

WARRANTS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	NO. OF WARRANTS HELD	% OF WARRANTS HELD
1 – 99	265	10,388	0.02
100 – 1,000	513	199,331	0.43
1,001 – 10,000	625	3,740,785	8.02
10,001 – 100,000	519	17,921,043	38.44
100,001 – 2,330,878	85	21,946,042	47.08
2,330,879 and above (5% of issued shares)	1	2,800,000	6.01
TOTAL	**2,089**	**46,617,589**	**100.00**

LIST OF 30 LARGEST SHAREHOLDERS AS AT 19 APRIL 2010
ORDINARY SHARES

NO.	NAME OF SHARAEHOLDERS	NO. OF SHARES	% OF SHARES
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR VERSATILE PAPER BOXES SDN BHD (JTR)	98,855,667	6.983
2	MCS MICROSYSTEMS SDN BHD	65,333,333	4.615
3	TL TECHNOLOGY RESEARCH (HK) LIMITED	56,000,000	3.955
4	RAZALI BIN ISMAIL	39,493,333	2.789
5	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST,SINGAPORE BRANCH (CUST ASSET)	29,158,600	2.059
6	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR VERSATILE PAPER BOXES SDN BHD (SS2)	27,568,366	1.947
7	LEE KWEE HIANG	22,940,000	1.620
8	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM	16,648,900	1.176
9	M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP HOCK ENG (MG0209-328)	15,842,200	1.119
10	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM	15,000,000	1.059
11	YAP LAI KUAN	14,713,900	1.039
12	CHANG CHENG HUAT	14,229,000	1.005
13	M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM (MG0210-328)	10,000,000	0.706
14	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KWEE HIANG	9,550,000	0.674
15	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PARAMSOTHY A/L MURUGASU (CEB)	9,000,000	0.635
16	LIM KIM HUA	8,419,600	0.594
17	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SATKUNABALAN A/L K SABARATNAM	7,100,000	0.501
18	YAP HOCK ENG	6,022,200	0.425
19	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG SINGAPORE FOR THISTLE HILL LIMITED	6,000,000	0.423
20	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	6,000,000	0.423
21	LIEW SZE FOOK	5,500,000	0.388
22	TEOH HOOI BIN	5,230,000	0.369
23	TAN SAY JIM	4,843,333	0.342
24	YIP CHENG YUE	4,627,600	0.326
25	HDM NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR PANG KWEE CHIN NORA	4,175,000	0.294
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL)	4,000,000	0.282
27	M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ABU SAHID BIN MOHAMED (MG0172-003)	3,000,000	0.211
28	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BER KIAN (CEB)	2,800,000	0.197
29	TUNKU SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN	2,666,667	0.188
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING (TAMAN CHERAS)	2,500,000	0.176
	TOTAL	**517,217,699**	**36.537**

STATISTICS ON SHAREHOLDING
AS AT 19 APRIL 2010 *continued*

LIST OF 30 LARGEST SHAREHOLDERS AS AT 19 APRIL 2010
ICPS

NO.	NAME OF SHARAEHOLDERS	NO. OF SHARES	% OF SHARES
1	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST, SINGAPORE BRANCH (CUST ASSET)	8,463,440	31.123
2	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED (NON TREATY CLT)	8,323,359	30.607
3	TUNKU SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN	1,866,666	6.864
4	CHANG YANG @ CHEN YONG	660,000	2.427
5	ZALINA SHAHARAH BINTI AZMAN	400,000	1.470
6	LIM CHUI KUI @ LIM CHOOI KUI	240,000	0.882
7	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHU CHIN	180,000	0.661
8	YEOH POH CHOO	150,000	0.551
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN CIMB TRUSTEE BERHAD (TR1042A)	133,333	0.490
10	AZMI BIN LUDDIN	130,000	0.478
11	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANOUSCHKA SHIAMIN LIM (C)	120,000	0.441
12	GAN LAY HAR	100,000	0.367
13	KEE SONG SWA	100,000	0.367
14	KOH SIEW HEE	100,000	0.367
15	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GURJEET SINGH A/L CHANAN SINGH	100,000	0.367
16	TEO TIEN HIONG @ TEO THIN PEE	100,000	0.367
17	GOH JIU SIN	99,800	0.366
18	BOUNTY LEISURE SDN BHD	80,000	0.294
19	CHING SIEW ENG	80,000	0.294
20	HDM NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR CHIEW KIN HUAT	80,000	0.294
21	PHUA KIM CHONG	72,000	0.264
22	TIONG YONG TA	69,000	0.253
23	SHAHABUDDIN BIN ABDULLAH @ LEE SENG PUN	60,000	0.220
24	SARJIT SINGH A/L TARA SINGH	58,000	0.213
25	LEE BOON HOCK	55,000	0.202
26	ACHANNAN A/L PILLAPPANAH	54,000	0.198
27	HSBC NOMINEES (TEMPATAN) SDN BHD CHEW YUET KEW (HBMB303-08)	50,000	0.183
28	LEE KEH HONG @ LEE AH MENG	50,000	0.183
29	MANJEET SINGH A/L TARA SINGH	50,000	0.183
30	NG HOCK BEE	50,000	0.183
	TOTAL	**22,074,598**	**81.175**

LIST OF 30 LARGEST SHAREHOLDERS AS AT 19 APRIL 2010

WARRANTS

NO.	NAME OF SHARAEHOLDERS	NO. OF SHARES	% OF SHARES
1	MCS MICROSYSTEMS SDN BHD	2,800,000	6.006
2	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST,SINGAPORE BRANCH (CUST ASSET)	1,269,516	2.723
3	LEE KWEE HIANG	1,026,000	2.200
4	YAP HOCK ENG	738,000	1.583
5	HLG NOMINEE (TEMPATAN) SDN BHD CIMB BANK FOR LEN BOOK LEARN (M66002)	724,100	1.553
6	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM	708,000	1.518
7	YONG CHEE CHOONG	700,000	1.501
8	TAN SAY JIM	677,000	1.452
9	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW YAM FEE	600,000	1.287
10	TAN WOOI MIN	591,400	1.268
11	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN LAM SANG @ CHAN LAM	573,300	1.229
12	AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SIM KEE (TAN0883C)	514,000	1.102
13	LEE KWAI	500,000	1.072
14	AIK SEAW GEE	425,000	0.911
15	KONG CHOY FUN	370,000	0.793
16	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KWEE HIANG	360,000	0.772
17	YONG FATT CHIN	350,000	0.750
18	LEE LOW FONG	312,600	0.670
19	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG POK SENG	303,000	0.649
20	ONG CHONG TEK	300,000	0.643
21	ONG SENG KHEK	300,000	0.643
22	YEW MING CHIN	300,000	0.643
23	TAN LYE PENG	293,200	0.628
24	THEIVARANI A/P MUNIANDY	291,000	0.624
25	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUAH CHAW SONG (REM 166- MARGIN)	285,500	0.612
26	TUNKU SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN	280,000	0.600
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN THONG GUAN (E-KLC)	230,000	0.493
28	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB-GK SECURITIES PTE LTD (RETAIL CLIENTS)	228,000	0.489
29	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD SANI BIN MD DAHLAN	214,150	0.459
30	YONG CHEE CHOONG	200,500	0.430
	TOTAL	**16,464,266**	**35.317**

STATISTICS ON SHAREHOLDING
AS AT 19 APRIL 2010 *continued*

SUBSTANTIAL SHAREHOLDERS AS AT 19 APRIL 2010 (as per Register of Substantial Shareholders)

ORDINARY SHARES

		NO OF SHARES			
NO	SHAREHOLDER	DIRECT	%	INDIRECT	%
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR VERSATILE PAPER BOXES SDN BHD (JTR) & (SS2)	126,424,033	8.93	–	–
2	DATO' TAN SAY JIM	46,492,233	3.29	126,424,033	8.93
3	YAP HOCK ENG	21,864,400	1.55	65,333,333	4.62
	TOTAL	**194,780,666**	**13.77**	**191,757,366**	**13.55**

ICPS

		NO OF SHARES			
NO	SHAREHOLDER	DIRECT	%	INDIRECT	%
1	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST, SINGAPORE BRANCH (CUST ASSET)	8,463,440	31.12	–	–
2	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED (NON TREATY CLT)	8,323,359	30.61	–	–
3	TUNKU SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN	1,866,666	6.86	–	–
	TOTAL	**18,653,465**	**68.59**	–	–

SUBSTANTIAL SHAREHOLDERS AS AT 19 APRIL 2010 (as per Register of Substantial Shareholders)
WARRANTS

		NO OF SHARES			
NO	SHAREHOLDER	DIRECT	%	INDIRECT	%
1	MCS MICROSYSTEMS SDN BHD	2,800,000	6.01	–	–
2	YAP HOCK ENG	–	–	2,800,000	6.01
	TOTAL	**2,800,000**	**6.01**	**2,800,000**	**6.01**

DIRECTORS' SHAREHOLDING AS AT 19 APRIL 2010 (as per Register of Directors' Shareholdings)
ORDINARY SHARES

		NO OF SHARES			
NO	SHAREHOLDER	DIRECT	%	INDIRECT	%
1	TAN SRI RAZALI BIN ISMAIL	39,551,733	2.79	–	–
2	YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN	2,666,667	0.19	–	–
3	DATO' TAN SAY JIM	46,492,233	3.29	126,424,033	8.93
4	EOW KWAN HOONG	1,593,333	0.11	–	–
5	SYED ABDULLAH BIN SYED ABD KADIR	333,333	0.02	–	–
6	DATUK KAMARUDDIN BIN TAIB	–	–	–	–
7	DATO' NOORAZMAN BIN ABD AZIZ	–	–	–	–
8	CHAN FEOI CHUN	100,000	0.01	–	–
9	DATUK DOMAMI BIN HUSSAIN	–	–	–	–
10	RIZAL FARIS BIN MOHIDEEN ABDUL KADER	–	–	–	–
11	INDRAN A/L SWAMINATHAN	–	–	–	–
	TOTAL	**90,737,299**	**6.41**	**126,424,033**	**8.93**

STATISTICS ON SHAREHOLDING
AS AT 19 APRIL 2010 *continued*

DIRECTORS' SHAREHOLDING AS AT 19 APRIL 2010 (as per Register of Directors' Shareholdings) (cont'd)

ICPS

		NO OF SHARES			
NO	SHAREHOLDER	DIRECT	%	INDIRECT	%
1	TAN SRI RAZALI BIN ISMAIL	–	–	–	–
2	YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN	1,866,666	6.77	–	–
3	DATO' TAN SAY JIM	–	–	–	–
4	EOW KWAN HOONG	–	–	–	–
5	SYED ABDULLAH BIN SYED ABD KADIR	133,333	0.49	–	–
6	DATUK KAMARUDDIN BIN TAIB	–	–	–	–
7	DATO' NOORAZMAN BIN ABD AZIZ	–	–	–	–
8	CHAN FEOI CHUN	–	–	–	–
9	DATUK DOMAMI BIN HUSSAIN	–	–	–	–
10	RIZAL FARIS BIN MOHIDEEN ABDUL KADER	–	–	–	–
11	INDRAN A/L SWAMINATHAN	–	–	–	–
	TOTAL	**1,999,999**	**7.26**	–	–

WARRANTS

		NO OF SHARES			
NO	SHAREHOLDER	DIRECT	%	INDIRECT	%
1	TAN SRI RAZALI BIN ISMAIL	–	–	–	–
2	YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN	280,000	0.60	–	–
3	DATO' TAN SAY JIM	1,385,000	2.97	–	–
4	EOW KWAN HOONG	–	–	–	–
5	SYED ABDULLAH BIN SYED ABD KADIR	19,999	0.04	–	–
6	DATUK KAMARUDDIN BIN TAIB	–	–	–	–
7	DATO' NOORAZMAN BIN ABD AZIZ	–	–	–	–
8	CHAN FEOI CHUN	1,800	0.00	–	–
9	DATUK DOMAMI BIN HUSSAIN	–	–	–	–
10	RIZAL FARIS BIN MOHIDEEN ABDUL KADER	–	–	–	–
11	INDRAN A/L SWAMINATHAN	–	–	–	–
	TOTAL	**1,686,799**	**3.61**	**–**	**–**

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT THE AUDITORIUM, 1ST FLOOR, LOT 8 & 9, IRIS SMART TECHNOLOGY COMPLEX, TECHNOLOGY PARK MALAYSIA, BUKIT JALIL, 57000 KUALA LUMPUR ON WEDNESDAY, 16 JUNE, 2010 AT 11.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December, 2009 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect the following Directors who retire pursuant to Article 86 and Article 93 of the Company's Articles of Association.

   Article 86
   (i) Syed Abdullah Bin Syed Abd Kadir **(Resolution 1)**
   (ii) Dato' Noorazman Bin Abd Aziz **(Resolution 2)**

   Article 93
   (iii) Datuk Domami Bin Hussain **(Resolution 3)**
   (iv) Indran A/L Swaminathan **(Resolution 4)**
   (v) Rizal Faris Bin Mohideen Abdul Kader **(Resolution 5)**

3. To consider and if thought fit, to pass the following Resolution in accordance with Section 129 of the Companies Act, 1965:-

   (i) "THAT Tan Sri Razali Bin Ismail, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company and to hold the office until the next Annual General Meeting." **(Resolution 6)**

   (ii) "THAT YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company and to hold the office until the next Annual General Meeting." **(Resolution 7)**

4. To approve the payment of Directors' Fees amounting to RM933,800 for the financial year ended 31 December, 2009. **(Resolution 8)**

5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

SPECIAL BUSINESSES
To consider and if thought fit, to pass the following Resolutions of the Company:-

ORDINARY RESOLUTION

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 (Resolution 10)**

   "THAT pursuant to Section 132D of the Companies Act, 1965 and approval of the relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered to issue and allot shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting."

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING THE COMPANY AND ITS SUBSIDIARIES ("THE ICB GROUP") AND MCS MICROSYSTEMS SDN BHD (Resolution 11)**

   "THAT subject to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Companies Act, 1965 ("Act"), the Memorandum & Articles of Association of the Company, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as stated in Section 2.2 of the Circular to Shareholders dated 24 May 2010, which are necessary for day to day operations and on terms that are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Renewal of Shareholders' Mandate");

   THAT the authority conferred by this resolution shall take effect immediately upon the passing of this resolution.

   THAT such Proposed Renewal of Shareholders' Mandate is subject to annual renewal and such approval shall continue to be in force until:-

   (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

   (ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

   (iii) revoked or varied by resolution passed by the shareholders in general meeting,

   whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this resolution.

THAT the aggregate value of the transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year be disclosed in the annual report in accordance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING THE COMPANY AND ITS SUBSIDIARIES ("THE ICB GROUP") AND VERSATILE PAPER BOXES SDN BHD (Resolution 12)**

"THAT subject to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Companies Act, 1965 ("Act"), the Memorandum & Articles of Association of the Company, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as stated in Section 2.2 of the Circular to Shareholders dated 24 May 2010, which are necessary for day to day operations and on terms that are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Renewal of Shareholders' Mandate");

THAT the authority conferred by this resolution shall take effect immediately upon the passing of this resolution.

THAT such Proposed Renewal of Shareholders' Mandate is subject to annual renewal and such approval shall continue to be in force until:-

(iv) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(v) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

(vi) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this resolution.

THAT the aggregate value of the transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year be disclosed in the annual report in accordance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad."

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING *continued*

SPECIAL RESOLUTION

9. **PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS")** **(Resolution 13)**

"THAT the amendments to the Company's Articles of Association as set out in Appendix be and is hereby approved and adopted.

THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as amt be required by any relevant authorities."

By Order of the Board

NG YEN HOONG (LS 008016)
Company Secretary

Kuala Lumpur
24 May, 2010

STATEMENT ACCOMPANYING NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

(Pursuant to Rule 8.36(2) of the Listing Requirements of Bursa Malaysia Securities Berhad for ACE Market)

Details of Directors who are standing for re-election under Agenda 2 of the Notice of the Sixteenth Annual General Meeting are set out in the Profile of Directors on pages 26 to 31 of the 2009 Annual Report.

NOTES ON APPOINTMENT OF PROXY

(a) A member of the Company entitled to attend and vote, is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(b) A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Act are complied with. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(c) The Proxy Form must be signed by the appointor or his (her) attorney duly authorized in writing or, if the appointor is a corporation, must be executed under its common seal or under the hand of an officer or attorney duly authorized.

(d) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESSES

(i) Item 1 of Agenda – This item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

(ii) The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company to issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

The General Mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investments(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company had issued 10,655,900 new Ordinary Shares of RM0.15 each pursuant to this mandate. The new shares were issued pursuant to the conversion of the Irredeemable Convertible Preference Shares of RM0.15 each in the capital of the Company.

(iii) The proposed Ordinary Resolution 11 and 12, if passed, will empower the Company and its subsidiaries to enter into recurrent related party transactions of e revenue or trading nature in their ordinary course of business. This authority unless revoked or varied by the shareholders of the Company at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

(iv) The proposed Resolution 13, if passed, will authorize the Company to amend its Articles of Association. The Proposed Amendments are made for the purpose of allowing for the payment of cash dividends via eDividends as well as to facilitate some administrative issues. Please refer to Appendix I for full details of the Proposed Amendments.

APPENDIX I
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF IRIS COPRORATION BERHAD

The existing Articles of Association ("Articles") of the Company is proposed to be amended as set out in the third column below:-

ARTICLE NO.	EXISTING PROVISION	AMENDED PROVISION
63	Subject always to the provision of the Section 151 of the Act, no business shall be transacted at any extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall be transacted at an annual general meeting other than business of which notice has been given aforesaid, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the report of the Directors and auditors, the fixing of the fees of Directors, the election of Directors in the place of those retiring, and the appointment and fixing of the remuneration of the auditors.	Subject always to the provisions of Section 151 of the Act no business shall be transacted at any extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall be transacted at an annual general meeting other than business of which notice has been given aforesaid. All business shall deemed special that is transacted at any extraordinary general meeting and also all business that is transacted at an annual general meeting with the exception of receipts and consideration of the profit and loss accounts, balance sheets and the report of the Directors and Auditors, the declaration of dividend, the fixing of the fees of Directors, the election of Directors and the appointment and fixing of the remuneration of Auditors.
81	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid.	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid. A member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy but however such attendance shall automatically revoke the proxy's authority.
136	The Secretary or Secretaries shall in accordance with the Act be appointed by the Directors for such term and at such remuneration and upon such conditions as they think fit, and the Directors may from time to time appoint a temporary substitute for the Secretary or Secretaries who shall be deemed to be the Secretary during the term of his appointment.	The Secretary or Secretaries shall in accordance with the Act be appointed by the Directors for such term and at such remuneration and upon such conditions as they think fit, and the Directors may from time to time appoint a temporary substitute for the Secretary or Secretaries who shall be deemed to be the Secretary during the term of his appointment. The office of the Secretary shall be vacated if the secretary resigns by notice in writing to the company, left at the Office and copies sent to all the directors for the time being at their last known residential addresses. Where a Secretary gives notice of resignation to the directors, the Secretary shall cease to act as Secretary with immediate effect, and unless provided in the terms of engagement, within the stipulated time.
150	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant, sent through the post directed to the registered address of the holder. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the money represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.	Any dividend, interest, or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the person whose name appear in the Register of Members or Record of Depositors or to such person and to such address as the holder may in writing direct or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money represented thereby.

PROXY FORM

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

I/ We ____
(FULL NAME IN BLOCK LETTERS)

NRIC No./Company No.______________________ of ______________________

____
(FULL ADDRESS)

being a member/members of IRIS Corporation Berhad hereby appoint ______________________

______________________ NRIC No.______________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

or failing him/her, ______________________ NRIC No.______________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

as my/our proxy to vote for me/us on my/our behalf, at the Sixteenth Annual General Meeting of the Company to be held on 16 June 2010 at 11.00a.m, and at any adjournment thereof and to vote as indicated below:-

NO	RESOLUTION	FOR	AGAINST
1	Re-election of Syed Abdullah Bin Abd Kadir		
2	Re-election of Dato' Noorazman Bin Abd Aziz		
3	Re-election of Datuk Domami Bin Hussain		
4	Re-election of Indran A/L Swaminathan		
5	Re-election of Rizal Faris Bin Mohideen Abdul Kader		
6	Re-election of Tan Sri Razali Bin Ismail		
7	Re-election of YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin		
8	To appove the payment of Directors' Fees		
9	To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration		
10	Approval for the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
11	Approval for the Company and/or its subsidiaries to enter into recurrent transactions of a revenue or trading nature with MCS Microsystems Sdn Bhd		
12	Approval for the Company and/or its subsidiaries to enter into recurrent transactions of a revenue or trading nature with Versatile Paper Boxes Sdn Bhd		
13	To approve the amendment of the Articles of Association		

Please indicate with an "X" in the respective box of the resolution. Unless voting instructions are indicated in the space above, the proxy will vote or abstain from voting as he/she thinks fit.

Signed this ______________ day

of ______________ 2010

____
Signature of member / Common Seal

Notes:

1. A member of the Company entitled to attend and vote, is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Act are complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The proxy form must be signed by the appointer or his attorney duly authorized in writing or in the case of a corporation, executed under its common seal or attorney duly authorized in that behalf.
4. All proxy forms must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.

FOLD HERE

affix
postage
here

THE COMPANY SECRETARY

IRIS CORPORATION BERHAD
LEVEL 18
THE GARDENS NORTH TOWER
MID VALLEY CITY
LINGKARAN SYED PUTRA
59200 KUALA LUMPUR

FOLD HERE