

IRIS CORPORATION BERHAD (302232-X)
ANNUAL REPORT 2010

Securing the vision Creating compelling value propositions





IRIS CORPORATION BERHAD
(302232-X)

IRIS SMART TECHNOLOGY COMPLEX
TECHNOLOGY PARK MALAYSIA
BUKIT JALIL
57000 KUALA LUMPUR, MALAYSIA

TEL +603 8996 0788
FAX +603 8996 0441

www.iris.com.my





SECURING THE VISION CREATING COMPELLING VALUE PROPOSITIONS

As a corporation, IRIS believes in growing as a sustainable global entity that is unrelenting in its commitment to excellence in its deliverables to society at large. We aim to combine passion with innovation to continue creating change and making a difference wherever and whenever possible in our pursuit of enriching lives for all.

Though rooted in trusted identity security, IRIS is making every effort to build a sustainable business agenda that transcends the boundaries of business performance, product and solution innovation, community involvement and environmental stewardship.





**IRIS IS
SYNONYMOUS
WITH INNOVATION
AND AGILITY.**



**WE
DESIGN,
DEVELOP,
MANUFACTURE,
& DELIVER
SOLUTIONS
FOR**

< DIGITAL IDENTITY SECURITY > < BUSINESS & TRANSACTION SECURITY > < FOOD SECURITY > < ENVIRONMENTAL SECURITY >







We are designing innovative solutions for everyday problems using covert applications that promote the freedoms of safety and security, and address industry challenges

**WE DESIGN
CUSTOMIZED
SOLUTIONS
FOR
DIVERSE
REQUIREMENTS.**

SHOWCASE: IRIS IPT500 MULTIPLE FUNCTIONS INTEGRATED IN A SINGLE UNIT

THE POWERFUL IRIS IPT500 IS IRIS' NEWEST MULTI-FUNCTION MOBILE TERMINAL FOR AUTHENTICATING AND VERIFYING ELECTRONIC DOCUMENTS IS AN INDUSTRY LEADING, COST-COMPETITIVE AND POWERFUL SOLUTION. IT IS FAST, PRECISE AND PROVIDES SECURE IDENTIFICATION AND VERIFICATION, WITH EXCEPTIONAL DATA READING CAPABILITIES IDEAL FOR ENFORCEMENT OFFICERS TO VERIFY ePASSPORT AGAINST THE HOLDER ANYWHERE REMOTELY WITHOUT PHYSICAL CONNECTION TO ANY SYSTEM.







We are developing new architecture
for systems and software that cater to
a growing portfolio of clients with
diverse security needs and concerns

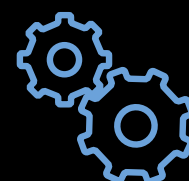
**WE DEVELOP
DURABLE
SOLUTIONS
THROUGH
INNOVATIVE
TECHNOLOGY.**

SHOWCASE: POWERFUL SOFTWARE SOLUTIONS BUILT ON IRIS IDENCraft

IRIS IDENCraft IS A COMPREHENSIVE AND VERSATILE SECURED DOCUMENT MANAGEMENT SYSTEM THAT HANDLES SECURITY, INVENTORY, WORKFLOW AND DOCUMENT LIFECYCLE REQUIREMENTS IN A HIGHLY FLEXIBLE AND STRUCTURED MANNER. THIS SOFTWARE THRIVES IN ENVIRONMENTS SUCH AS GOVERNMENT PROJECTS REQUIRING LARGE SCALE DEPLOYMENT. SUCH SIZABLE ROLLOUTS USUALLY REQUIRE A BESPOKE TAILORED SOLUTION. IDENCraft ADDRESSES THE DIVERSE PROJECT-SPECIFIC CUSTOMIZATION AND INTEGRATION DEMANDS OF NATIONWIDE IMPLEMENTATIONS.







We are manufacturing vital components and devices that revolutionize the way humanity lives, works and interacts

ONE-STOP MANUFACTURING SERVICES TOWARDS QUALITY EXCELLENCE.

SHOWCASE: ROBUST CONTACTLESS INTEGRATED CIRCUIT eINLAYS FOR ePASSPORT

OUR ISO AND ICAO COMPLIANT, PROVEN eINLAY DESIGNS ARE SPECIALLY AND SECURELY PACKAGED AND SEALED TO PROTECT THE ELECTRONICS, ENSURING OPTIMUM PERFORMANCE. IRIS' HIGHLY DURABLE eINLAYS USED IN ePASSPORTS ARE PURPOSED-DESIGNED TO WITHSTAND THE RIGOURS OF WEAR AND RESIST TAMPERING.





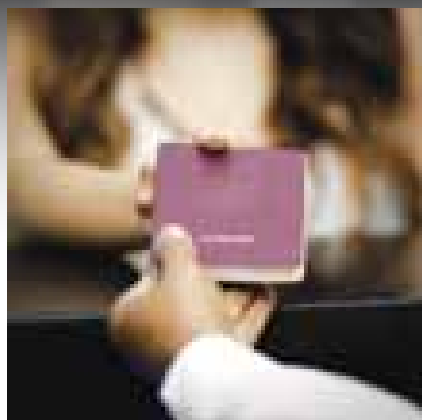


We are delivering solutions that aim to add trust, simplicity and security to the lives we touch - on time, everytime

**DELIVER
SOLUTIONS WITH
A COMBINATION
OF BEST PRACTICES
AND HARD-EARNED
EXPERIENCES.**

SHOWCASE: BANGLADESH MRP PROJECT ROLLED OUT IN JUST 43 DAYS

REGIONAL PASSPORT OFFICES IN THE PEOPLE'S REPUBLIC OF BANGLADESH BEGAN RECEIVING AND PROCESSING MACHINE READABLE PASSPORT (MRP) APPLICATIONS ON 1ST APRIL 2010, EXACTLY 43 DAYS AFTER IRIS JV WAS AWARDED A US\$76.09MIL TENDER TO ENHANCE AND MODERNISE BANGLADESH'S TRADITIONAL HANDWRITTEN PASSPORTS TO INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO) COMPLIANCY.



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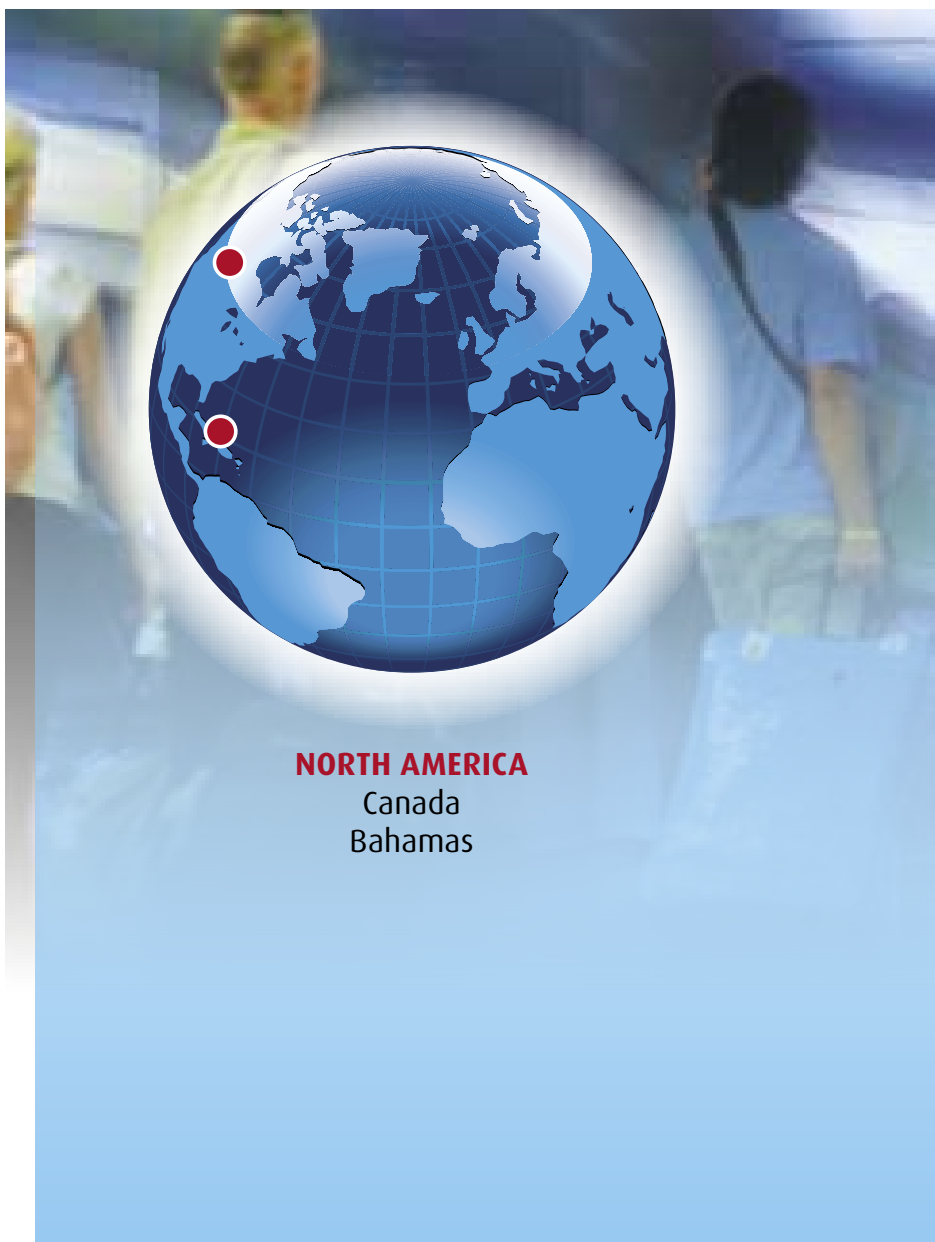
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PROXY FORM

Provided digital identity solutions to **18 countries** across various continents

165,800 contact/contactless card readers sold to **28 countries**



NORTH AMERICA

Canada
Bahamas

IRIS Corporation Berhad is a global solutions provider with core expertise in digital identity, business, food security 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 environmentally-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.



EUROPE, MIDDLE EAST & AFRICA

Italy
Turkey
Egypt
Bahrain
Somalia
Senegal
Nigeria
Tanzania



ASIA PACIFIC

Malaysia
Thailand
Cambodia
Myanmar
South Korea
Bangladesh
Maldives
New Zealand



TAN SRI RAZALI BIN ISMAIL
CHAIRMAN

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 2010.

Despite the uncertainties and challenges of the global economic climate, the Group was able to deliver respectable growth in the last three consecutive years. We managed to register significant pre and post-tax profits. For the financial year ended 31 December 2010, I am pleased to report that the Group achieved record operating results. Profit before and after tax grew 40.0% and 79.9% respectively on a year-on-year basis.

One of the major milestones achieved in 2010 was the recognition of our Group Managing Director, Dato' Tan Say Jim as the Ernst & Young Technopreneur of the year. This prestigious business award pays tribute to exemplary business-building by an entrepreneur within the technology industry. The achievement of the second major milestone was the signing of the contract for the supply of goods and equipment and implementation of the National Identity Card system for the Ministry of Home Affairs of the United Republic of Tanzania. The contract was signed on 21 April 2011 and is valued at approximately USD149.9 million.

< GROUP RESULTS >

Group revenue increased by 10.4% to a record high of RM366.1 million for the year ended 31 December 2010, compared to RM331.7 million recorded in the previous year. The domestic revenue increased to RM241.6 million or 66% of the total revenue compared with RM160.5 million or 48% of total revenue in the previous year. The remarkable growth in domestic revenue was mainly contributed by sustained demand for digital identity solutions and our success in making inroads into financial institutions.

Group profit before tax surged by 40.0% to hit a new record of RM42.6 million, compared to RM30.4 million in fiscal year 2009. This significant improvement was largely due to higher profit contributions from ePassport projects both domestic and overseas and cost reduction measures implemented in our operations.

We are pleased to inform that on 23 August 2010, our wholly owned subsidiary, IRIS Technologies (M) Sdn Bhd ("IRIS Tech") had fully redeemed and cancelled the entire Islamic Bonds (BaIDS) amounting to RM60 million and Medium Term Notes amounting to RM40 million prior to their maturity date. These instruments were supposed to be payable on 29 October 2010 and 29 April 2011 respectively.

In line with the improved performance, profit attributable to shareholders grew by 79.9% to RM28.0 million, translating to earnings per share of 1.98 sen as compared with 1.11 sen in the previous year. The record profit for 2010 is yet another milestone that IRIS has achieved.

< CREATING VALUE PROPOSITION >

IRIS is a company focused on value creation – with a sense of increasing profitability in our value chain. We aim to create value by increasing earnings and to expand our existing markets through the introduction of more innovative solutions and entry into new markets. Despite the difficult business environment in some parts of the world, our results confirm that we are on the right track.

Throughout the economic crisis, we have performed well compared to some of our competitors. This was primarily due to the early actions initiated by the Group. We streamlined our organization structure, strengthened our business processes and implemented cost saving programs.

We are confident in our capability and we believe that the strategies we have put in place will yield positive results for our shareholders, customers and employees.

< CORPORATE DEVELOPMENT >

Corporate proposals reported during the financial year under review were:

1. On 5 April 2010, IRIS acquired 3,234,000 ordinary shares of Thai Baht 100 each in PJT Technology Co., Ltd. ("PJT"), a company incorporated in Thailand, which represents 49% of equity interest in PJT, for a total cash consideration of Thai Baht 360 million (equivalent to RM37.5 million).
2. On 27 April 2010, admission to the Official List and the listing of and quotation for 212,326,987 new warrants 2010/2016 on the ACE Market of Bursa Malaysia Securities Berhad pursuant to the renounceable rights issue by IRIS.

GROUP REVENUE
10.4%

**GROUP PROFIT
BEFORE TAXATION**
40.0%

**GROUP PROFIT
AFTER TAXATION**
79.9%

**SHAREHOLDERS'
FUNDS**
12.4%

RESULTS INCREASED

< TOP >

IRIS KIPPAS (ePASSPORT RENEWAL KIOSK)

< BOTTOM >

IRIS BCR200-DTP (BIOMETRIC SMART CARD
READER)



< CORPORATE DEVELOPMENT cont'd >

3. On 2 June 2010, IRIS entered into a joint venture agreement ("JVA") with WRP Asia Pacific Sdn. Bhd. ("WRP") to form a new joint venture company ("JVC") to develop, construct, operate and own a new biomass power plant to be powered by oil palm empty fruit bunches or such other renewable biomass on a designated site owned or to be owned by WRP. On 23 June 2010, the JVC was incorporated under the name of IRIS WRP Eco Power Sdn. Bhd. ("IRIS WRP"). IRIS and WRP have mutually agreed to terminate the JVA through the execution of a Mutual Termination Agreement on 21 March 2011. The Mutual Termination agreement is due to the reasons that WRP and the JVC were unable to conclude the leasing of the land to the JVC and the non-finalization of the Power Purchase Agreement between the JV Company and WRP.

Subsequently on 4 April 2011, IRIS acquired one ordinary share of RM1.00 each, which represents 50% of the entire issued and paid up share capital of IRIS WRP from WRP for a total cash consideration of RM1. With the acquisition, IRIS WRP has now effectively become the wholly-owned subsidiary of IRIS.

4. On 27 July 2010, IRIS acquired two (2) ordinary shares of RM1.00 each in IRIS Land Sdn. Bhd. (formerly known as Peak Structure Sdn. Bhd.) ("IRIS Land"), representing its entire issued and paid-up share capital for a total cash consideration of RM 2.00. Subsequently on 22 April 2011, IRIS Land allotted and issued 59,998 ordinary shares of RM1.00 each to IRIS for a total cash consideration of RM59,998.00 and allotted and issued 40,000 ordinary shares of RM1.00 each to one Encik Hamdan bin Mohd Hassan (I.C. No.:590602-10-6607) for a total cash consideration of RM40,000.00. With this Issued Shares, IRIS Land has now become 60% owned subsidiary of IRIS.
5. On 21 November 2010, IRIS placed its 87.5% owned subsidiary company, namely IRIS Egypt under Members' Voluntary Winding-up. The member's voluntary Winding-up is part of IRIS Group's continuing rationalization exercise to wind-up inactive subsidiaries. However, the Group is still maintaining its Egyptian branch for business continuity in Egypt.
6. On 29 December 2010, the wholly-owned subsidiary of the Company, IRIS Tech acquired 4,900 ordinary shares of RM1.00 each, which represents 49% of the issued and paid-up capital of IRIS Eco Power Sdn. Bhd. ("IRIS Eco Power") from Solar Hub Sdn. Bhd. for a total consideration of RM 4,900. With the acquisition, IRIS Eco Power has now effectively become the wholly-owned subsidiary of IRIS Tech.

< TOP >
NATIONAL IDENTITY CARD PRODUCTION
< BOTTOM >
IRIS eGATES DEPLOYED AT IMMIGRATION
CHECKPOINTS THROUGHOUT MALAYSIA



7. On 18 April 2011, IRIS acquired sixty ordinary shares of RM1.00 each, which represents 60% of the entire issued and paid up capital of IRIS Healthcare Sdn. Bhd. (formerly known as Peacock Conglomerate Sdn. Bhd.) for a total cash consideration of RM60.00. The company is currently dormant and its proposed business activity is to carry on business of healthcare and related services.
8. On 18 April 2011, IRIS acquired 4,900 ordinary shares of RM1.00 each, which represents 49 % of the entire issued and paid up capital of Warisan Atlet (M) Sdn. Bhd. (formerly known as My Conquest Sdn. Bhd.) for a total cash consideration of RM4,900.00. The company is currently dormant and its proposed business activity is to carry on business of farming, including providing of information technology, consultation, facilities, studies, environmental studies, design, and implementation of all agricultural natural products, landscaping and other related services.

< AWARDS AND RECOGNITION >

IRIS received several awards and recognition for its performance in 2010 through three industry-recognised bench-marking awards as highlighted below:

- a) MSC Malaysia Research & Development Grant Scheme Top Performer Award
- b) Ernst & Young Entrepreneur of the Year 2010 - Technopreneur of the Year
- c) Ministry of International Trade and Industry (MITI) Industry Excellence Award 2010 - Export Excellence

< DIVIDEND >

After taking into account the funding requirement for existing and new businesses, the Board is pleased to recommend the payment of a maiden first and final tax-exempt dividend of 0.45 sen per ordinary share. The proposed dividend payment is subject to shareholders' approval at the forthcoming Annual General Meeting.

< 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 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

< TOP >
AGRO FARM IN PEKAN, PAHANG
< BOTTOM >
IRIS MOBILE SOLAR GENERATOR





< TOP >
SMART CHIP (MODULE) ASSEMBLY LINE
< BOTTOM >
IRIS eGATE (AUTOMATED BORDER CONTROL GATE)

WE ARE COMMITTED TO STRENGTHENING OUR PARTNERSHIPS WITH LEADING VENDORS BOTH LOCAL AND OVERSEAS, AND INVESTING INTO PRODUCT/PROCESS QUALITY IMPROVEMENTS AND INFRASTRUCTURE TO CONTINUALLY IMPROVE OUR CAPABILITIES AND SERVICE OFFERINGS.

< DIGITAL IDENTITY SOLUTIONS >

During the financial year, the Digital Identity Solutions Division continued to achieve strong performance and record impressive results. Division revenue improved to RM301.1 million for the year under review. The revenue and profit contributions were derived mainly from our existing projects namely Malaysia ePassport, Malaysia National ID – MyKad, Nigeria ePassport and Bangladesh MRP Passport Project. Other revenue contributions included the Thai Inlay project, Senegal ePassport Project, Cambodia ePassport project, Italy Inlay Project, Egypt CSO Project, Maldives ePassport project and Canadian driving license project all of which helped the bottom line.

In 2010, the division also established IRIS as a reliable assembly and manufacturing arm to a US Company namely NBS Technologies Inc., who has been channeling more volumes of desktop as well as large in-line card printers and embossers to us. The new assembly unit recorded revenue of RM12.9 million in Financial Year 2010. Furthermore, we have plans for more such machines to be taken up and will put a business strategy in place towards increasing the volume of business.

In the Domestic market, the demand for the Malaysia ePassport has surged by 41% mainly due to the introduction of a RM100 two-year validity passport in October 2009. With this new “reduced validity period” passport, the number of applicants for the Malaysia ePassport increased substantially especially from infrequent travelers. Besides the ePassport and eID, sales of contact/contactless card readers have also grown steadily over the years. With our proven track record, technical capabilities and established relations, we should therefore be experiencing more positive outcome in the domestic market.

SALES VOLUME INCREASED

52 MILLION

AS AT MARCH 2011,
WE HAVE DELIVERED
MORE THAN
52 MILLION PIECES
OF eID AND/OR
CARD-BASED DRIVING
LICENSES

While the worst of the financial crisis may have passed, the growth for the overseas market remained relatively weak right up until the end of 2010. Despite this, we actively participated in new tenders and explored new overseas avenues during the year under review. We achieved another milestone when we managed to secure a new eID solutions project amounting to USD149.9 million in The United Republic of Tanzania in April 2011. This project will be implemented over three years and will entail the supply of 25 million eID cards to Tanzanian citizens.

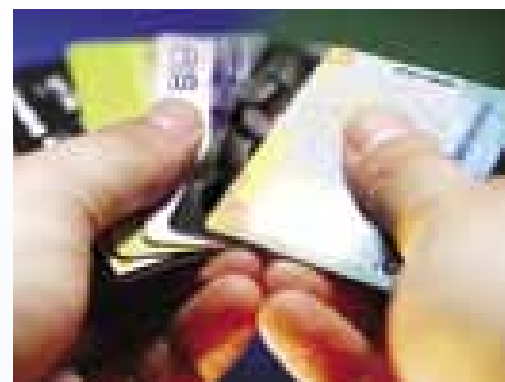
On the international front, we will continue to focus on our success in emerging markets, mainly Southeast Asia, Middle East and Africa, where growth prospects of digital identity solutions are expected to remain positive. We naturally have additional and serious prospects in Asia and Africa that stand a good chance to be secured and become operational during 2011.

According to the Keesing Journal*, 84 countries have already introduced ePassport solutions and about 12 more are considering introducing it by 2011 or 2012. In addition to ePassports, there are a number of other interesting developments that involve the application of electronics or e-components; these include eID Card, eVisas and eSticker. The eSticker have electronic components that are present in an ePassport, and would enable the upgrade of existing passports to ePassports in a simple, quick and cost effective way.

As a leading company of digital identity products and solutions, IRIS has the track record to design, develop, manufacture and supply security products and services typically for ePassport, eID Card, eSticker, eVisas, driving licenses and other similar applications. We have developed a state-of-the-art solution that unifies the systems and processes of issuing digital credentials with our multi-tier architecture. The end-to-end solution works perfectly together with IRIS IDENCraft – a comprehensive, adaptable and easy-to-deploy secured document management system and a range of smart card terminals and readers ranging from basic readers, to integrated fingerprint scanners with card readers, to multi-function handheld terminals, kiosk and automated border control eGates.

The Digital Identity Solutions 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.

We expect to see more exciting developments in the Digital Identity Solutions Division as it has already set the momentum in 2011 to gain more market share.



< TOP >
2-UP FOLDABLE INLAYS WITH COVER
< BOTTOM >
MULTI-FUNCTION SMART CARDS

32.9 MILLION

AS AT MARCH 2011,
WE HAVE DELIVERED
MORE THAN
32.9 MILLION PIECES
OF ePASSPORT
AND/OR INLAY TO
13 COUNTRIES

SALES VOLUME INCREASED

< BUSINESS SOLUTIONS >

For the financial year 2010, the Business Solutions Division achieved a significantly higher turnover of RM61.5 million, mainly from a contract secured with a financial institution to provide smart terminals and solutions. The contract was completed in the 3rd quarter 2010.

As reported in the previous year, our domestic landscape did change with inroads into the transportation sector through the award of the tender for the design, manufacture, install, test and commission the automated fare collection ("AFC") system for Kelana Jaya LRT line and Ampang LRT line from Syarikat Prasarana Negara Berhad ("Prasarana"). The award was given to an un-incorporated joint venture company with Indra Sistemas S.A. of Spain, a reputable transport solutions provider to actively bid for the automated fare collection tender in the country. The contract value of the base project is approximately RM115 million and is expected to be completed within financial year 2011.

In January 2011, IRIS-Indra JV Company has received and accepted the notice to exercise Option 1 of the above contract from Prasarana to perform AFC works for the KL monorail. The contract value of Option 1 was for an additional RM20 million approximately.

IRIS is fully certified to personalize Europay, MasterCard and Visa (EMV) cards for the banking sector. The Smart Payment Cards market is still showing growth mainly due to the natural replacement cycle and general spread of payment cards. In the past one year, the division was successful in winning two major contracts in the banking sector to issue personalized EMV debit cards at our Production center at Technology Park Malaysia. Moving forward, we expect to secure more Smart Payment Card projects from local banking institutes.

With the above projects on-hand, it is anticipated that the performance of the Business Solutions Division would be satisfactory and on a good track for financial year 2011.



< TOP >
IRIS ETM M8000 (eTICKETING MACHINE FOR AFC)
< BOTTOM >
AUTOMATIC FARE COLLECTION (AFC) SYSTEM
- KELANA JAYA AND AMPANG LRT LINES

< TOP >
AGRO FARM WORKERS IN MORIB,
SELANGOR
< CENTRE >
AGRO FARM SUCCESS IN THE REPUBLIC OF
MALDIVES
< BOTTOM >
MALAYSIA'S FIRST AND LARGEST
SUSTAINABLE AGRO FARM IN TANJUNG
TUALANG, PERAK



< FOOD SECURITY SOLUTIONS >

The Farming Division had its name changed to become the Food Security Solutions Division in 2010.

The Division forecasted a lower full year result mainly due to the delay in rolling-out the Tanjung Tualang Farm in 2010. On 8 July 2010, IRIS entered into an agreement with Koperasi Atlet Malaysia Berhad ("KAMB" or National Athletes Cooperative) to appoint IRIS as a turnkey contractor for the implementation of the Golden Melon Farming Project in Tanjung Tualang, Perak. The delay in commencement was due to the additional time needed to sort out the funding for this project with the Bank.

A RM25 million term loan for this project has been approved by Agro Bank recently and the division is targeted to complete 30 acres of planting area and the main operation building before end of 2011. The whole project is expected to be completed in 2012.

In response to the Prime Minister's call for the private sector to be a critical partner and the key driver in the Economic Transformation Programme (ETP), IRIS participated in a small rural community project to build homes, infrastructure and supply job opportunities through agriculture for the targeted low-income segment in Pekan, Pahang. The Government has allocated a 20-acre piece of land for IRIS to set up a modern farm named Rimbunan Kaseh Project, which has employed a total of 45 agro-specialists from the immediate community to cultivate and supply premium crops such as Golden Melon, Rock Melon, Cherry Tomato and Japanese Cucumber. Moving further along the theme of innovative farming, Rimbunan Kaseh serves as a Research & Development facility as well as training center that enables the farming community to enhance their productivity and improve their skills.

The current emphasis for embarking into agriculture is all about growing more with less – less land, less labour and less pollution. By combining innovative technology and Good Agriculture Practices (GAP), the IRIS solution can grow more crops and improve livelihoods while preserving Mother Nature.

In view of the above projects, the Food Security Solutions Division anticipates the outlook for the coming financial year to be bright.

< ENVIRONMENTAL SOLUTIONS >

In 2010, the Environmental Solutions Division repositioned itself as a technology integrator and project developer that provides customized and affordable green solutions that address the three most serious problems facing the world today, namely compounding wastes, climate change and increasing energy demand and depleting fossil fuel.

The division has therefore refocused its business in the following areas:-

- Total waste management solution
- Bioenergy
- Solar hybrid power plants
- Mini hydro & power plants
- Fuel efficiency for process plants & automotive engines

As a technology integrator, we collaborate with technology partners to design, integrate and build each plant so that proven, state-of-the-art technologies, are made affordable and commercially viable. The division works only with proven technologies and has established partnerships with technology leaders from all over the world. With its experience and expertise in system design and integration it is able to identify the right technology best suited to each situation.

The division's business development efforts are mainly focused on the energy-starved, developing countries of Asia and Africa. The division currently has projects being implemented in Malaysia and Thailand and with good prospects coming from Senegal.

PJT Technology Co. Ltd, the company in which IRIS has a 49% equity stake, commenced construction for the Phuket Waste-to-Energy Incineration Plant in September 2010. The Plant has a processing capability of 600-tonnes of municipal solid waste per day and will be able to generate 10 mega-watt of electricity to supply to the grid. When it goes into commercial operation, its revenue will be derived from the sale of electricity, tipping fees and carbon credit.

In June 2010, IRIS entered into a joint venture with WRP Asia Pacific Sdn Bhd ("WRP") to build a biomass power plant to supply steam and electricity to WRP's rubber glove manufacturing facility. Subsequently on 21 March 2011, IRIS and WRP mutually agreed to terminate the Joint Venture Agreement through the execution of a Mutual Termination Agreement. The Mutual Termination is due to both WRP and the JV Company not being able to conclude the leasing of the land to the JVC and the non-finalization of the Power Purchase Agreement between the JV Company and WRP.

Besides Build, Operate and Transfer (BOT) and turnkey projects, the division also provides medium and long term operating lease for small incineration plants, which are used to cope with unexpected surges in demand for incineration services. The division currently has a 2-ton per day mobile medical waste incinerator operating at the customer's premises and is generating consistent lease rental revenue to the Group.

< TOP >

PHUKET WASTE-TO-ENERGY INCINERATION
PLANT (UNDER CONSTRUCTION)

< BOTTOM >

IRIS WASTE INCINERATION (ECO-FRIENDLY
AND COMPLIES WITH THE STRICTEST
STANDARDS STIPULATED BY THE DEPARTMENT
OF ENVIRONMENT)



Going forward, the division will be able to record more stable income after the completion of the waste-to-energy incinerator plant in Phuket, Thailand in 2012.

< CONCLUSION >

The Digital Identity Solutions Division is well-positioned to maintain its strong performance locally and overseas. The Business Solutions Division is expected to perform better arising from the implementation of the AFC project and supply of Smart Payment Cards to the banking sector. The Food Security Solutions Division's result is expected to be satisfactory once the Perak farming project takes off and the Environmental Solutions Division will focus on the delivery and commissioning of the Phuket waste-to-energy incinerator project and will continue to explore new markets.

A key strategy moving forward will be to focus on profit generation in each of our value chains. We are committed to strengthening our partnerships with leading vendors both local and overseas, and investing into product/process quality improvements and infrastructure to continually improve our capabilities and service offerings.

MUCH OF OUR OPTIMISM COMES FROM THE INVESTMENTS WE HAVE MADE, BUT A KEY INGREDIENT ALSO COMES FROM THE CALIBER AND COMMITMENT OF THE IRIS STAFF TO DRIVE GROWTH AND EXPANSION FOR THE GROUP.



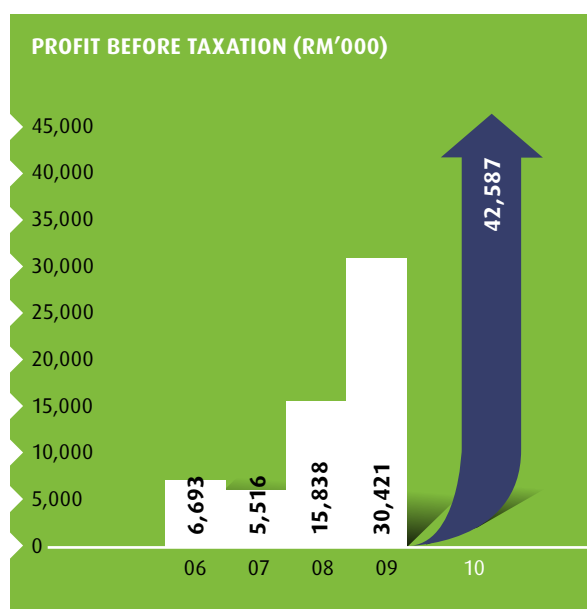
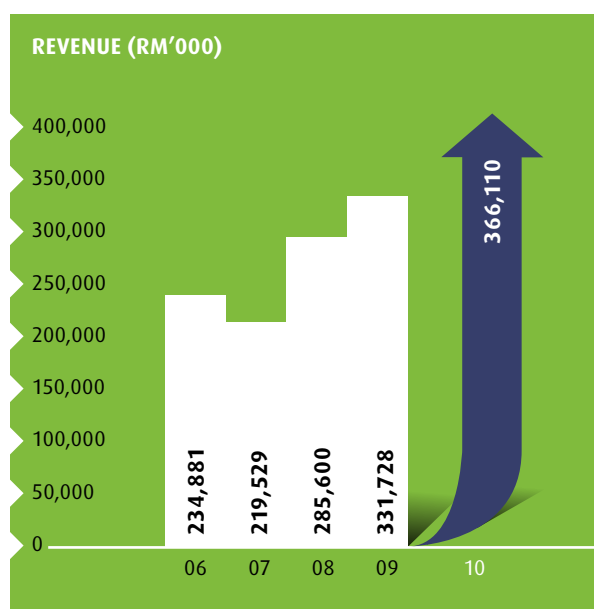
< LEFT > ePASSPORT DATA PAGE

< CENTRE > IRIS AXESS P5000 (FULL PAGE ePASSPORT SCANNER)

< RIGHT > SMART PAYMENT CARDS PERSONALISED BY IRIS

22. GROUP FINANCIAL SUMMARY

| DESCRIPTION | 2010 RM'000 | 2009 RM'000 | 2008 RM'000 | 2007 RM'000 | 2006 RM'000 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 366,110 | 331,728 | 285,600 | 219,529 | 234,881 |
| Profit before taxation | 42,587 | 30,421 | 15,838 | 5,516 | 6,693 |
| Profit after taxation | 28,031 | 15,581 | 10,632 | 7,528 | 4,768 |
| Share capital | 216,416 | 216,416 | 216,416 | 216,416 | 196,886 |
| Reserves | 130,108 | 91,957 | 61,870 | 50,799 | 33,044 |
| Shareholders' equity | 346,524 | 308,373 | 278,286 | 267,215 | 229,930 |
| Current liabilities | 216,896 | 197,072 | 165,877 | 119,579 | 139,239 |
| Non-current liabilities | 122,164 | 44,541 | 116,924 | 140,724 | 174,159 |
| Total equity and liabilities | 685,584 | 549,986 | 561,087 | 527,518 | 543,328 |
| Non-current assets | 315,257 | 275,236 | 286,166 | 292,391 | 279,148 |
| Current assets | 370,327 | 274,750 | 274,921 | 235,127 | 264,180 |
| Total assets | 685,584 | 549,986 | 561,087 | 527,518 | 543,328 |
| Pre-tax profit margin (%) | 11.63 | 9.17 | 5.55 | 2.51 | 2.85 |
| Post-tax profit margin (%) | 7.66 | 4.70 | 3.72 | 3.43 | 2.03 |
| Basic earnings per share (sen) | 1.98 | 1.11 | 0.78 | 0.60 | 0.47 |
| Net assets per share (sen) | 24.45 | 21.79 | 19.81 | 19.52 | 19.85 |
| Total borrowings to equity ratio (%) | 57.47 | 44.59 | 65.59 | 73.66 | 100.69 |



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)

AUDITORS

Crowe Horwath

Level 16, Tower C, Megan Avenue II

12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel: +603 2166 0000

Fax: +603 2166 1000

REGISTERED OFFICE

Level 18, The Gardens North Tower, Mid Valley City
Lingkaran Syed Putra, 59200 Kuala Lumpur

Tel: +603 2264 8888

Fax: +603 2282 2733

CORPORATE OFFICE

IRIS Smart Technology Complex

Technology Park Malaysia, Bukit Jalil, 57000 Kuala Lumpur

Tel: +603 8996 0788

Fax: +603 8996 0442

Website: www.iris.com.my

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd

Level 17, The Gardens North Tower, Mid Valley City

Lingkaran Syed Putra, 59200 Kuala Lumpur

Tel: +603 2264 3883

Fax: +603 2282 1886

PRINCIPAL BANKERS

EON Bank Berhad

Standard Chartered Bank Malaysia Berhad

AmBank (M) Berhad

Malaysia Debt Ventures Berhad

HSBC Bank Malaysia Berhad

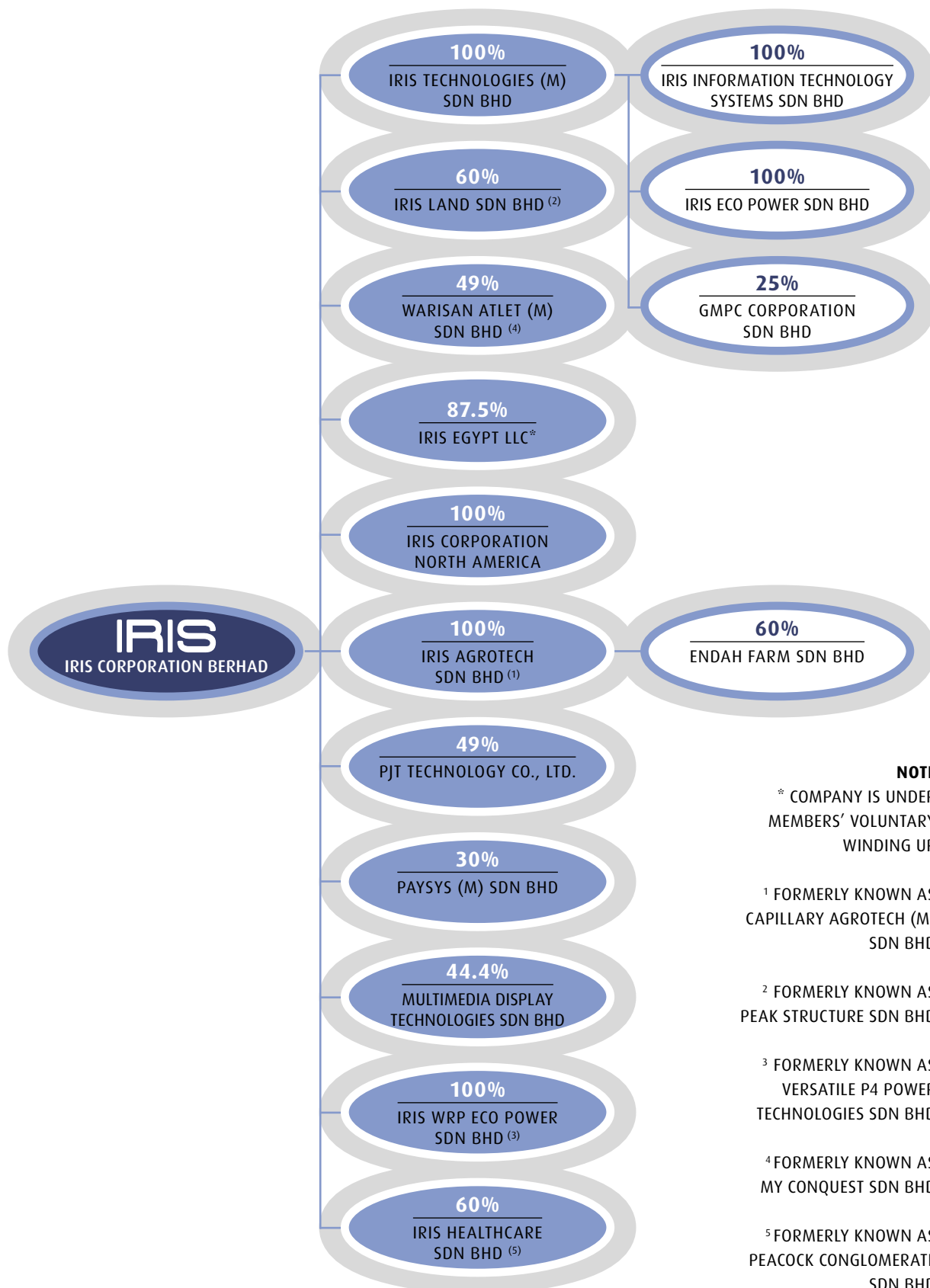
STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Stock Code: 0010

Stock name: IRIS

24. CORPORATE STRUCTURE



**MSC MALAYSIA
RESEARCH &
DEVELOPMENT
GRANT SCHEME TOP
PERFORMER AWARD**

IRIS' excellent commercial performance has been recognised by the Ministry of Science, Technology and Innovation as well as Multimedia Development Corporation with the MSC Malaysia R&D Grant Scheme Top Performer

**MINISTRY OF
INTERNATIONAL
TRADE AND
INDUSTRY 2010
INDUSTRY
EXCELLENCE AWARD -
EXPORT EXCELLENCE
(MERCHANDISE)**

IRIS recognised for excellence in Export performance, Market penetration, Product development, Market operation, Recognitions received, Social contributions, and reduced reliance on imported components

**ERNST & YOUNG
ENTREPRENEUR
OF THE YEAR 2010
TECHNOPRENEUR OF
THE YEAR**

Dato' Tan Say Jim awarded Technology Entrepreneur of the Year



PAST AWARDS

- | | |
|------------------------|---|
| 2009 | < CERTIFICATE OF ACHIEVEMENT AWARD 2009: INFORMATION TECHNOLOGY SERVICE MANAGEMENT > < LEADING TECHNOLOGY COMPANY IN THE DELOITTE TECHNOLOGY FAST500 ASIA PACIFIC 2009 PROGRAMME: RANKED 350TH > < INTERNATIONAL BUSINESS REVIEW AWARDS 2009: EXCELLENCE IN GREEN TECHNOLOGY SECTOR > |
| 2008 | < FROST & SULLIVAN ASIA PACIFIC ENABLING TECHNOLOGY AWARD: THE ePASSPORT SMART CARD MARKET > |
| 2007 | < SESAMES AWARD: BEST IDENTIFICATION APPLICATION > < CARDEX AWARD: OUTSTANDING SUPPLIER ORGANIZATION AWARD > |
| 2006 | < PIKOM AWARDS: TECHNOPRENEUR OF THE YEAR > |
| 2005 | < D'UCOTY AWARD: TECHNOLOGY LEADERSHIP SMARTCARDS > |
| 2003 & 2002 | < MSC-APICTA AWARDS: BEST OF E-GOVERNMENT APPLICATIONS & SERVICES > < APICTA AWARDS: BEST OF E-GOVERNMENT & SERVICES > |
| 2001 | < ICT PRODUCT OF THE YEAR: BEST OF E-GOVERNMENT APPLICATIONS > |
| 2000 | < APMITTA AWARDS: BEST OF E-GOVERNMENT APPLICATIONS > |



TAN SRI RAZALI BIN ISMAIL

CHAIRMAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

A Malaysian aged 72, 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, Penang, Chairman of the National Peace Volunteer Corp (Yayasan Salam), formerly President of World Wildlife Fund Malaysia and presently Chairman of the Chow Kit Foundation for marginalized children.

He is also a director of Leader Universal Holdings Berhad, Allianz General Insurance Malaysia Berhad, Cypark Resources 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 75, was appointed to the Board on 11 February 1998. He graduated with a Bachelor of Science (Economics) from Queens University of Northern Ireland.

He began his career with Esso Malaysia Limited as an economic analyst and moved on as a Finance Manager in one of the finance company within Malayan Banking Group. Currently, he is the Executive Chairman and co-founder of Strateq Sdn Bhd (formerly known as Kompakar Inc Bhd) which is a leading technology provider offering scalable integrated solutions that has been instrumentally localised and expanding to countries in the Asia Pacific region.



DATO' TAN SAY JIM
MANAGING DIRECTOR

Amongst the accolades bestowed on Tunku were the Austrade International Award 2000 Australian Export Awards for outstanding contribution to Australia's international trading performance by a foreign individual based outside of Australia, the "Darjah Seri Paduka Tuanku Ja'afar Yang Amat Terpuji (S.P.T.J)" by his Royal Highness The Yang Di-Pertuan Besar Negeri Sembilan and the appointment as an Honorary Officer (AO) in the General Division of the Order of Australia award for his service to Australian-Malaysian relations by the Governor-General of the Commonwealth of Australia.

He is currently the directors of Axis REIT Managers Berhad, Berjaya Assets Bhd, Jotun (M) Sdn Bhd, Vision Four Production Sdn Bhd, DHL Worldwide Express (M) Sdn Bhd and several private limited companies.

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

A Malaysian aged 53, 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.

On 1 December 2010, Dato's Tan was recognized at the Ernst & Young Entrepreneur of the year 2010 Technopreneur of the year, the prestigious business award pays tribute to exemplary business-building by an entrepreneur within the technology industry.



EOW KWAN HOONG
EXECUTIVE DIRECTOR

A Malaysian aged 57, was appointed to the Board on 2 May 2002.

He is a fellow member of the Chartered Institute of Management Accountants (CIMA), UK and a member of Malaysian Institute of Accountants. He is a 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.



SYED ABDULLAH BIN SYED ABD KADIR
INDEPENDENT NON-EXECUTIVE DIRECTOR

A Malaysian aged 57, 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. He is also an alternate trustee in Perdana Leadership Foundation.

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



DATUK KAMARUDDIN BIN TAIB
INDEPENDENT NON-EXECUTIVE DIRECTOR

A Malaysian aged 53, was appointed to the Board on 6 November 2003. He graduated with a 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 Managing Director for several Companies listed on Bursa Malaysia and Director of various private limited 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 a Director of Malaysian Pacific Corporation Berhad, Unicorn International Islamic Bank Berhad, Great Eastern Life Assurance (Malaysia) Berhad, Chairman and Director of Great Eastern Takaful Sdn Bhd and Director of several private limited companies.

Datuk Kamaruddin currently serves as a member of Audit Committee.



DATO' NOORAZMAN BIN ABDUL AZIZ
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

A Malaysian aged 55, 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 investments, corporate banking and finance such as offshore financing and debt capital markets. The experience he gained is from the positions he held as Managing Director of Bank Islam, Chief Operating Officer of Kuala Lumpur Stock Exchange, Director General of Labuan Offshore Financial Services and in Citigroup for Malaysia, New York, London, Hong Kong and Singapore.

He is currently the Executive Director, Investments at Khazanah Nasional Bhd.



CHAN FEOI CHUN

INDEPENDENT NON-EXECUTIVE DIRECTOR

A Malaysian aged 58, 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 President of CIMA Malaysia Division and Council Member of Malaysian Institute of Accountants. He has gained extensive experience for 32 years from the international working experience in Britain and Thailand and in 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 an Independent Director and Audit Committee Chairman of Perisai Petroleum Teknologi Berhad.

Mr. Chan currently serves as member of Audit Committee.



RIZAL FARIS BIN MOHIDEEN ABDUL KADER

INDEPENDENT NON-EXECUTIVE DIRECTOR

A Malaysian aged 40, was appointed to the Board on 1 July 2009. He graduated with a Diploma of Law in U.K.

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.



INDRAN A/L SWAMINATHAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

A Malaysian aged 53, 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 63, 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.

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.

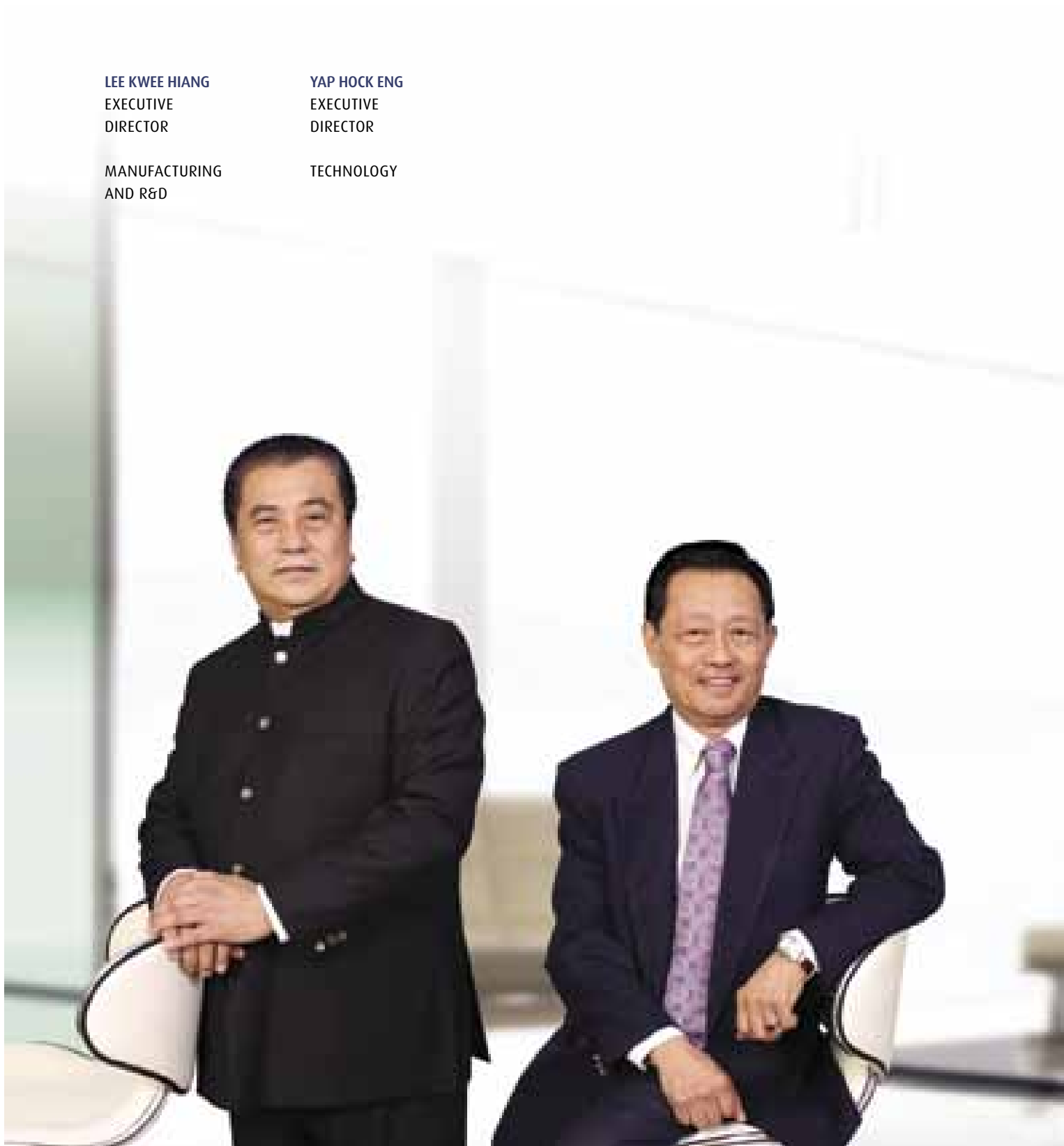
32. KEY MANAGEMENT TEAM

LEE KWEE HIANG
EXECUTIVE
DIRECTOR

MANUFACTURING
AND R&D

YAP HOCK ENG
EXECUTIVE
DIRECTOR

TECHNOLOGY



**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
DIVISION



34. CALENDAR OF EVENTS

< CORPORATE EVENTS 2010 >

19 JANUARY - 21 JANUARY

Border Management Conference (1st Conference on Technical Cooperation & Capacity Building for Border Management), Bangkok, Thailand

23 FEBRUARY

Signing Ceremony of the Contract Agreement between Government of the People's Republic of Bangladesh Department of Immigration and Passport and IRIS JV, Dhaka, Bangladesh

4 MARCH - 6 MARCH

Digital Innovation Fair 2010, Dhaka, Bangladesh

12 APRIL

Official Kick-Off – National ICT Month (NIM) 2010 Launch, Palace Golden Horses, Kuala Lumpur

18 MAY

6th World Islamic Economic Forum WIEF, Kuala Lumpur Convention Centre, Kuala Lumpur

2 JUNE

Launching of Machine Readable Travel Document (MRTD), Dhaka, Bangladesh

8 JULY

Contract Signing for the Development of Malaysia's First Sustainable AgroFarm, Kuala Lumpur

28 OCTOBER - 31 OCTOBER

CIMB Asia Pacific Classic (PGA Tour), Mines Golf Resort, Kuala Lumpur

1 NOVEMBER - 4 NOVEMBER

ICAO Symposium 2010, Montreal, Canada

18 NOVEMBER

Asian High Security Printing, Kuala Lumpur

26 NOVEMBER

IRIS Annual Dinner 'Retro Nite'

17 DECEMBER - 19 DECEMBER

CARTES, Paris, France

8 JULY



8 JULY



28 OCTOBER



23 FEBRUARY



2 JUNE



26 NOVEMBER



17 DECEMBER



< CORPORATE/VIP VISITS 2010 >

JANUARY

- 05 H.E. Daniel Kwasi Abodakpi, High Commissioner of the Republic of Ghana
- 11 Dinner with H.E. Ir. Rachid Mohamed Rachid, Minister of Trade and Industry, Egypt
- 25 H.E Hassan Sheikh Aden Isak, Deputy Prime Minister of Somalia

FEBRUARY

- 19 Delegation from the Ministry of State for Immigration and Registration of Persons, Kenya.

MARCH

- 01 Delegation from the Arriyadh Development Authority (ADA) Arab Saudi. Mr. Abdulaziz A. Alghannam, Director of Strategic Head
- 06 H.E. Dr. Tarek Kamel, Minister of Communication & Information Technology, Egypt

MAY

- 19 H.E. Abdoulaye Wade, President of the Republic of Senegal

JULY

- 09 The Honourable Mr. Robinson Njeru Githae, Minister for Nairobi Metropolitan Development, Republic of Kenya
- 28 Mr. Md. Abdul Mabud, Director General of Department of Immigration and Passports, Republic of Bangladesh

AUGUST

- 02 Ministry of Home Affairs and Public Safety and of Parliamentary Affairs, Kingdom of Lesotho. Mr. Rets'elisitsoe, Khetsi, Principal Secretary, Ministry of Home Affairs, Kingdom of Lesotho.

SEPTEMBER

- 27 Official visit from Kazakhstani Ambassador to Malaysia & Members of Kazakhstan Parliament & delegation

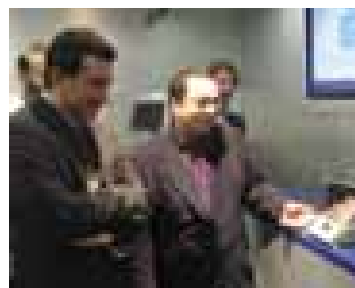
DECEMBER

- 10 The Honorable Dr. Pontso Matumelo Sekatle, Minister of Local Government and Chieftainship Affairs, Kingdom of Lesotho

25 JANUARY



01 MARCH



19 MAY



27 SEPTEMBER



02 AUGUST



10 DECEMBER



36. CORPORATE SOCIAL RESPONSIBILITIES

THE GROUP IS FORTUNATE TO BE ABLE TO MATCH ITS PUSH FOR HIGH-TECHNOLOGY SOLUTIONS AND CONSTANT INNOVATION WITH HELPING TO MAKE A DIFFERENCE WHENEVER AND WHEREVER POSSIBLE.

The Group's unrelenting commitment to its business agenda, its employees, the environment and surrounding communities are a reflection of its core values - the same guiding principles that founded and launched the company.

Throughout the Group, there is constant effort to make a difference and enrich the quality of life. We are moving on a path towards sustainability by improving business performance, product and service innovation, community action and environmental stewardship.

People are the Group's biggest asset and giving them access to benefits such as continuous training and development programmes, skills upgrading, professional certification, sporting activities and social pursuits are fundamental to fuelling workplace well-being and camaraderie, which in turn makes the Group an employer of choice.

The Group is fortunate to be able to match its push for high-technology solutions and constant innovation with helping to make a difference whenever and wherever possible. Our environmentally friendly waste management and renewable energy solutions are working both at home and abroad to divert tonnes of municipal, medical and industrial waste from landfills.

Over the last 2 years, employees have planted over 2,000 mangrove seedlings during Mangrove Therapy days held in collaboration with Global Environment Centre (GEC). In May 2010, a second mangrove tree planting program saw 40 enthusiastic IRIS environmentalists plant 1,000 mangrove seedlings in the mangrove reserves of Kuala Gula in Taiping, Perak. Kuala Gula forms part of Matang Forest Reserve, which is one of a few remaining vast stretches of tidal mud flats and mangrove forests.

Throughout the year, the Group contributes effort, technology solutions and financial assistance to various deserving charitable activities and bodies as well as international sporting events held locally. Contributions benefiting events, organizations, and communities in need include:

YAYASAN KEBAJIKAN ATLET KEBANGSAAN (YAKEB) > Continued commitment to the unique performance-based donation scheme that partners the Group with the world's top badminton players, Datuk Lee Chong Wei, Koo Kien Keat & Tan Boon Heong. The Group donates matching percentages based on prize monies won by the players to YAKEB.

KOPERASI ATLET MALAYSIA BERHAD (KAMB) > The Group matches its push for modern, high-tech farming with helping ex-national and retired athletes, single mothers, the physically challenged by partnering KAMB to establish a 100-acre sustainable agro farm in Tanjung Tualang, Perak.



< TOP >
YAYASAN KEBAJIKAN ATLET KEBANGSAAN
(YAKEB)
< BOTTOM >
LANGKAWI INTERNATIONAL MOUNTAIN
BIKE CHALLENGE (LIMBC) 2010

LANGKAWI INTERNATIONAL MOUNTAIN BIKE CHALLENGE (LIMBC) 2010 > In support of the largest congregation of mountain bikers from across the globe in Langkawi, competing in a Cross Country Challenge and an Endurance Race, the Group took up Gold sponsorship to help the inaugural event realise its goals.

PROTON-BWF THOMAS UBER CUP FINALS 2010 > The Group's corporate sponsorship of the most important and most prestigious badminton tournaments in men's and women's team competition, respectively, marked the championships' 10 year return to Malaysia.

LARIAN SERENTAK 1MALAYSIA 2010 > In support of Larian Serentak 1 Malaysia initiated by Yayasan Kebajikan Atlet Kebangsaan (YAKEB) the Group was one of the major corporate sponsors of the 5km run which started and ended at Dataran Merdeka. IRIS sent a 60-strong contingent for the challenging city run.

CIMB ASIA PACIFIC CLASSIC 2010 > The Group is proud to support South East Asia's first ever PGA TOUR sanctioned event – the CIMB Asia Pacific Classic Malaysia. The prestigious event also saw the Group partner the PGA Tour to contribute matching donations benefiting YAKEB, at the end of the tournament.

NATIONAL BLOOD BANK > A perennial commitment towards helping to save lives and in helping the National Blood Bank boost its blood supplies, the Group organizes blood donation drives twice a year as part of its CSR initiatives.

PUSAT KOMUNITI PERUMAHAN BERSEPADU BUKIT KENAU, MUKIM PULAU MANIS, PEKAN, PAHANG > In July 2010, together with Affin Islamic Bank Berhad, the Group built and handed over a 60-home housing estate complete with modern infrastructure and facilities for recreation and commerce for a group of the less fortunate selected by Majlis Ugama Islam Dan Adat Resam Melayu Pahang (MUIP). The Group then followed with building and handing over 20 additional homes in February 2011 and also began developing 20 acres of agro farm complete with integrated complex containing staff quarters, produce processing & packaging facilities and administrative office.

MAJLIS PERTUBUHAN IBU TUNGGAL MALAYSIA (SINGLE MOTHERS COUNCIL OF MALAYSIA) > In an exclusive CSR partnership with Seri Perdana, official residence of the Prime Minister of Malaysia, IRIS continues its commitment towards uplifting the plight of Malaysia's less privileged using unconventional ways. The Group made a contribution to Majlis Pertubuhan Ibu Tunggal Malaysia comprised of profits from the sale of golden melons and rock melons cultivated on the grounds within Seri Perdana and in Seri Perdana's satellite farm in Kampung Endah, Morib.



PUSAT KOMUNITI PERUMAHAN
BERSEPADU BUKIT KENAU, MUKIM PULAU
MANIS, PEKAN, PAHANG

38. 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 HAS CONSIDERED THAT IT HAS ADOPTED AND COMPLIED THE PRINCIPLES AND BEST PRACTICES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE.

The following are 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 2010.

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 Syed Abdullah Bin Syed Abd Kadir Datuk Kamaruddin Bin Taib Chan Feoi Chun | Independent Non-Executive Independent Non-Executive Independent Non-Executive 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 Syed Abdullah Bin Syed Abd Kadir Eow Kwan Hoong | Independent Non-Executive Independent Non-Executive Executive Director |
| REMUNERATION COMMITTEE | To recommend to the Board the Directors' remuneration | YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin - Chairman Syed Abdullah Bin Syed Abd Kadir Eow Kwan Hoong | Independent Non-Executive Independent Non-Executive 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") for ACE Market 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 2010, 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 2010 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 |

| Directors | Total Meetings Attended by Director |
|--------------------------------------|--|
| DATO' TAN SAY JIM | 4/4 |
| SYED ABDULLAH BIN SYED ABD KADIR | 4/4 |
| EOW KWAN HOONG | 4/4 |
| DATUK KAMARUDDIN BIN TAIB | 3/4 |
| DATO' NOORAZMAN BIN ABD AZIZ | 4/4 |
| CHAN FEOI CHUN | 4/4 |
| DATUK DOMAMI BIN HUSSAIN | 4/4 |
| INDRAN A/L SWAMINATHAN | 3/4 |
| RIZAL FARIS BIN MOHIDEEN ABDUL KADER | 2/4 |

APPOINTMENTS TO THE BOARD**NOMINATION COMMITTEE**

The Nomination Committee consist 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 Securities. 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.

DIRECTORS' TRAINING (cont'd)

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:

- Boardroom Effectiveness: Redefining the Roles & Functions of an independent director
- Blue Ocean Strategy Workshop
- Briefing for Services Tax
- Briefing on Derivative Investment
- Bursa Malaysia Corporate Governance Week 2010
- FIDE Banking Modules
- FIDE IT Governance & Risk Management
- Financial Industry Conference 2010
- Training Programme on Building a Board & Management Relationship, Case Study & Risk Management
- 3rd IFSB Public Lecture on Financial Policy and Stability

Dato' Noorazman bin Abdul Aziz and Syed Abdullah bin Syed Abd Kadir did not attend any relevant training and seminar courses during the year is due to their hectic travelling schedule throughout the year. The Directors will undertake to attend relevant trainings and seminars courses in 2011 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 share 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. A retiring director shall retain until the close of the meeting at which he retires.

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 2010 are set out as follows:

AGGREGATE REMUNERATION

| | Executive Directors | Non-Executive Directors |
|-------------------------------------|---------------------|-------------------------|
| | RM | RM |
| Basic salaries, bonus and allowance | 728,750 | – |
| Defined contribution plan | 87,456 | – |
| Benefits-in-kind | 30,431 | – |
| Fees | 40,000 | 669,880 |
| Total | 886,637 | 669,880 |

ANALYSIS OF REMUNERATION

| Range of Remuneration | Executive Directors | Non-Executive Directors |
|-----------------------|---------------------|-------------------------|
| RM1 – RM50,000 | – | 6 |
| RM50,001 – RM100,000 | – | 1 |
| RM100,001 – RM200,000 | – | 1 |
| RM200,001 – RM300,000 | – | 1 |
| RM300,001 – RM400,000 | 1 | – |
| RM400,001 – RM500,000 | – | – |
| RM500,001 – RM600,000 | 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 Securities for ACE Market. 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 approved 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 risks; 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 46 to 47.

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.

OBJECTIVES

AUDIT COMMITTEE IS ESTABLISHED TO SUPPORT AND ADVISE THE COMPANY'S BOARD OF DIRECTOR ("THE BOARD") 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 Audit 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.
4. The Audit Committee shall be financially literate.
5. At least one member of the Audit Committee shall fulfill the following:
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and:
 - a) he must have passed the examinations specified in Part I of the First 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 First Schedule of the Accountants Act 1967; or
 - iii) must have at least three (3) years' post qualification experience in accounting or finance;
 - a) has a degree/master/doctorate in accounting or finance; or
 - b) is a member of one (1) of the professional accountancy organisations which has been admitted as a full member of the International Federation of Accountants; or
 - iv) must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
 - v) fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

COMPOSITION OF AUDIT COMMITTEE

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

1. The Audit Committee shall be composed of no fewer than three (3) members, whom shall be Non-Executive Directors.
2. A majority of the Audit Committee must be Independent Directors.
3. The Chairman of the Audit Committee shall be an Independent Non-Executive Director.

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, any 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/she leaves.

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

COMMITTEE MEETINGS

1. 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.
2. There should be at least two meetings with the external auditors without the executive director present.
3. The quorum for any meeting shall be at least two (2) members where a majority of members present must be independent directors. In the absence of the Chairman of the Audit Committee, the members present shall nominate one amongst themselves to act as the Chairman of the Meeting.
4. Upon the request of any member of the Audit Committee, the external auditors or the internal auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider matters which should be brought to the attention of the directors or shareholders.
5. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.
6. The Audit Committee may invite any Board member or any member of management or any employee of the Company whom the Audit Committee thinks fit to attend its meetings, assist and provide pertinent information as necessary.
7. 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.
8. The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.
9. The Secretary/Secretaries shall be entrusted to record all proceedings and minutes of the Audit Committee's meetings which shall be kept and circulated to all members of the Audit Committee and of the Board.

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:

1. Full and unrestricted access to any information pertaining to the Company and the Group in the course of performing its duties;
2. Direct communication channels with the external and internal auditors or person (s) carrying out the internal audit function;
3. Full access to any employee or member of the management; and
4. 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:
 - 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;

DUTIES AND RESPONSIBILITIES (cont'd)

- 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 Group with both the external auditors and the management;
 - f. the audit plan, his evaluation of the system of internal control and the auditors' report with the external auditors;
 - g. any management letter sent by the external auditors and the management's response to such letter;
 - h. any letter of resignation from the external auditors.
 - i. the quarterly results and year end financial statements of the Group and thereafter submit to the Board, focusing particularly on:
 - changes in or implementation of accounting policies and practices;
 - significant adjustments or unusual events; and
 - compliance with accounting standards, regulatory and other legal requirements.
 - j. the assistance given by the employees of the Group to the external auditors;
 - k. all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
 - l. all related party transactions and potential conflict of interests situations that may arise within the Group and the Company.
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 Group's external auditors is not suitable for re-appointment.

3. To carry out any other function that may be mutually agreed upon by the Audit Committee and the Board, which would be beneficial to the Group and ensure the effectiveness discharge of the Committee's duties and responsibilities.
4. The Audit Committee's actions shall be reported to the Board with such recommendations as the Audit Committee deems appropriate.

If the Audit Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad for ACE Market, the Audit Committee has the responsibility for reporting such matters to the relevant authority. The Audit Committee shall have the discretion to undertake such action independently from the Board of Directors.

MEMBERSHIP AND ATTENDANCE AT MEETING

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

| | |
|---|---|
| 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 2010 as set out below:

| Name of Audit Committee | Total Meetings Attended by Members |
|--|------------------------------------|
| YAM Tunku Dato'Seri Shahabuddin bin Tunku Besar Brhanuddin | 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 Audit Committee carried out its duties and responsibilities in accordance with its terms of reference during the years. The main activities undertaken by the Audit Committee were as follows:

1. Reviewed the quarterly unaudited financial results of the Group and the Company 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 Group and the Company.
7. Received and reviewed of internal audit reports
8. Reviewed internal audit plans for the financial year of the Group and the Company, prepared by internal auditors.

INTERNAL AUDIT FUNCTION

The Group has appointed Baker Tilly Monteiro Heng Governance Sdn. Bhd. as Internal Auditors of the Group in place of the resigned Internal Auditors, Pleiades Associates Sdn. Bhd. effective from 1 January 2011. The Internal Auditors are 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.

The Board is pleased to outline the nature and scope of internal control of the Group for the financial year 31 December 2010.

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

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 RULE 15.26 (B) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR ACE MARKET, 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".

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 from 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.

INTERNAL AUDIT FUNCTION

The internal audit reviews during this reporting period were carried out by Pleiades Associates Sdn Bhd who has resigned as Internal Auditors of the Group on 31 December 2010. On 1 January 2011, the Group has appointed Baker Tilly Monteiro Heng Governance Sdn Bhd as the new Internal Auditors of the Group, both are independent professional firms.

The Internal Auditors support the Audit Committee, and by extension, the Board, by providing independent assurance on the effectiveness of the Group's system of internal controls. The Internal Auditors submit 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.

The cost incurred for Internal Audit services in respect of the financial year ended 31 December 2010 was approximately RM26,000.

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.

48. STATEMENT OF DIRECTORS' RESPONSIBILITIES

THE DIRECTORS ARE RESPONSIBLE FOR ENSURING THAT THE FINANCIAL STATEMENTS GIVE A TRUE AND FAIR VIEW OF THE FINANCIAL POSITION OF THE GROUP AND OF THE COMPANY AT THE END OF THE FINANCIAL YEAR AND OF THEIR FINANCIAL PERFORMANCE AND CASH FLOWS OF THE GROUP 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 FINANCIAL REPORTING STANDARDS AND THE COMPANIES ACT, 1965 IN MALAYSIA.

The Directors have considered that all Financial Reporting Standards have been followed in preparing the financial statements for the financial year ended 31 December 2010. 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 is 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 Financial Reporting Standards and the Companies Act, 1965 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.

THE INFORMATION SET OUT BELOW IS DISCLOSED IN COMPLIANCE WITH THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR ACE MARKET.

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 2010 except as below:

- a) Renounceable rights issue of up to 223,408,274 new six (6)-year warrants ("Warrants B") on the basis of three (3) Warrants B for every twenty (20) existing ordinary shares of RM0.15 each in IRIS at the issue price of RM0.05 per Warrant B ("Warrants Issue")

On 27 April 2010, the 212,326,987 Warrants B issued pursuant to the Warrants Issue were listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad marking the completion of the Warrants Issue.

The details of the utilisation of the proceeds from the Warrants Issue up to 31 December 2010 were as follows:

| Description | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Balance to be Utilised RM'000 |
|-------------------------|-----------------------------------|---------------------------------|--|
| Repayment of borrowings | 10,000 | 10,000 | - |
| Working capital | 616 | 616 | - |
| Total | 10,616 | 10,616 | - |

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 warrants during the financial year ended 31 December 2010.

Non-Cumulative Irredeemable Convertible Preference Shares ("ICPS") totaling of 1,925,300 units was

converted into 1,925,300 ordinary share of RM0.15 each for the financial year from 1 January 2010 to 31 December 2010.

Save as disclosed below, the Company did not issue any other Option, Warrants or Convertible securities for the financial year end under review.

On 27 April 2010, the Company issued 212,326,987 units of new six-year warrants (2010/2016) ("Warrants B") to the shareholders of the Company on the basis of three (3) Warrants B for every twenty (20) existing ordinary shares held in the Company at the issue price of RM0.05 per Warrants B. The Warrants B were listed on the Ace Market of Bursa Malaysia Securities Berhad. As at the end of the financial year, 212,326,987 Warrants B remained unexercised.

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 2010.

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 2010.

6. NON-AUDIT FEES

The non-audit fees paid to the external auditors of the Company and its subsidiaries for the financial year ended 31 December 2010 amounting to RM25,000.

7. VARIATION IN RESULTS

There is no materials variance between the audited results for the financial year ended 31 December 2010 and the unaudited results previously announced.

8. PROFIT GUARANTEE

During the financial year ended 31 December 2010, the Group and the Company did not give any profit guarantee.

50. ADDITIONAL COMPLIANCE INFORMATION CONT'D

9. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS'

For the financial year ended 31 December 2010, 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

No valuation carried out by the Company and its subsidiaries on landed properties during the financial year 31 December 2010. Revaluation will be carried out when deemed appropriate by the directors or at least once in every 5 years.

11. LIST OF PROPERTIES

For the financial year ended 31 December 2010, 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 60 years, expiring on 17 July 2055) | 16 | 17 July 1995 | 85,642 |

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

On 16 June 2010, 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 117 to 118.

REPORTS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

IRIS CORPORATION BERHAD

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The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

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 5 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 | 28,031 | 13,635 |
| Attributable to:- | | |
| Owners of the Company | 28,031 | 13,635 |

DIVIDENDS

No dividend was paid since the end of the previous financial year.

At the forthcoming Annual General Meeting, a first and final tax-exempt dividend of 0.45 sen per ordinary share amounting to RM6,376,971 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2011.

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 1,925,300 non-cumulative irredeemable convertible preference shares ("ICPS") of RM 0.15 each into 1,925,300 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.

NON-CUMULATIVE 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 23 to the financial statements.

WARRANTS

WARRANTS A

On 24 April 2006, the Company executed a deed poll pertaining to the creation and issuance of 55,251,530 2006/2016 free detachable warrants ("Warrants A").

On 27 June 2006, the Company issued 55,251,530 units of Warrants A to the shareholders of the Company on the basis of twenty ICPS and three (3) free Warrants A for every fifty (50) existing ordinary shares of RM0.15 each held in the Company. The Warrants A were listed on the Ace Market of Bursa Malaysia Securities Berhad. The main features of the 2006/2016 Warrants A are disclosed in Note 23 to the financial statements.

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

WARRANTS B

On 27 April 2010, the Company issued 212,326,987 units of new six-year warrants (2010/2016) ("Warrants B") to the shareholders of the Company on the basis of three (3) Warrants B for every twenty (20) existing ordinary shares held in the Company at the issue price of RM0.05 per Warrants B. The Warrants B were listed on the Ace Market of Bursa Malaysia Securities Berhad. The main features of the Warrants B are disclosed in Note 23 to the financial statements.

As at the end of the financial year, 212,326,987 Warrants B remained unexercised.

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position 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 impairment losses on receivables, and satisfied themselves that there are no debts had been written off and that adequate allowance had been made for impairment losses on receivables.

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 impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position 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 49 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.

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

INDRAN A/L SWAMINATHAN

RIZAL FARIS BIN MOHIDEEN ABDUL KADER

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 1.1.2010 | BOUGHT | ICPS CONVERSION | AT 31.12.2010 |
| 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 | 100,000 | - | - | 100,000 |
| INDIRECT INTERESTS: | | | | |
| Dato' Tan Say Jim # | 126,424,033 | - | - | 126,424,033 |

| NUMBER OF NON-CUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.15 EACH CONVERSION TO | | |
|--|--------------------|------------------|
| AT 1.1.2010 | ORDINARY SHARES | AT 31.12.2010 |
| DIRECT INTERESTS : | | |
| YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin | 1,866,666 | - |
| Syed Abdullah Bin Syed Abd Kadir | 133,333 | - |

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

| | NUMBER OF WARRANTS A | | |
|--|----------------------|--------|------------------|
| | AT 1.1.2010 | BOUGHT | AT 31.12.2010 |
| 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 |

| | NUMBER OF WARRANTS B | | |
|-----------------------------|----------------------|------------|------------------|
| | AT 1.1.2010 | ALLOTMENT | AT 31.12.2010 |
| DIRECT INTERESTS : | | | |
| Tan Sri Razali Bin Ismail | - | 1,000,000 | 1,000,000 |
| Dato' Tan Say Jim | - | 6,973,834 | 6,973,834 |
| Eow Kwan Hoong | - | 250,000 | 250,000 |
| INDIRECT INTERESTS : | | | |
| Dato' Tan Say Jim # | - | 18,963,604 | (18,963,500) 104 |

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

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 50 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 52 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

The significant event subsequent to the financial year is disclosed in Note 53 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED

Dato' Tan Say Jim

Eow Kwan Hoong

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 61 to 136 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 2010 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 56, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED

Dato' Tan Say Jim

Eow Kwan Hoong

58. 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 61 to 136 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

Dato' Tan Say Jim

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRIS CORPORATION BERHAD

59.

IRIS CORPORATION BERHAD
< ANNUAL REPORT 2010 >

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of IRIS Corporation Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statement of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 61 to 136.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of the financial statements that give a true and fair view 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 2010 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 5 to the financial statements.
- (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.

60. INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRIS CORPORATION BERHAD CONT'D

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS *(CONT'D)*

- (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.

The supplementary information set out in Note 56 on page 137 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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
21 April 2011

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010

61.

IRIS CORPORATION BERHAD
< ANNUAL REPORT 2010 >

| | NOTE | THE GROUP | | THE COMPANY | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Investment in subsidiaries | 5 | – | – | 180,294 | 180,451 |
| Investment in associates | 6 | 42,497 | 4,686 | 42,290 | 4,814 |
| Property, plant and equipment | 7 | 114,876 | 112,813 | 4,004 | 1,889 |
| Concession assets | 8 | 8,720 | 7,753 | 8,720 | 7,753 |
| Development costs | 9 | 2,048 | 3,417 | 2,048 | 3,417 |
| Intellectual properties | 10 | 10,799 | 12,179 | 5,122 | 5,738 |
| Available-for-sales financial assets | 11 | 406 | 406 | 406 | 406 |
| Deferred tax assets | 12 | 1,929 | – | 1,929 | – |
| Goodwill on consolidation | 13 | 133,982 | 133,982 | – | – |
| | | 315,257 | 275,236 | 244,813 | 204,468 |
| CURRENT ASSETS | | | | | |
| Inventories | 14 | 69,429 | 64,174 | 43,207 | 25,498 |
| Trade receivables | 15 | 140,995 | 115,729 | 82,204 | 51,329 |
| Amount owing by contract customers | 16 | 21,752 | 21 | 19,498 | – |
| Other receivables, deposits and prepayments | 17 | 42,837 | 20,419 | 25,940 | 3,889 |
| Amount owing by subsidiaries | 18 | – | – | 60,820 | 48,778 |
| Amount owing by associates | 19 | 62,947 | 44,597 | 20,873 | 23,352 |
| Amount owing by related parties | 20 | 353 | 194 | 349 | 83 |
| Tax refundable | | 338 | 1,129 | 338 | 1,129 |
| Deposits with licensed banks | 21 | 12,458 | 17,044 | 10,765 | 12,879 |
| Cash and bank balances | | 19,218 | 11,443 | 13,803 | 7,591 |
| | | 370,327 | 274,750 | 277,797 | 174,528 |
| TOTAL ASSETS | | 685,584 | 549,986 | 522,610 | 378,996 |

The annexed notes form an integral part of these financial statements

62. STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010 CONT'D

| NOTE | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Share capital | 23 | 216,416 | 216,416 | 216,416 |
| Share premium | 24 | 35,052 | 35,052 | 35,052 |
| Warrants reserve | 25 | 10,616 | 10,616 | – |
| Foreign exchange translation reserve | 26 | (518) | – | – |
| Revaluation reserve | 27 | 27,642 | – | – |
| Retained earnings/(Accumulated losses) | | 57,316 | (36,133) | (49,768) |
| TOTAL EQUITY | | 346,524 | 225,951 | 201,700 |
| NON-CURRENT LIABILITIES | | | | |
| Other payables and accruals | 28 | – | – | – |
| Hire purchase payables | 29 | 2,893 | 1,742 | 504 |
| Lease payables | 30 | 1,255 | 1,211 | – |
| Term loans | 31 | 102,728 | 102,728 | 27,428 |
| Deferred tax liabilities | 32 | 15,288 | – | – |
| | | 122,164 | 105,681 | 27,932 |
| CURRENT LIABILITIES | | | | |
| Trade payables | 33 | 27,320 | 9,564 | 17,216 |
| Amount owing to contract customers | 16 | – | – | 13,828 |
| Other payables and accruals | 28 | 68,730 | 49,142 | 11,013 |
| Amount owing to subsidiaries | 18 | – | 32,294 | 88,646 |
| Amount owing to associates | 19 | 19,191 | 19,191 | – |
| Amount owing to related parties | 20 | 235 | 222 | 1 |
| Hire purchase payables | 29 | 598 | 407 | 114 |
| Lease payables | 30 | 747 | 406 | – |
| Short-term borrowings | 34 | 90,914 | 79,752 | 8,200 |
| Bonds | 35 | – | – | 8,750 |
| Provision for taxation | | 9,161 | – | 1,596 |
| | | 216,896 | 190,978 | 149,364 |
| TOTAL LIABILITIES | | 339,060 | 296,659 | 177,296 |
| TOTAL EQUITY AND LIABILITIES | | 685,584 | 522,610 | 378,996 |
| NET ASSETS PER ORDINARY SHARE (sen) | 37 | 24.45 | 21.79 | |

The annexed notes form an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME

for the Financial Year Ended 31 December 2010

63.

IRIS CORPORATION BERHAD
< ANNUAL REPORT 2010 >

| | NOTE | THE GROUP | | THE COMPANY | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| REVENUE | 38 | 366,110 | 331,728 | 190,006 | 190,342 |
| COST OF SALES | 39 | (266,020) | (254,392) | (171,115) | (156,778) |
| GROSS PROFIT | | 100,090 | 77,336 | 18,891 | 33,564 |
| OTHER INCOME | | 2,579 | 2,141 | 32,966 | 12,504 |
| | | 102,669 | 79,477 | 51,857 | 46,068 |
| ADMINISTRATIVE EXPENSES | | (39,419) | (28,247) | (26,469) | (18,378) |
| FINANCE COSTS | | (11,755) | (11,745) | (7,765) | (5,111) |
| OTHER OPERATING EXPENSES | | (9,854) | (8,527) | (6,701) | (5,700) |
| | | 41,641 | 30,958 | 10,922 | 16,879 |
| SHARE OF PROFIT/(LOSS) IN ASSOCIATES | | 946 | (537) | - | - |
| PROFIT BEFORE TAXATION | 40 | 42,587 | 30,421 | 10,922 | 16,879 |
| INCOME TAX EXPENSE | 41 | (14,556) | (14,840) | 2,713 | (2,150) |
| PROFIT AFTER TAXATION | | 28,031 | 15,581 | 13,635 | 14,729 |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | | | | |
| - Foreign currency translation differences for foreign operations | | 20 | (46) | - | - |
| - Share of associate's other comprehensive income | | (511) | - | - | - |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | (491) | (46) | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 27,540 | 15,535 | 13,635 | 14,729 |
| PROFIT AFTER TAXATION ATTRIBUTABLE TO:- Owners of the Company | | 28,031 | 15,581 | 13,635 | 14,729 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: Owners of the Company | | 27,540 | 15,535 | 13,635 | 14,729 |
| Earnings Per Ordinary Share | | | | | |
| - Basic | 42 | 1.98sen | 1.11sen | | |
| - Diluted | 42 | 1.98sen | 1.10sen | | |

The annexed notes form an integral part of these financial statements

64. STATEMENTS OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2010

| | SHARE CAPITAL | | SHARE PREMIUM RM'000 | WARRANTS RESERVE RM'000 |
|--|----------------------------------|--|-------------------------|----------------------------|
| | ORDINARY SHARE CAPITAL RM'000 | NON-CUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") RM'000 | | |
| THE GROUP | | | | |
| Balance at 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 | - | - | - | - |
| Total comprehensive income for the financial year | - | - | - | - |
| BALANCE AT 31.12.2009/1.1.2010 | 212,277 | 4,139 | 35,052 | - |
| Conversion of ICPS into ordinary shares | 289 | (289) | - | - |
| Additional investment in a subsidiary | - | - | - | - |
| Net effect of change in equity interest as a result of additional investment in a subsidiary | - | - | - | - |
| Realisation on usage of property | - | - | - | - |
| Proceeds from issuance of Warrants B | - | - | - | 10,616 |
| Total comprehensive income for the financial year | - | - | - | - |
| BALANCE AT 31.12.2010 | 212,566 | 3,850 | 35,052 | 10,616 |

The annexed notes form an integral part of these financial statements

ATTRIBUTABLE TO OWNERS OF THE COMPANY

| NON-DISTRIBUTABLE | | | DISTRIBUTABLE | | | |
|---|---|----------------------------------|--------------------------------|-----------------|---------------------------------|---------------------------|
| FOREIGN EXCHANGE TRANSLATION RESERVE RM'000 | RESERVE RELATING TO ASSET HELD FOR SALE RM'000 | REVALUATION RESERVE RM'000 | RETAINED EARNINGS RM'000 | TOTAL RM'000 | MINORITY INTERESTS RM'000 | TOTAL EQUITY RM'000 |
| 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 |
| (46) | - | - | 15,581 | 15,535 | - | 15,535 |
| (27) | - | 27,971 | 28,961 | 308,373 | - | 308,373 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | (5) | (5) |
| - | - | - | (5) | (5) | 5 | - |
| - | - | (329) | 329 | - | - | - |
| - | - | - | - | 10,616 | - | 10,616 |
| (491) | - | - | 28,031 | 27,540 | - | 27,540 |
| (518) | - | 27,642 | 57,316 | 346,524 | - | 346,524 |

The annexed notes form an integral part of these financial statements

66. STATEMENTS OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2010 CONT'D

| | ATTRIBUTABLE TO OWNERS OF COMPANY | | | | | TOTAL EQUITY RM'000 |
|--|--|--|----------------------------|-------------------------------|---------------------------------|---------------------------|
| | SHARE CAPITAL | | NON - DISTRIBUTABLE | | DISTRIBUTABLE | |
| | ORDINARY SHARE CAPITAL RM'000 | NON- CUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARE ("ICPS") RM'000 | SHARE PREMIUM RM'000 | WARRANTS RESERVE RM'000 | ACCUMULATED LOSSES RM'000 | |
| THE COMPANY | | | | | | |
| Balance at 1.1.2009 | 210,678 | 5,738 | 35,052 | – | (64,497) | 186,971 |
| Conversion of ICPS into ordinary shares | 1,599 | (1,599) | – | – | – | – |
| Total comprehensive income for the financial year | – | – | – | – | 14,729 | 14,729 |
| BALANCE AT 31.12.2009/ 1.1.2010 | 212,277 | 4,139 | 35,052 | – | (49,768) | 201,700 |
| Conversion of ICPS into ordinary shares | 289 | (289) | – | – | – | – |
| Proceeds from issuance of Warrants B | – | – | – | 10,616 | – | 10,616 |
| Total comprehensive income for the financial year | – | – | – | – | 13,635 | 13,635 |
| BALANCE AT 31.12.2010 | 212,566 | 3,850 | 35,052 | 10,616 | (36,133) | 225,951 |

The annexed notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS

for the Financial Year Ended 31 December 2010

67.

IRIS CORPORATION BERHAD
< ANNUAL REPORT 2010 >

| NOTE | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| CASH FLOWS FOR/FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 42,587 | 30,421 | 10,922 | 16,879 |
| Adjustments for:- | | | | |
| Allowance for foreseeable loss on a contract | - | 2,257 | - | - |
| Allowance for impairment loss on investment in a subsidiary | - | - | 157 | - |
| Allowance for impairment loss on investment in associates | 73 | 1,000 | - | 1,000 |
| Allowance for slow-moving inventories | 806 | - | 806 | - |
| Amortisation of concession assets | 185 | 262 | 185 | 262 |
| Amortisation of intellectual properties | 1,380 | 1,380 | 616 | 615 |
| Amortisation of development costs | 1,369 | 1,851 | 1,369 | 1,851 |
| Bad debts written off | - | 3,274 | - | 3,082 |
| Depreciation of property, plant and equipment | 11,970 | 11,376 | 836 | 668 |
| Finance costs | 11,755 | 11,745 | 7,765 | 5,111 |
| Impairment loss on receivables | 922 | 713 | 1,073 | 607 |
| Inventories written off | 4,029 | 13,452 | 265 | 3,468 |
| Provision for warranty claim | - | 5,697 | - | 2,500 |
| Research and development costs written off | - | 2,085 | - | 2,085 |
| Share of (profit)/loss in associates | (946) | 537 | - | - |
| Bad debts recovered | (500) | (16) | (500) | (1) |
| Gain on disposal of plant and equipment | (137) | (41) | - | (19) |
| Interest income | (86) | (659) | (14) | (463) |
| Reversal of allowance for slow-moving inventories | - | (800) | - | - |
| Dividend income | - | - | (32,100) | - |
| Unrealised loss on foreign exchange | 1,465 | 140 | 925 | 305 |
| Writeback of inventories previously written off | - | (304) | - | (216) |
| Operating profit/(loss) before working capital changes/Balance carried forward | 74,872 | 84,370 | (7,695) | 37,734 |

The annexed notes form an integral part of these financial statements

68. STATEMENTS OF CASH FLOWS

for the Financial Year Ended 31 December 2010 CONT'D

| NOTE | THE GROUP | | THE COMPANY | |
|--|-----------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Operating profit/(loss) before working capital changes/Balance brought forward | 74,872 | 84,370 | (7,695) | 37,734 |
| Change in inventories | (10,090) | (6,542) | (18,781) | (5,547) |
| Change in trade and other receivables | (48,085) | 13,968 | (53,065) | 22,122 |
| Change in trade and other payables | 23,486 | (16,460) | 29,474 | (16,655) |
| Net change in amount owing by/to contract customers | (35,559) | 12,075 | (33,326) | 10,621 |
| Change in amount owing to subsidiaries | - | - | (68,829) | 13,215 |
| Net change in amount owing by/to associates | (18,350) | (42,169) | 2,479 | (23,352) |
| Net change in amount owing by/to related parties | (20) | (164) | (44) | (158) |
| CASH (FOR)/FROM OPERATIONS | (13,746) | 45,078 | (149,787) | 37,980 |
| Dividend received | 100 | - | 32,100 | - |
| Interest paid | (11,755) | (12,273) | (7,688) | (6,135) |
| Interest received | 86 | 659 | 14 | 463 |
| Net tax paid | (10,320) | (10,383) | (21) | (2,937) |
| NET CASH (FOR)/FROM OPERATING ACTIVITIES | (35,635) | 23,081 | (125,382) | 29,371 |
| CASH FLOWS FOR INVESTING ACTIVITIES | | | | |
| Acquisition of concession assets | (1,152) | (1,140) | (1,152) | (1,140) |
| Net cash flow on additional investment in subsidiary | (5) | (24) | - | (24) |
| Net paid on acquisition of investment in associates | (18,358) | - | (18,285) | - |
| Purchase of property, plant and equipment | (10,951) | (2,798) | (1,259) | (999) |
| Proceeds from disposal of plant and equipment | 181 | 172 | 19 | 150 |
| Grant received on research and development costs | - | 2 | - | 2 |
| NET CASH FOR INVESTING ACTIVITIES | (30,285) | (3,788) | (20,677) | (2,011) |

The annexed notes form an integral part of these financial statements

| NOTE | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| CASH FLOWS FROM/FOR FINANCING ACTIVITIES | | | | |
| Drawdown of term loans | 123,000 | 20,286 | 123,000 | 20,286 |
| Net proceeds/(repayment) in bankers' acceptances | 29,121 | (333) | 22,080 | – |
| Proceeds from issuance of Warrants | 10,616 | – | 10,616 | – |
| Repayment of bonds | (68,750) | (56,250) | (8,750) | (56,250) |
| Repayment of Murabahah commercial papers | (10,000) | – | – | – |
| Repayment of export revolving credit | (16,240) | – | – | – |
| Net (repayment)/proceeds of hire purchase and lease obligations | (410) | (5,598) | 1,439 | (242) |
| Repayment from the promissory notes by a subsidiary | – | – | – | 9,000 |
| Repayment of term loans | (18,200) | (4,199) | (18,200) | (4,199) |
| NET CASH FROM/(FOR) FINANCING ACTIVITIES | 49,137 | (46,094) | 130,185 | (31,405) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (16,783) | (26,801) | (15,874) | (4,045) |
| Foreign exchange translation differences | – | (46) | – | – |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | 28,487 | 55,334 | 20,470 | 24,515 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 46 11,704 | 28,487 | 4,596 | 20,470 |

The annexed notes form an integral part of these financial statements

70. NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 December 2010

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 : 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 21 April 2011.

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 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. 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.

- (a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs AND IC INTERPRETATIONS (INCLUDING THE CONSEQUENTIAL AMENDMENTS)

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

3. BASIS OF PREPARATION (CONT'D)**(a) FRSs AND IC INTERPRETATIONS (INCLUDING THE CONSEQUENTIAL AMENDMENTS) (CONT'D)**

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Annual Improvements to FRSs (2009)

The adoption of the above accounting standards, amendments and interpretations did not have any material impact on the Group's financial statements, other than the followings:

- (i) FRS 7 requires additional disclosures about the financial instruments of the Group. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132, *Financial Instruments: Disclosures and Presentation*. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the financial statements for the current financial year.

- (ii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

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 classification of items in the statement.

FRS 101 (Revised) also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 54(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

72. NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 December 2010 CONT'D

3. BASIS OF PREPARATION (CONT'D)

- (a) (iii) The adoption of FRS 139 (including the consequential amendments) had resulted in several changes to accounting policies, relating to recognition and measurements of financial instruments.

This adoption does not have any material financial impact to the financial statements for the current financial year.

- (iv) The Group has adopted the amendments made to FRS 117, *Leases* pursuant to the Annual Improvements to FRSs (2009). The Group has reassessed and determined that the leasehold land of the Group is in substance a finance lease and has been reclassified as property and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.
- (v) The Company has previously asserted explicitly that it regards financial guarantee contracts of banking facilities granted to its subsidiaries as insurance contracts and will apply FRS 4 to such financial guarantee contracts. Accordingly, the adoption of FRS 139 did not have any financial impact on the financial statements in respect of the financial guarantee contracts issued by the Company to its subsidiaries. These financial guarantee contracts issued are disclosed as contingent liabilities under Note 49 to the financial statements.
- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs AND IC INTERPRETATIONS (INCLUDING THE CONSEQUENTIAL AMENDMENTS)

| | EFFECTIVE DATE |
|---|----------------|
| FRS 1 (Revised) First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| FRS 3 (Revised) Business Combinations | 1 July 2010 |
| FRS 124 (Revised) Related Party Disclosures | 1 January 2012 |
| FRS 127 (Revised) Consolidated and Separate Financial Statements | 1 July 2010 |
| Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 1: Additional Exemptions for First-time Adopters | 1 January 2011 |
| Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised) | 1 July 2010 |
| Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions | 1 January 2011 |
| Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary | 1 July 2010 |
| Amendments to FRS 7: Improving Disclosures about Financial Instruments | 1 January 2011 |
| Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised) | 1 July 2010 |

3. BASIS OF PREPARATION (CONT'D)**(b) FRSs AND IC INTERPRETATIONS (INCLUDING THE CONSEQUENTIAL AMENDMENTS) (CONT'D)**

| | EFFECTIVE DATE |
|---|----------------|
| Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement | 1 July 2011 |
| Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised) | 1 July 2010 |
| IC Interpretation 4 Determining Whether An Arrangement Contains a Lease | 1 January 2011 |
| IC Interprétation 12 Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 15 Agreements for the Construction of Real Estate | 1 January 2012 |
| 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 |
| IC Interpretation 18 Transfers of Assets from Customers | 1 January 2011 |
| IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| Annual Improvements to FRSs (2010) | 1 January 2011 |

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

- (i) FRS 3 (Revised) 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.
- (ii) FRS 127 (Revised) 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 FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting of its future transactions or arrangements.

4. SIGNIFICANT ACCOUNTING POLICIES**(a) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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 judgments 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

(a) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONT'D)*

(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.

The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

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 NON-FINANCIAL 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.

(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 judgment 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(a) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)***(vii) IMPAIRMENT OF FOR TRADE AND OTHER OF RECEIVABLES*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(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 judgment 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, judgment 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) IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(x) CLASSIFICATION OF LEASEHOLD LAND

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(xi) IMPAIRMENT OF GOODWILL

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(xii) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

(a) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONT'D)*

(xiii) 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/or equity.

(xiv) 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.

(b) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2010.

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 statement of financial position 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 within equity in the consolidated statement of financial position, separately from the Company's shareholders equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with minority interests are accounted for as transactions with owners. Gain or loss on disposal to minority interests is recognised directly in equity.

(c) 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 statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(c) GOODWILL ON CONSOLIDATION (CONT'D)**

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 as income immediately in profit or loss.

(d) FUNCTIONAL AND FOREIGN CURRENCIES**(i) FUNCTIONAL AND PRESENTATION CURRENCY**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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 the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period 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 recognised to the statement of comprehensive income.

(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 end of the reporting period. Revenues and expenses of foreign operations are translated into RM at the average rates for the financial period. All exchange differences arising from translation are recognised directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, accumulated translation differences recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to comprehensive income.

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 end of the reporting period were as follows:-

| | 2010 RM | 2009 RM |
|-----------------------------------|------------|------------|
| Canadian Dollar | 2.93 | 3.26 |
| Euro | 4.07 | 4.92 |
| Egyptian Pound | 0.53 | 0.62 |
| Pound Sterling | 4.78 | 5.50 |
| Thai Baht | 0.11 | 0.10 |
| United States Dollar | 3.09 | 3.42 |
| Indian Rupee | 0.07 | 0.07 |
| Bangladeshi Taka ("Banglad Taka") | 0.05 | 0.04 |

(e) FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (CONT'D)

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.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) FINANCIAL ASSETS

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in statement of comprehensive income. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

- *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(e) FINANCIAL INSTRUMENTS (CONT'D)****(i) FINANCIAL ASSETS (CONT'D)**• *Available-for-sale Financial Assets (cont'd)*

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) FINANCIAL LIABILITIES

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) EQUITY INSTRUMENTS

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

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

(iv) DERECOGNITION

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

(f) RESEARCH AND DEVELOPMENT EXPENDITURE *(CONT'D)*

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is 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.

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.

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 statement of comprehensive income 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 IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable, unless the investment is classified as held for sale.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(i) INVESTMENT IN ASSOCIATES

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

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(i) INVESTMENTS IN ASSOCIATES (CONT'D)**

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 2010. The Group's share of the post acquisition profits of the associates is included in the consolidated statement of comprehensive income and the Group's interests in associates are 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.

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% |
| Leasehold land | Over the lease term |
| 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 the end of each reporting period 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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 recognised in profit or loss in the year the asset is derecognised.

In the previous financial year, leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring leasehold land that was accounted for as an operating lease represents prepaid lease payments.

During the financial year, the Group adopted the amendments made to FRS 117, *Leases* in relation to the classification of lease of land. The Group's leasehold land which in substance is a finance lease has been reclassified as property, plant and equipment and measured as such retrospectively.

4. SIGNIFICANT ACCOUNTING POLICIES (*CONT'D*)

(k) IMPAIRMENT

(i) IMPAIRMENT OF FINANCIAL ASSETS

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(ii) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period 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' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss 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 profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(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.

Finance charges are recognised in profit or loss 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 profit or loss 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) 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. Upon classification as held for sale, non-current assets or components of a disposal group are not depreciated and are measured at the lower of their carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

(o) CONCESSION ASSET

Item classified as concession asset is Electronic Passport System ("EPS").

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 4(k)(ii) 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:

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

(p) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) 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.

(r) 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, or at least once in every 5 years. Surpluses arising from the revaluation of properties are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

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

(s) 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.

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.

(t) 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.

(u) 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.

(v) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the Group has a present or constructive 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 the end of each financial reporting period 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(v) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONT'D)**

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.

(w) 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 profit or loss over the period of the bonds.

(x) 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 end of the reporting period.

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. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period 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.

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 end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) 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.

(ii) DEFINED CONTRIBUTION PLANS

The Group's contributions to defined contribution plans are recognized in profit or loss 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 PAYMENTS

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.

(z) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(aa) 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.

(iii) ROYALTY INCOME

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

(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) INTEREST INCOME

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

(vi) DIVIDEND INCOME

Dividend income from investment is recognised when the right to receive dividend payment is established.

(vii) RENTAL INCOME

Rental income is recognised as other income on an accrual basis.

(ab) BORROWING COSTS

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(ac) OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

88. NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 December 2010 CONT'D

5. INVESTMENT IN SUBSIDIARIES

Unquoted shares, at cost

Accumulated impairment losses:-

At 1 January

Addition during the financial year

At 31 December

| THE COMPANY | |
|----------------|----------------|
| 2010 RM'000 | 2009 RM'000 |
| 190,180 | 190,180 |
| (9,729) | (9,729) |
| (157) | – |
| (9,886) | (9,729) |
| 180,294 | 180,451 |

Details of the subsidiaries are as follows:-

| NAME OF COMPANY | COUNTRY OF INCORPORATION | EFFECTIVE EQUITY INTEREST | | PRINCIPAL ACTIVITIES |
|--|--------------------------|---------------------------|-----------|---|
| | | 2010 % | 2009 % | |
| DIRECT SUBSIDIARIES | | | | |
| 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 Agrotech Sdn. Bhd. ("Agrotech") (formerly known as 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 Egypt LLC* # (In Members' Voluntary Winding Up) | Egypt | 87.5 | 87.5 | Provision of products, services, maintenance and solutions for identity security documents, biometrics information technology and communication in Egypt. |
| IRIS Land Sdn. Bhd. (formerly known as Peak Structure Sdn. Bhd.) | Malaysia | 100 | – | Dormant. |

| NAME OF COMPANY | COUNTRY OF INCORPORATION | EFFECTIVE EQUITY INTEREST | | PRINCIPAL ACTIVITIES |
|---|--------------------------|---------------------------|--------|---|
| | | 2010 % | 2009 % | |
| SUBSIDIARIES OF ITECH | | | | |
| 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. | Malaysia | 100 | 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. |
| SUBSIDIARY OF AGROTECH | | | | |
| Endah Farm Sdn. Bhd. | Malaysia | 60 | 60 | Dormant. |

* These subsidiaries were audited by other firms of chartered accountants.

At an Extraordinary General Meeting held on 21 November 2010, the subsidiary was wound up via a Members Voluntary Winding Up and the winding up is in progress.

The winding up and liquidation of the subsidiary has no material financial impact on the Group as the subsidiary is dormant.

6. INVESTMENT IN ASSOCIATES

| | THE GROUP | | THE COMPANY | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Unquoted shares, at cost | 44,563 | 7,014 | 43,290 | 5,814 |
| Accumulated impairment losses | | | | |
| At 1 January | (1,000) | - | (1,000) | - |
| Addition during the financial year | (73) | (1,000) | - | (1,000) |
| At 31 December | (1,073) | (1,000) | (1,000) | (1,000) |
| Share of post acquisition reserves | (482) | (1,328) | - | - |
| Foreign exchange translation reserve | (511) | - | - | - |
| At 31 December | 42,497 | 4,686 | 42,290 | 4,814 |

90. NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 December 2010 CONT'D

6. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates are as follows:-

| NAME OF COMPANY | COUNTRY OF INCORPORATION | EFFECTIVE EQUITY INTEREST | | PRINCIPAL ACTIVITIES |
|--|--------------------------|---------------------------|--------|---|
| | | 2010 % | 2009 % | |
| DIRECT ASSOCIATES | | | | |
| 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). |
| Paysys (M) Sdn. Bhd. * | Malaysia | 30.0 | 30.0 | Provision of terminals and solutions for credit card transactions. |
| PJT Technology Co., Ltd. * | Thailand | 49.0 | – | Engaged in microchip trading, providing service of solid waste incinerator including selling of power generated from its process. |
| IRIS WRP Eco Power Sdn Bhd * (Formerly known as as Versatile P4 Power Technologies Sdn Bhd) | Malaysia | 50.0 | – | Dormant |
| ASSOCIATES OF ITECH | | | | |
| GMPC Corporation Sdn. Bhd. * | Malaysia | 25.0 | 25.0 | Provision of multi-purpose Smart Cards to the Malaysian Government. |
| Loyalty Wizards Sdn. Bhd. *# | Malaysia | 16.2 | 16.2 | Provision of solutions for loyalty management program. |

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

The Group has the significant influence above the associate.

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

| | THE GROUP | |
|-------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| ASSETS AND LIABILITIES | | |
| Total assets | 75,998 | 9,741 |
| Total liabilities | 38,822 | 4,989 |
| RESULTS | | |
| Revenue | 67,100 | 23,214 |
| Profit/(Loss) for the year | 946 | (537) |

7. PROPERTY, PLANT AND EQUIPMENT

| THE GROUP | AT 1.1.2010 RM'000 | ADDITIONS RM'000 | DISPOSAL RM'000 | DEPRECIATION CHARGE RM'000 | AT 31.12.2010 RM'000 |
|--|--------------------------|---------------------|--------------------|----------------------------------|----------------------------|
| NET BOOK VALUE | | | | | |
| Building | | | | | |
| - at cost | 38,653 | 23 | - | (1,101) | 37,575 |
| - at valuation | 35,696 | - | - | (350) | 35,346 |
| Leasehold land | 5,651 | 7,379 | - | (309) | 12,721 |
| Office equipment, furniture and fittings | 5,757 | 1,479 | (44) | (1,515) | 5,677 |
| Motor vehicles | 948 | 3,431 | - | (609) | 3,770 |
| Plant and machinery | 26,108 | 1,765 | - | (8,086) | 19,787 |
| | 112,813 | 14,077 | (44) | (11,970) | 114,876 |

| THE GROUP | AT 1.1.2009 RM'000 | ADDITIONS RM'000 | REVALUATION SURPLUS RM'000 | DISPOSAL RM'000 | DEPRECIATION CHARGE RM'000 | RECLASSIFIED FROM NON- CURRENT ASSET HELD FOR SALE (NOTE 22) RM'000 | AT 31.12.2009 RM'000 |
|---|--------------------------|---------------------|----------------------------------|--------------------|----------------------------------|---|----------------------------|
| NET BOOK VALUE | | | | | | | |
| Building | | | | | | | |
| - at cost | - | - | - | - | (789) | 39,442 | 38,653 |
| - at valuation | - | - | 19,435 | - | (350) | 16,611 | 35,696 |
| Leasehold land | - | - | - | - | (309) | 5,960 | 5,651 |
| Office equipment, furniture and fittings | 6,130 | 1,318 | - | - | (1,691) | - | 5,757 |
| Motor vehicles | 612 | 722 | - | (131) | (255) | - | 948 |
| Plant and machinery | 32,724 | 1,366 | - | - | (7,982) | - | 26,108 |
| | 39,466 | 3,406 | 19,435 | (131) | (11,376) | 62,013 | 112,813 |

7. 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 31.12.2010 | | | | |
| Building | | | | |
| - at cost | 42,617 | - | (5,042) | 37,575 |
| - at valuation | - | 37,446 | (2,100) | 35,346 |
| Leasehold land | 14,572 | - | (1,851) | 12,721 |
| Office equipment, furniture and fitting | 18,989 | - | (13,312) | 5,677 |
| Motor vehicles | 5,337 | - | (1,567) | 3,770 |
| Plant and machinery | 85,325 | - | (65,538) | 19,787 |
| | 166,840 | 37,446 | (89,410) | 114,876 |
| AT 31.12.2009 | | | | |
| Building | | | | |
| - at cost | 42,594 | - | (3,941) | 38,653 |
| - at valuation | - | 37,446 | (1,750) | 35,696 |
| Leasehold land | 7,193 | - | (1,542) | 5,651 |
| Office equipment, furniture and fitting | 17,588 | - | (11,831) | 5,757 |
| Motor vehicles | 1,906 | - | (958) | 948 |
| Plant and machinery | 83,560 | - | (57,452) | 26,108 |
| | 152,841 | 37,446 | (77,474) | 112,813 |

| THE COMPANY | AT 1.1.2010 RM'000 | ADDITIONS RM'000 | DISPOSAL RM'000 | DEPRECIATION CHARGE RM'000 | AT 31.12.2010 RM'000 |
|--|--------------------------|---------------------|--------------------|----------------------------------|----------------------------|
| NET BOOK VALUE | | | | | |
| Office equipment, furniture and fittings | 1,232 | 1,047 | (18) | (543) | 1,718 |
| Motor vehicles | 643 | 1,912 | - | (288) | 2,267 |
| Plant and machinery | 14 | 10 | - | (5) | 19 |
| | 1,889 | 2,969 | (18) | (836) | 4,004 |

| THE COMPANY | AT 1.1.2009 RM'000 | ADDITIONS RM'000 | DISPOSAL 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 |

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| THE COMPANY | COST RM'000 | ACCUMULATED DEPRECIATION RM'000 | NET BOOK VALUE RM'000 |
|--|----------------|---------------------------------------|-----------------------------|
| AT 31.12.2010 | | | |
| Office equipment, furniture and fittings | 5,696 | (3,978) | 1,718 |
| Motor vehicles | 2,937 | (670) | 2,267 |
| Plant and machinery | 28 | (9) | 19 |
| | 8,661 | (4,657) | 4,004 |
| 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 |

SECURITY

All the property, plant and equipment have been pledged to financial institutions as security for banking facilities of the Company as disclosed in Note 34 to the financial statements.

REVALUATION

In the previous financial year, 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.

Had the revalued property been carried at cost less accumulated depreciation, the net book value of the property would be RM39,489,643 as at the end of the reporting period.

At the end of the reporting period, 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 | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Office equipment | 123 | – | – | – |
| Motor vehicles | 3,707 | 925 | 2,264 | 626 |
| Plant and machinery | 534 | 10,963 | – | – |

8. CONCESSION ASSETS

| THE GROUP/THE COMPANY | |
|----------------------------|----------------|
| 2010 RM'000 | 2009 RM'000 |
| Electronic Passport System | |
| 8,720 | 7,753 |

Details of the Concession Assets are as follows:-

| THE GROUP AND THE COMPANY | ELECTRONIC PASSPORT SYSTEM RM'000 |
|------------------------------------|--|
| COST:- | |
| At 1 January 2009 | 7,163 |
| Addition | 1,140 |
| At 31 December 2009/1 January 2010 | 8,303 |
| Addition | 1,152 |
| At 31 December 2010 | 9,455 |
| ACCUMULATED DEPRECIATION:- | |
| At 1 January 2009 | (288) |
| Amortisation charge | (262) |
| At 31 December 2009/1 January 2010 | (550) |
| Amortisation charge for the year | (185) |
| At 31 December 2010 | (735) |
| CARRYING AMOUNTS:- | |
| At 31 December 2010 | 8,720 |
| At 31 December 2009 | 7,753 |

9. DEVELOPMENT COSTS

| | THE GROUP/THE COMPANY | |
|---------------------------------------|-----------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 January | 16,250 | 19,461 |
| Written off during the financial year | – | (3,209) |
| Government grants | – | (2) |
| At 31 December | 16,250 | 16,250 |
| Amortisation of development costs:- | | |
| At 1 January | (12,833) | (12,106) |
| Amortisation charge | (1,369) | (1,851) |
| Written off during the financial year | – | 1,124 |
| | (14,202) | (12,833) |
| At 31 December | 2,048 | 3,417 |

10. INTELLECTUAL PROPERTIES

| | THE GROUP | | THE COMPANY | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| At cost | 28,217 | 28,217 | 12,851 | 12,851 |
| Accumulated amortisation | | | | |
| As at 1 January | (16,038) | (14,658) | (7,113) | (6,498) |
| Charge during the financial year | (1,380) | (1,380) | (616) | (615) |
| As at 31 December | (17,418) | (16,038) | (7,729) | (7,113) |
| | 10,799 | 12,179 | 5,122 | 5,738 |

11. AVAILABLE-FOR-SALES FINANCIAL ASSETS

| | THE GROUP/THE COMPANY | |
|--------------------------------|-----------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Unquoted shares | | |
| - in Singapore | 2,378 | 2,378 |
| - in Hong Kong | 981 | 981 |
| Golf club membership | 406 | 406 |
| | 3,765 | 3,765 |
| Less: Impairment loss in value | (3,359) | (3,359) |
| | 406 | 406 |

Investments in unquoted shares of the Group, designated as available-for-sale financial assets, are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

12. DEFERRED TAX ASSETS

| | THE GROUP/THE COMPANY | |
|--|-----------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 January | – | – |
| Recognised in profit or loss (Note 41) | 1,929 | – |
| At 31 December | 1,929 | – |
| Deferred tax assets: | | |
| Accelerated capital allowances | 443 | – |
| Impairment loss on receivables | 268 | – |
| Provision | 987 | – |
| Others | 231 | – |
| | 1,929 | – |

The above deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.

12. DEFERRED TAX ASSETS (CONT'D)

The deferred tax assets calculated at applicable tax rates which are not recognised in the financial statements are as follows:-

| | THE GROUP | |
|-------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Accelerated capital allowance | (1,120) | (967) |
| Accelerated depreciation | - | 107 |
| Unutilised capital allowances | 3,507 | 2,650 |
| Unutilised tax losses | 10,240 | 8,595 |
| Others | (487) | - |
| | <u>12,140</u> | <u>10,385</u> |

13. GOODWILL ON CONSOLIDATION

| | THE GROUP | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| IRIS Technologies (M) Sdn. Bhd. ("ITech") | 128,268 | 128,268 |
| IRIS Agrotech Sdn. Bhd. ("IRIS Agrotech") | 5,714 | 5,714 |
| | <u>133,982</u> | <u>133,982</u> |

The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

| | THE GROUP | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Digital identity and business solution | 128,268 | 128,268 |
| Others segments – Food security | 5,714 | 5,714 |
| | <u>133,982</u> | <u>133,982</u> |

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

(a) KEY ASSUMPTIONS FOR VALUE-IN-USE CALCULATIONS

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.

13. GOODWILL ON CONSOLIDATION (CONT'D)

(a) KEY ASSUMPTIONS FOR VALUE-IN-USE CALCULATIONS (CONT'D)

The key assumptions used in the determination of the recoverable amount are as follows:-

| | GROSS MARGIN | | GROWTH RATE | | DISCOUNT RATE | |
|---------------|--------------|------|-------------|------|---------------|------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| ITech | 23% | 22% | 2% | 2% | 7.3% | 6.6% |
| IRIS Agrotech | 31% | 40% | 9% | 2% | 7.3% | 6% |

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.

(b) SENSITIVITY TO CHANGES IN ASSUMPTIONS

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

14. INVENTORIES

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| AT COST:- | | | | |
| Raw materials | 18,040 | 17,805 | 12,359 | 7,804 |
| Work in progress | 8,625 | 11,287 | 653 | - |
| Finished goods | 34,109 | 35,082 | 31,001 | 17,694 |
| | 60,774 | 64,174 | 44,013 | 25,498 |
| AT NET REALISABLE VALUE:- | | | | |
| Finished goods | 9,461 | - | - | - |
| Allowance for slow-moving inventories:- | | | | |
| At 1 January | - | (800) | - | - |
| Addition for the financial year | (806) | - | (806) | - |
| Overprovision in the previous financial year | - | - | - | - |
| Reversal of provision | - | 800 | - | - |
| At 31 December | (806) | - | (806) | - |
| Total | 69,429 | 64,174 | 43,207 | 25,498 |

15. TRADE RECEIVABLES

| | THE GROUP | | THE COMPANY | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Trade receivables | 142,294 | 116,462 | 83,220 | 51,936 |
| Allowance for impairment losses | (1,299) | (733) | (1,016) | (607) |
| | 140,995 | 115,729 | 82,204 | 51,329 |

| | THE GROUP | | THE COMPANY | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Allowance for impairment losses | | | | |
| At 1 January | (733) | (1,061) | (607) | (1,041) |
| Addition for the financial year | (566) | (713) | (409) | (607) |
| Written off during the year | – | 1,041 | – | 1,041 |
| At 31 December | (1,299) | (733) | (1,016) | (607) |

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.

16. 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 | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Aggregate costs incurred to date | 354,038 | 245,422 | 312,233 | 188,271 |
| Attributable profit | 114,892 | 73,760 | 131,379 | 92,134 |
| | 468,930 | 319,182 | 443,612 | 280,405 |
| Progress billings | (447,178) | (332,989) | (424,114) | (294,233) |
| | 21,752 | (13,807) | 19,498 | (13,828) |
| Represented by: | | | | |
| Due by contract customers | 21,752 | 21 | 19,498 | – |
| Due to contract customers | – | (13,828) | – | (13,828) |
| | 21,752 | (13,807) | 19,498 | (13,828) |

16. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS (CONT'D)

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Amount of contract revenue recognised as revenue during the financial year (Note 38) | 166,222 | 173,972 | 158,399 | 167,804 |
| Amount of contract costs recognised as expenses during the financial year (Note 39) | 131,821 | 135,775 | 126,295 | 128,737 |

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | THE GROUP | | THE COMPANY | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Other receivables | 38,629 | 16,128 | 21,999 | 991 |
| Allowance for impairment loss | (354) | – | (230) | – |
| | 38,275 | 16,128 | 21,769 | 991 |
| Deposits | 4,010 | 580 | 3,729 | 278 |
| Prepayments | 552 | 3,711 | 442 | 2,620 |
| | 42,837 | 20,419 | 25,940 | 3,889 |
| Allowance for impairment losses: | | | | |
| At 1 January | – | – | – | – |
| Addition for the financial year | (354) | – | (230) | – |
| At 31 December | (354) | – | (230) | – |

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

In the previous financial year, included in the prepayments of the Group and the Company were RM974,742 and RM561,314 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.

18. AMOUNTS OWING BY/(TO) SUBSIDIARIES

| | THE COMPANY | |
|----------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Amount owing by: | | |
| - trade balances | 22,358 | 26,283 |
| - non-trade balances | 38,896 | 22,495 |
| Allowance for impairment losses | (434) | - |
| | 38,462 | 22,495 |
| | 60,820 | 48,778 |
| Allowance for impairment losses: | | |
| At 1 January | - | - |
| Addition for the financial year | (434) | - |
| At 31 December | (434) | - |
| Amount owing to: | | |
| - trade balances | (32,294) | (81,645) |
| - non-trade balances | - | (7,001) |
| | (32,294) | (88,646) |

The Company's normal trade credit terms is 30 days.

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

19. AMOUNTS OWING BY/(TO) ASSOCIATES

| | THE GROUP | | THE COMPANY | |
|------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Amount owing by: | | | | |
| - trade balances | 62,947 | 44,597 | 20,873 | 23,352 |
| Amount owing to: | | | | |
| - non-trade | (19,191) | - | (19,191) | - |

The Group and the Company's normal trade credit terms is 30 days.

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

20. AMOUNTS OWING BY/(TO) RELATED PARTIES

| | THE GROUP | | THE COMPANY | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Amount owing by: | | | | |
| - trade balances | - | 72 | - | - |
| - non-trade balances | 355 | 122 | 349 | 83 |
| | 355 | 194 | 349 | 83 |
| Allowance for impairment losses | (2) | - | - | - |
| | 353 | 194 | 349 | 83 |
| Amount owing to: | | | | |
| - trade balances | (13) | (56) | (34) | (1) |
| - non-trade balances | (222) | (38) | (188) | - |
| | (235) | (94) | (222) | (1) |

21. DEPOSITS WITH LICENSED BANKS

| | THE GROUP | | THE COMPANY | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Fixed deposits with licensed banks | 12,458 | 17,044 | 10,765 | 12,879 |

Deposits with licensed banks of the Group and the Company amounting to RM12,457,582 (2009 - RM17,044,010) and RM10,765,257 (2009 - RM12,878,833) respectively have been pledged to the bank for credit facilities granted to the Group and the Company.

The weighted average effective interest rates of the deposits at the end of the reporting period ranged from 2.31% to 2.76% (2009 - 1.75% to 3.02%) per annum. The fixed deposits have maturity periods ranging from 1 to 365 (2009 - 1 to 365) days.

22. NON-CURRENT ASSETS HELD FOR SALE

| | THE GROUP | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 January | – | 62,013 |
| Reclassified to property, plant and equipment (Note 7) | – | (62,013) |
| At 31 December | – | – |

The intended sale of the two plots of leasehold land and a unit of 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 in the previous financial year did not materialise.

The property in the previous financial year has been pledged as security for bank borrowing.

23. SHARE CAPITAL

| | THE COMPANY | | | |
|---|-----------------|-----------|---------|---------|
| | 2010 | 2009 | 2010 | 2009 |
| | NUMBER OF SHARE | | | |
| | '000 | '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 |
| ISSUED AND FULLY PAID-UP: | | | | |
| Ordinary Shares of RM0.15 each: | | | | |
| At 1 January | 1,415,179 | 1,404,520 | 212,277 | 210,678 |
| Issuance of shares pursuant to the conversion of ICPS to ordinary shares | 1,925 | 10,659 | 289 | 1,599 |
| At 31 December | 1,417,104 | 1,415,179 | 212,566 | 212,277 |
| Non-cumulative Irredeemable Convertible Preference Shares ("ICPS") of RM0.15 each | | | | |
| At 1 January | 27,592 | 38,251 | 4,139 | 5,738 |
| Conversion to ordinary shares | (1,925) | (10,659) | (289) | (1,599) |
| At 31 December | 25,667 | 27,592 | 3,850 | 4,139 |
| TOTAL | 1,442,771 | 1,442,771 | 216,416 | 216,416 |

23. SHARE CAPITAL (CONT'D)

During the financial year, 1,925,300 (2009 - 10,659,100) non-cumulative irredeemable convertible preference shares of ("ICPS") of RM0.15 each were converted into 1,925,300 (2009 - 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;
- (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

23. SHARE CAPITAL (CONT'D)**NON-CUMULATIVE IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES (CONT'D)**

- (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 1.1.2010 '000 | ADDITION | AT 31.12.2010 '000 |
| Warrants A (2006/2016) | 46,618 | – | 46,618 |
| Warrants B (2010/2016) | – | 212,327 | 212,327 |

WARRANTS A

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 A were listed on the Ace Market of Bursa Malaysia Securities Berhad.

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 Warrants A into ordinary shares.

The main features of the Warrants A are as follows:-

- 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;
- 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;
- 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
- 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.

23. SHARE CAPITAL (CONT'D)

WARRANTS (CONT'D)

WARRANTS B

On 27 April 2010, the Company issued 212,326,987 units of new six-year warrants (2010/2016) ("Warrants B") to the shareholders of the Company on the basis of three (3) Warrants B for every twenty (20) existing ordinary shares held in the Company at the issue price of RM0.05 per Warrants B.

The Warrants B were listed on the Ace Market of Bursa Malaysia Securities Berhad.

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

The main features of the Warrants B 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;
- (b) The warrants may be exercised at any time on or before the maturity date falling five years (2010/2016) from the date of issue of the warrants on 27 April 2010. 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.

24. 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.

25. WARRANTS RESERVE

The warrants reserve arose from the proceeds from issuance of warrants and is non distributable by way of dividends. Warrants reserve is transferred to share premium upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry date of the warrants period will be transferred to retained earnings.

26. FOREIGN EXCHANGE TRANSLATION RESERVE

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

27. REVALUATION RESERVE

The revaluation reserve represented surpluses which arose from the valuation of the property. This reserve is not distributable by way of dividends.

28. OTHER PAYABLES AND ACCRUALS

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

| | THE GROUP | |
|---------------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Current:- | | |
| Repayable within one year | - | 176 |
| Non-Current:- | | |
| - repayable between one to two years | - | 176 |
| - repayable between two to five years | - | 527 |
| - repayable more than five years | - | 1,933 |
| | - | 2,636 |
| | - | 2,812 |

The Group had opted for early full settlement of the amounts due to the lessor for the leasehold land during the year.

29. HIRE PURCHASE PAYABLES

| | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Minimum hire purchase payments: | | | | |
| - not later than one year | 802 | 221 | 543 | 138 |
| - later than one year and not later than five years | 2,876 | 708 | 1,858 | 493 |
| - later than five years | 464 | 162 | 124 | 99 |
| | 4,142 | 1,091 | 2,525 | 730 |
| Less: | | | | |
| Future finance charge | (651) | (161) | (376) | (112) |
| Present value of hire purchase payables | 3,491 | 930 | 2,149 | 618 |
| The net hire purchase payables are repayable as follows:- | | | | |
| Current: | | | | |
| - not later than one year | 598 | 187 | 407 | 114 |
| Non-current: | | | | |
| - later than one year and not later than five years | 2,474 | 596 | 1,622 | 409 |
| - later than five years | 419 | 147 | 120 | 95 |
| | 2,893 | 743 | 1,742 | 504 |
| | 3,491 | 930 | 2,149 | 618 |

The hire purchase payables of the Group and of the Company bore effective interest rates ranging from 4.28% to 7.96% (2009 - 4.28% to 7.77%) per annum at the end of the reporting period.

30. LEASE PAYABLES

| | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Minimum lease payments: | | | | |
| - not later than one year | 854 | 1,632 | 495 | - |
| - later than one year and not later than five years | 1,377 | 313 | 1,320 | - |
| | 2,231 | 1,945 | 1,815 | - |
| Less: Future finance charges | (229) | (98) | (198) | - |
| Present value of lease payables | 2,002 | 1,847 | 1,617 | - |
| The net lease payables are repayable as follows: | | | | |
| Current: | | | | |
| - not later than one year | 747 | 1,559 | 406 | - |
| Non-current: | | | | |
| - later than one year and not later than five years | 1,255 | 288 | 1,211 | - |
| Present value of lease payables | 2,002 | 1,847 | 1,617 | - |

The lease payables of the Group bore effective interest rates ranging from 6.05% to 8.67% (2009 - 8.14% to 8.67%) per annum at the end of the reporting period.

31. TERM LOANS

| | THE GROUP/THE COMPANY | |
|--|-----------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Current portion: | | |
| - repayable within one year (Note 34) | 37,700 | 8,200 |
| Non-current portion: | | |
| - repayable between one and two years | 17,950 | 8,200 |
| - repayable between two and five years | 40,278 | 19,228 |
| - repayable more than five years | 44,500 | - |
| | 102,728 | 27,428 |
| | 140,428 | 35,628 |

31. TERM LOANS (CONT'D)

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 | |
|-----|------------------------------|-----------------------------------|--------------------------------|--|-------------|
| | | | | 2010 RM'000 | 2009 RM'000 |
| 1 | 60 | 350 | Nov 2009 | 11,930 | 16,130 |
| 2 | 60 | 333 | January 2010 | 15,498 | 19,498 |
| 3 | 5 | * | January 2011 | 23,000 | - |
| 4 | # | # | June 2011 | 90,000 | - |

* Repayable in 5 monthly instalments with 1st instalment of RM2,525,000, 2nd to 4th instalments of RM5,050,000 and the last instalment of RM5,325,000.

Repayable in 28 quarterly instalments with the first 27 instalments of RM3,250,000 and the last instalment of RM2,250,000.

The loans 1, 2 and 3 are secured by an assignment of all the contract proceeds received from certain projects.

The loans 4 are secured by the fixed and floating charges over all the present and future assets of the Group.

The term loans of the Group and of the Company bore effective interest rates ranging from 7% - 8.8% (2009 - 7%) per annum at the end of the reporting period.

32. DEFERRED TAX LIABILITIES

| | THE GROUP | |
|--|-------------|-------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 January | 13,446 | 7,587 |
| Recognised in profit or loss | 533 | 859 |
| Arising from revaluation surplus | - | 4,859 |
| Overprovision in prior years (Note 41) | 1,309 | 141 |
| At 31 December | 15,288 | 13,446 |
| Deferred tax assets: | | |
| Provision | 847 | 2,870 |
| Deferred tax liabilities: | | |
| Accelerated capital allowances | 6,920 | 6,992 |
| Revaluation reserve | 9,215 | 9,324 |
| | 16,135 | 16,316 |
| | 15,288 | 13,446 |

33. TRADE PAYABLES

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

34. SHORT-TERM BORROWINGS

| | THE GROUP | | THE COMPANY | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Bank overdraft - unsecured | 19,972 | – | 19,972 | – |
| Bankers' acceptances | 33,242 | 4,121 | 22,080 | – |
| Murabahah Commercial Papers (Note 36) | – | 10,000 | – | – |
| Revolving credit | – | 16,240 | – | – |
| Term loans (Note 31) | 37,700 | 8,200 | 37,700 | 8,200 |
| | <u>90,914</u> | <u>38,561</u> | <u>79,752</u> | <u>8,200</u> |

The bankers' acceptances bore effective interest rates ranging from 2.96% to 3.07% (2009 - 4.10% to 4.68%) per annum at the end of the reporting period.

The bankers' acceptances are secured by:-

- (a) a debenture creating fixed and floating charges over all the present and future assets of the Company;
- (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.

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 is unsecured and bears an average effective interest of 6.30% (2009 - 8.25%) per annum.

35. BONDS

The Bai Bithaman Ajil Islamic Debt Securities ("bonds") at the end of the reporting period are as follows:-

| | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| AMOUNT REDEEMABLE WITHIN: | | | | |
| - next 2 years | – | 68,750 | – | 8,750 |
| Less: | | | | |
| - amount redeemable within next 12 months | – | (68,750) | – | (8,750) |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Consists of: | | | | |
| - fixed profit rate bonds | – | 60,000 | – | – |
| - variable profit rate bonds | – | 8,750 | – | 8,750 |

35. BONDS (CONT'D)

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 were 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 end of the previous reporting period were RM68,750,000 and RM8,750,000 respectively.

On 23 August 2010, the Group had fully redeemed and cancelled the entire remaining outstanding balance of the bonds amounting to RM60 million prior to its maturity date of 29 October 2010. The security that was pledged has been discharged.

36. MURABAHAH COMMERCIAL PAPERS ("CPs")

| | THE GROUP | |
|-------------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 January | 10,000 | 10,000 |
| Repayment during the financial year | (10,000) | - |
| At 31 December (Note 34) | - | 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 statement of comprehensive income over the period of the CPs.
- (d) **Redemption** At par on the respective maturity dates.

The Murabahah Commercial Papers are redeemable within 364 days (2009 - 364 days) from the issue date and are secured by a second charge over the short-term leasehold building and bear interest of nil (2009 - 6.3%) per annum.

On 23 August 2010, the Group had fully redeemed and cancelled the entire remaining outstanding balance of CPs amounting to RM10 million prior to its maturity date of 29 April 2011. The securities that were pledged have been discharged.

37. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share is calculated based on the assets value at the end of the reporting period of RM346,523,975 (2009 - RM308,373,548) divided by the number of ordinary shares in issue at the end of the reporting period of 1,417,104,703 (2009 - 1,415,179,403).

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 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Sale of goods | 199,888 | 157,756 | 31,607 | 22,538 |
| Contract revenue (Note 16) | 166,222 | 173,972 | 158,399 | 167,804 |
| | <u>366,110</u> | <u>331,728</u> | <u>190,006</u> | <u>190,342</u> |

39. COST OF SALES

Details of the cost of sales are as follows:-

| | THE GROUP | | THE COMPANY | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cost of inventories sold | 134,199 | 118,617 | 44,820 | 28,041 |
| Contract costs (Note 16) | 131,821 | 135,775 | 126,295 | 128,737 |
| | <u>266,020</u> | <u>254,392</u> | <u>171,115</u> | <u>156,778</u> |

40. PROFIT BEFORE TAXATION

| | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Profit before taxation is arrived at after charging/(crediting):- | | | | |
| Allowance for foreseeable loss on a contract | - | 2,257 | - | - |
| Impairment loss on receivables | 922 | 713 | 1,073 | 607 |
| Allowance for impairment loss on investment in an associate | 73 | 1,000 | - | 1,000 |
| Allowance for impairment loss on investment in a subsidiary | - | - | 157 | - |
| Allowance for slow-moving inventories | 806 | - | 806 | - |
| Amortisation of concession assets | 185 | 262 | 185 | 262 |
| Amortisation of intellectual properties | 1,380 | 1,380 | 616 | 615 |
| Amortisation of development costs | 1,369 | 1,851 | 1,369 | 1,851 |
| Audit fee | 169 | 171 | 112 | 107 |
| Bad debts written off | - | 3,274 | - | 3,082 |
| Depreciation of property, plant and equipment | 11,970 | 11,376 | 836 | 668 |
| Directors' remuneration | | | | |
| - salaries and other remuneration | 908 | 1,153 | 729 | 979 |
| - defined contribution plans | 111 | 139 | 87 | 118 |
| Directors' fee | 710 | 952 | 441 | 712 |
| Interest expense: | | | | |
| - bank overdraft | 664 | - | 664 | - |
| - bankers' acceptances and LC charges | 1,515 | 366 | 1,162 | 78 |
| - bonds | 3,703 | 8,358 | 688 | 3,662 |
| - commercial papers | 505 | 607 | - | - |
| - hire purchase and lease | 86 | 372 | 86 | 32 |
| - revolving credits | 117 | 703 | - | - |
| - loan | 5,165 | 1,339 | 5,165 | 1,339 |
| Inventories written off | 4,029 | 13,452 | 265 | 3,468 |
| Lease rental | 2,505 | 2,959 | 2,505 | 2,959 |
| Provision for warranty claim | - | 5,697 | - | 2,500 |
| Rental | 446 | 865 | 1,188 | 933 |
| Research and development costs written off | - | 2,085 | - | 2,085 |
| Research and development expenses | 2,076 | 2,390 | 1,493 | 1,894 |
| Royalty | 80 | 100 | - | - |
| Staff costs | | | | |
| - salaries and other remuneration | 25,890 | 20,523 | 14,114 | 9,638 |
| - defined contribution plans | 2,792 | 1,924 | 1,548 | 970 |
| Bad debts recovered | (500) | (16) | (500) | (1) |
| Dividend income | - | - | (32,100) | (12,000) |
| Gain on disposal of plant and equipment | (137) | (41) | - | (19) |
| (Gain)/Loss on foreign exchange: | | | | |
| - realised | 3,111 | (325) | 3,026 | 136 |
| - unrealised | 1,465 | 140 | 925 | 305 |
| Interest income | (86) | (659) | (14) | (463) |
| Rental income | (809) | (666) | - | - |
| Reversal of allowance for slow-moving inventories | - | (800) | - | - |
| Writeback of inventories previously written off | - | (304) | - | (216) |

41. INCOME TAX EXPENSE

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Current tax | | | | |
| - for the financial year | 18,161 | 13,340 | 301 | 3,500 |
| - (over)/underprovision in the previous financial year | (3,518) | 500 | (1,085) | (1,350) |
| | 14,643 | 13,840 | (784) | 2,150 |
| Deferred tax | | | | |
| - for the financial year | (1,396) | 859 | (1,929) | - |
| - underprovision in the previous financial year | 1,309 | 141 | - | - |
| | (87) | 1,000 | (1,929) | - |
| | 14,556 | 14,840 | (2,713) | 2,150 |

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 | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Profit before taxation | 42,587 | 30,421 | 10,922 | 16,879 |
| Tax at the statutory tax rate | 10,647 | 7,605 | 2,731 | 4,219 |
| Non-taxable income | (473) | (614) | (8,433) | (3,614) |
| Non-deductible expenses | 6,262 | 8,202 | 4,074 | 4,238 |
| (Over)/underprovision in the previous financial year | | | | |
| - current tax | (3,518) | 500 | (1,085) | (1,350) |
| - deferred tax | 1,309 | 141 | - | - |
| Deferred tax assets not recognised during the financial year | 438 | 458 | - | - |
| Utilisation of increase in export allowance | - | (839) | - | (839) |
| Realisation of deferred taxation on usage of factory building and leasehold land | (109) | (109) | - | - |
| Utilisation of previously unrecognised deferred tax assets | - | (504) | - | (504) |
| Tax expense for the year | 14,556 | 14,840 | (2,713) | 2,150 |

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 RM28,030,477 (2009 - RM15,583,329) by the weighted average number of ordinary shares in issue during the financial year of 1,416,073,202 (2009 - 1,407,313,182).

The fully diluted earnings per share is arrived at by dividing the Group's profit attributable to the equity holders of the Group of RM28,030,477 (2009 - RM15,583,329) by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year of 1,416,073,202 (2009 - 1,417,972,282).

The fully diluted earnings per share for the Group is not presented as there were no dilutive potential shares during the financial year.

43. ACQUISITION OF SUBSIDIARY

On 27 July 2010, the Company acquired two (2) ordinary shares of RM1.00 each in IRIS Land Sdn. Bhd. (formerly known as Peak Structure Sdn Bhd) ("IRIS Land"), representing its entire issued and paid-up share capital for a total cash consideration of RM2.00. IRIS Land is a dormant company and has not commenced its business operations.

44. DIVIDEND

No dividend was paid since the end of the previous financial year.

At the forthcoming Annual General Meeting, a first and final tax-exempt dividend of 0.45 sen per ordinary share amounting to RM6,376,971 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2011.

45. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cost of property, plant and equipment purchased | 14,077 | 3,406 | 2,969 | 1,397 |
| Amount financed through hire purchase and lease | (3,126) | (608) | (1,710) | (398) |
| | | | | |
| Cash disbursed for purchase of property, plant and equipment | 10,951 | 2,798 | 1,259 | 999 |

46. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:-

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Deposits with licensed banks (Note 21) | 12,458 | 17,044 | 10,765 | 12,879 |
| Cash and bank balances | 19,218 | 11,443 | 13,803 | 7,591 |
| Bank overdraft | (19,972) | - | (19,972) | - |
| | | | | |
| | 11,704 | 28,487 | 4,596 | 20,470 |

47. CAPITAL COMMITMENTS

| | THE GROUP | |
|------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Approved and contracted for: | | |
| - plant and equipment | 1,409 | - |

48. OPERATING LEASE COMMITMENTS

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

| | THE GROUP/THE COMPANY | |
|----------------------------|-----------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| The minimum lease payments | | |
| - Not more than 1 year | 2,394 | 2,653 |
| - Between 1 and 2 years | 1,545 | 2,653 |
| - Between 2 and 5 years | - | 1,491 |
| | <u>3,939</u> | <u>6,797</u> |

There are no operating lease commitments that exceeded five years.

49. CONTINGENT ASSETS/(LIABILITIES)

(a) CONTINGENT LIABILITIES

- (i) Corporate guarantees given to banks for credit facilities granted to a subsidiary amounting to RM65,318,750 in the previous financial year.
- (ii) Counter guarantees given to local and foreign banks for Performance Bond issued on behalf of the Company amounting to RM11,753,016 (2009 - 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 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.

As at 16 November 2010, the total amount paid to PJT was Thai Baht 155 million (equivalent to RM15.97 million).

49. CONTINGENT ASSETS/(LIABILITIES) (CONT'D)**(a) CONTINGENT LIABILITIES (CONT'D)**

- (iv) On 14 May 2010, the Company entered into a Guarantee Agreement with PJT as the guarantor of PJT for the benefit of Government Savings Bank in Thailand ("The Bank") for up to Thai Baht 640 million (equivalent to RM64.5 million), which is equivalent to the facilities limit of the Credit Facilities Agreement dated 14 May 2010 that has been entered into between PJT and the Bank.

(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 the Sale and Purchase Agreement between ICB and ENVE.

On 8 July 2010, ICB entered into an agreement with Koperasi Atlet Malaysia Berhad for the implementation of AutoPots Systems Farming Project in Perak. Therefore, the profit guarantee is deemed as fulfilled.

Other than above, there were no changes in the contingent liabilities and contingent assets since the end of the reporting period.

50. 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 5 and 6 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.

50. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

- (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 | |
|---|--|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 |
| (i) SUBSIDIARIES | | | |
| IRIS Technologies (M) Sdn. Bhd. | | | |
| - Royalty | | 9,277 | 6,264 |
| - Sales | | 1,106 | 196 |
| - Purchases | | 23,525 | 23,037 |
| - Rental payable | | 1,057 | 668 |
| IRIS Information Technology Systems Sdn. Bhd. Systems | | | |
| - Sales | | 94 | 3,639 |
| - Management fee | | 240 | 240 |
| IRIS Eco Power Sdn. Bhd. | | | |
| - Purchase of concession asset | | - | 2,200 |

| NOTE | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| (ii) ASSOCIATES | | | | |
| GMPC Corporation Sdn. Bhd. | | | | |
| - Sales | 77,502 | 64,933 | - | - |
| - Rental received | 6 | 6 | - | - |
| PJT Technology Co. Ltd | | | | |
| - Sales | 11 | - | 11 | - |
| (iii) OTHER RELATED PARTIES | | | | |
| MCS Microsystems Sdn. Bhd. ("MCSM") (a) | | | | |
| - Purchases | 65 | 897 | 84 | 84 |
| - Rental received | 78 | 78 | 78 | 78 |
| Versatile Paper Boxes Sdn. Bhd. ("VPB") (b) | | | | |
| - Purchases | 4 | 1 | 1 | 1 |
| (iv) KEY MANAGEMENT PERSONNEL | | | | |
| - Short term employee benefits | 5,126 | 4,871 | 3,672 | 3,558 |
| - Defined contribution plans | 575 | 476 | 362 | 340 |

(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.

51. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The following summary describes the operations in each of the Group's reportable segments:

- (a) Digital Identity & Business Solutions
- (b) Other – Food security and Environmental solutions

The Executive Directors assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

BUSINESS SEGMENTS

| | DIGITAL IDENTITY AND BUSINESS SOLUTIONS RM'000 | OTHERS RM'000 | INTER-SEGMENT ELIMINATION RM'000 | GROUP RM'000 |
|--------------------------------|---|------------------|--|-----------------|
| 2010 | | | | |
| REVENUE | | | | |
| External sales | 362,540 | 3,570 | – | 366,110 |
| RESULTS | | | | |
| Segment results | 112,999 | (12,908) | – | 100,091 |
| Unallocated corporate expenses | | | | (49,273) |
| Operating profit | | | | 50,818 |
| Other income | | | | 2,578 |
| Finance costs | | | | (11,755) |
| | | | | 41,641 |
| Share of profit in associates | | | | 946 |
| Profit before taxation | | | | 42,587 |
| Income tax expense | | | | (14,556) |
| Profit after taxation | | | | 28,031 |
| OTHER INFORMATION | | | | |
| Segmental assets # | 664,452 | 18,865 | – | 683,317 |
| Segment liabilities * | 308,192 | 6,419 | – | 314,611 |
| Capital expenditure | 11,898 | 3,331 | – | 15,229 |
| Depreciation and amortisation | 13,883 | 1,021 | – | 14,904 |

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

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

51. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

| | DIGITAL IDENTITY AND BUSINESS SOLUTIONS RM'000 | OTHERS RM'000 | INTER-SEGMENT ELIMINATION RM'000 | GROUP RM'000 |
|--------------------------------|---|------------------|--|-----------------|
| 2009 | | | | |
| 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 less unallocated assets.

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

51. OPERATING SEGMENTS (CONT'D)
BY GEOGRAPHICAL LOCATION

| | MALAYSIA RM'000 | OTHERS RM'000 | GROUP RM'000 |
|---------------------------------|--------------------|------------------|-----------------|
| 2010 | | | |
| Revenue from external customers | 241,629 | 124,481 | 366,110 |
| Segment assets | 674,505 | 8,812 | 683,317 |
| Capital expenditure | 14,077 | 1,152 | 15,229 |

BY GEOGRAPHICAL LOCATION

| | MALAYSIA RM'000 | OTHERS RM'000 | GROUP RM'000 |
|---------------------------------|--------------------|------------------|-----------------|
| 2009 | | | |
| 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 |

MAJOR CUSTOMERS

Revenue from four (4) major customers, with revenue equal to or more than 10% of Group revenue, amounting to RM 278,224,887 arose from sales of the Digital Identity and business solutions segment.

52. 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 2010 to 31 December 2010, a total of 1,925,300 units of ICPS have been converted into 1,925,300 ordinary shares of RM0.15 each.

(b) INVESTMENT IN AN ASSOCIATE – PJT TECHNOLOGY CO., LTD.

On 5 April 2010, the Company acquired 3,234,000 ordinary shares of Thai Baht 100 each in PJT Technology Co., Ltd. ("PJT"), a company incorporated in Thailand, representing 49% equity interest in PJT, for a total cash consideration of Thai Baht 360 million (equivalent to RM37.5 million).

(c) RENOUNCEABLE RIGHTS ISSUE OF UP TO 223,408,274 NEW SIX (6)-YEAR WARRANTS ("WARRANTS B") ON THE BASIS OF THREE (3) WARRANTS B FOR EVERY TWENTY (20) EXISTING ORDINARY SHARES OF RM0.15 EACH IN IRIS AT THE ISSUE PRICE OF RM0.05 PER WARRANTS B ("WARRANTS ISSUE")

On 27 April 2010, the 212,326,987 Warrants B issued pursuant to the Warrants Issue were listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad marking the completion of the Warrants Issue.

(d) INVESTMENT IN AN ASSOCIATE – IRIS WRP ECO POWER SDN BHD (FORMERLY KNOWN AS VP4 POWER TECHNOLOGIES SDN BHD)

On 2 June 2010, the Company entered into a joint venture agreement ("JV Agreement") with WRP Asia Pacific Sdn Bhd ("WRP") to form a new joint venture company ("JVC") to develop, construct, operate and own a new biomass plant on a designated site owned or to be owned by WRP.

On 23 June 2010, the Company acquired one (1) ordinary share of RM1.00 each in IRIS WRP Eco Power Sdn Bhd (formerly known as VP4 Power Technologies Sdn Bhd), representing 50% of its issued and paid-up share capital for a total cash consideration of RM1.00.

Subsequently in year 2011, the JV Agreement was mutually agreed to be terminated by both ICB and WRP through the execution of a Mutual Termination Agreement dated 21 March 2011 (refer to Note 53).

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(e) ACQUISITION OF ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF IRIS LAND SDN BHD

On 27 July 2010, the Company acquired two (2) ordinary shares of RM1.00 each in IRIS Land Sdn. Bhd. (formerly known as Peak Structure Sdn Bhd), representing its entire issued and paid-up share capital for a total cash consideration of RM2.00.

(f) EARLY REDEMPTION OF BAI BITHAMAN AJIL SECURED DEBT SECURITIES COMPRISING OF RM60 MILLION NOMINAL VALUE OF PRIMARY BONDS ("BONDS") AND THE OUTSTANDING BALANCE OF MURABAHAH COMMERCIAL PAPERS/MEDIUM TERM NOTES ("NOTES").

On 23 August 2010, the Group had fully redeemed and cancelled the entire outstanding balance of BaiDS amounting to RM60 million and the outstanding balance of Notes amounting to RM10 million prior to their maturity dates on 29 October 2010 and 29 April 2011 respectively.

(g) MEMBERS' VOLUNTARY WINDING-UP OF IRIS EGYPT LLC ("IRIS EGYPT")

The Company had on 21 November 2010 placed its 87.5% owned subsidiary, namely IRIS Egypt under a Members' voluntary winding up. IRIS Egypt was incorporated in Egypt on 29th May 2008 with an authorised share capital of EGP 300,000 comprising 3,000 ordinary shares of EGP 100 each.

IRIS Egypt has not yet commenced its business operation and was intended to be involved in the business of providing products, services, maintenance and solutions in the area of identity security documents, biometrics information technology and communication in Egypt. The Members' voluntary winding up is part of ICB Group's continuing rationalisation exercise to wind up inactive subsidiaries.

As IRIS Egypt remains dormant, the members' voluntary winding up does not have any material impact to the Group's performance.

(h) ACQUISITION OF THE REMAINING ISSUED AND PAID-UP SHARE CAPITAL OF A SUBSIDIARY, IRIS ECO POWER SDN BHD ("IEP")

IRIS Technologies (M) Sdn Bhd ("IRIS Tech"), a wholly-owned subsidiary of the Company, had on 29 December 2010 acquired 4,900 ordinary shares of RM1.00 each in IEP, representing 49% of its issued and paid-up share capital for a total cash consideration of RM4,900.

IRIS Tech had previously owned 51% equity interest in IEP. Following this acquisition, IEP has now become the wholly owned subsidiary of IRIS Tech.

(i) MATERIAL LITIGATIONS

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

JAL has filed a motion to dismiss the claim. IRIS'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 IRIS conflicted with, and were superseded by JAL's federal legal obligation to inspect passenger passports. The Solicitors had, on behalf of IRIS, 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 the 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 allowed to use IRIS' intellectual property for free, as part of their commercial operations.

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)**(i) MATERIAL LITIGATIONS (CONT'D)**

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 IRIS to do with respect to the JAL litigation.

Regarding the bankruptcy proceedings, on 1 November 2010, JAL stated that the stay issued by the US Bankruptcy Court remains in effect. The reorganization proceedings in Tokyo District Court are ongoing. The Debtors filed a Proposed Reorganization Plan on 31 August 2010 and the Tokyo District Court has not yet acted with respect to such plan. In short, the bankruptcy proceedings are still in progress and there is no outcome as yet.

- (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") had on 17 September 2009 received a Letter of Termination dated 14 September 2009 ("Letter of Termination"), from Emniyet Genel Mudurlugu ("EGM"), known as General Directorate of Security in relation to the provision of Electronic Passport Issuing Systems in Turkey ("The Agreement").

Pursuant to the Letter of Termination, EGM requested for 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 Joint Venture Company between ITSB and KUNT. Subsequently, all the hardware and equipment delivered shall be returned to the JV Company.

On 18 September 2009, Messrs Sen & Arpacı had on behalf of the JV Company, made an application to the Ankara Civil Court of Turkey ("Court"), for an injunction to restrain EGM from claiming on the performance bond submitted by the JV Company in year 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 & Arpacı had on 5 October 2009 filed a lawsuit against EGM 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 EGM and the return of the performance bond. This matter was first heard on 22 December 2009.

On 23 March 2010, EGM presented a counter claim, claiming approximately YTL 5.25 million from the JV Company. Specifically, the EGM 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. The third hearing was held on 10 June 2010. The outcome of the hearing was that the judge had requested the JV Company to submit the precise damages amount(s) to be claimed against EGM so that the judge can decide which component court will hear the matter.

On 5 October 2010, JV Company had submitted new evidences for the case. The Courts accepted JV Company's submission and ordered EGM to reply to the new evidences submitted by JV Company within 20 days from 5 October 2010. However, no decision was granted at this stage to the EGM for their claims of refund of YTL 5.25 million they paid for the completion of phase 1 of the Project (for hardware and equipments delivered). At the same hearing, the Courts appointed three expert witnesses to study and analyse the case and the submissions of both Parties on commercial and technical grounds since the case is highly technical in nature. On 23 December 2010, the Court heard that the expert witnesses are yet to deliver their expert report or analysis of the case and stated to the Court that they need more time to analyse.

The hearing date has fixed on 14 June 2011 for the receipt of the experts' report.

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(i) MATERIAL LITIGATIONS (CONT'D)

In parallel, EGM filed additional claims of loss of opportunity amounting to YTL 13.041 million against the JV Company on 14 September 2010. On 30 November 2010, JV Company submitted evidences substantiating grounds for the rebuttal of this EGM's additional claims. On 8th February 2011's hearing, the Court granted 20 days for EGM to respond to the JV Company's earlier submitted rebuttal. On 12 April 2011 hearing, the Court appointed two experts who are experienced in law and finance matters to prepare a report on the case.

The Court then fixed a new hearing date on 14 June 2011.

Messrs Sen & Arpaci is of 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 EGM is likely to be rejected by the Ankara Court.

53. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Termination of Joint Venture Agreement ("JV Agreement") dated 2 June 2010 entered into between the Company and WRP Asia Pacific Sdn Bhd ("WRP")

On 21 March 2011, ICB and WRP have mutually agreed to terminate the JV Agreement through the execution of a Mutual Termination Agreement dated 21 March 2011 ("Mutual Termination"). The Mutual Termination is due to the reasons that WRP and IRIS WRP Eco Power Sdn Bhd (formerly known as VP4 Power Technologies Sdn Bhd) ("IRIS WRP"), the Joint Venture Company ("JVC"), were unable to conclude the leasing of the land to the JVC and the non-finalisation of the Power Purchase Agreement between the JVC and WRP.

Subsequent on 4 April 2011, the Company acquired one (1) ordinary share of RM1.00 each in IRIS WRP, representing 50% of its issued and paid-up share capital, from WRP Asia Pacific Sdn Bhd for a total cash consideration of RM1.00.

The Company had previously owned 50% equity interest in IRIS WRP. Following this acquisition, IRIS WRP has become a wholly owned subsidiary of the Company.

54. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) MARKET RISK

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Euro, Thai Baht and Egyptian Pound. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

54. FINANCIAL INSTRUMENTS (CONT'D)**(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(i) MARKET RISK (CONT'D)****(i) Foreign Currency Risk (Cont'd)**

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

| THE GROUP 2010 | THAI BAHT RM'000 | UNITED STATES DOLLAR RM'000 | EURO RM'000 | CHINESE RENMINBI RM'000 | CANADIAN DOLLAR RM'000 | EGYPTIAN POUND RM'000 | INDIAN RUPEE RM'000 | BANGLAD TAKA RM'000 | OTHERS RM'000 |
|------------------------------|------------------------|--------------------------------------|----------------|-------------------------------|------------------------------|-----------------------------|---------------------------|---------------------------|------------------|
| Amount owing from associates | 20,873 | - | - | - | - | - | - | - | - |
| Amount owing to associates | (19,191) | - | - | - | - | - | - | - | - |
| Trade and other receivables | - | 42,023 | 11,779 | 720 | 1,191 | 10,998 | 3,432 | 1,235 | 144 |
| Trade and other payables | - | (16,511) | (1,047) | - | - | (18) | - | - | (113) |
| Cash and bank balances | 285 | 478 | 61 | - | - | 2,158 | - | - | 23 |
| Currency exposure | 1,967 | 25,990 | 10,793 | 720 | 1,191 | 13,138 | 3,432 | 1,235 | 54 |

| THE GROUP 2009 | THAI BAHT RM'000 | UNITED STATES DOLLAR RM'000 | EURO RM'000 | CHINESE RENMINBI RM'000 | EGYPTIAN POUND RM'000 | OTHERS RM'000 |
|------------------------------|------------------------|--------------------------------------|----------------|-------------------------------|-----------------------------|------------------|
| Amount owing from associates | 23,352 | - | - | - | - | - |
| Amount owing to associates | - | - | - | - | - | - |
| Trade and other receivables | - | 19,929 | 3,216 | - | 21,143 | 69 |
| Trade and other payables | - | (16,936) | (98) | (719) | - | (90) |
| Cash and bank balances | - | 3,635 | 2,666 | - | 798 | - |
| Deposits with licensed bank | - | 634 | 797 | - | - | 17 |
| Currency exposure | 23,352 | 7,262 | 6,581 | (719) | 21,941 | (4) |

54. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(i) MARKET RISK (CONT'D)

(i) Foreign Currency Risk (Cont'd)

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

| THE COMPANY 2010 | THAI BAHT RM'000 | UNITED STATES DOLLAR RM'000 | EURO RM'000 | CANADIAN DOLLAR RM'000 | EGYPTIAN POUND RM'000 | INDIAN RUPEE RM'000 | BANGLAD TAKA RM'000 | OTHERS RM'000 |
|------------------------------|------------------------|--------------------------------------|----------------|------------------------------|-----------------------------|---------------------------|---------------------------|------------------|
| Amount owing from associates | 20,873 | - | - | - | - | - | - | - |
| Trade and other receivables | (19,191) | - | - | - | - | 3,432 | 1,235 | - |
| Trade and other payables | - | 27,141 | 11,471 | 1,191 | 10,998 | - | - | 142 |
| Cash and bank balances | - | (6,180) | (698) | - | (18) | - | - | (74) |
| Deposits with licensed bank | 285 | 291 | 38 | - | 2,158 | - | - | - |
| Currency exposure | 1,967 | 21,252 | 10,811 | 1,191 | 13,138 | 3,432 | 1,235 | 68 |

| THE COMPANY 2009 | THAI BAHT RM'000 | UNITED STATES DOLLAR RM'000 | EURO RM'000 | CANADIAN DOLLAR RM'000 | EGYPTIAN POUND RM'000 | OTHERS RM'000 |
|------------------------------|------------------------|--------------------------------------|----------------|------------------------------|-----------------------------|------------------|
| Amount owing from associates | - | 23,352 | - | - | - | - |
| Trade receivables | - | 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 | - | - | - |
| Currency exposure | - | 23,352 | 7,079 | 6,669 | 412 | 21,941 |

54. FINANCIAL INSTRUMENTS (CONT'D)**(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(i) MARKET RISK (CONT'D)****(i) Foreign Currency Risk (Cont'd)**Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

| | THE GROUP 2010 INCREASE/ (DECREASE) RM'000 | THE COMPANY 2010 INCREASE/ (DECREASE) RM'000 |
|---|--|--|
| EFFECTS ON PROFIT AFTER TAXATION | | |
| Strengthened by 10% | | |
| - Thai Baht | 148 | 148 |
| - United States Dollar | 1,949 | 1,594 |
| - Euro | 809 | 811 |
| - Chinese Renminbi | 54 | - |
| - Canadian Dollar | 89 | 89 |
| - Egyptian Pound | 985 | 985 |
| - Indian Rupee | 257 | 257 |
| - Banglad Taka | 93 | 93 |
| Weakened by 10% | | |
| - Thai Baht | (148) | (148) |
| - United States Dollar | (1,949) | (1,594) |
| - Euro | (809) | (811) |
| - Chinese Renminbi | (54) | - |
| - Canadian Dollar | (89) | (89) |
| - Egyptian Pound | (985) | (985) |
| - Indian Rupee | (257) | (257) |
| - Banglad Taka | (93) | (93) |

54. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(i) MARKET RISK (CONT'D)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

| | THE GROUP 2010 INCREASE RM'000 | THE COMPANY 2010 INCREASE RM'000 |
|--------------------------|---|---|
| EFFECTS ON EQUITY | | |
| Strengthened by 10% | | |
| - Thai Baht | 148 | 148 |
| - United States Dollar | 1,949 | 1,594 |
| - Euro | 809 | 811 |
| - Chinese Renminbi | 54 | - |
| - Canadian Dollar | 89 | 89 |
| - Egyptian Pound | 985 | 985 |
| - Indian Rupee | 257 | 257 |
| - Banglad Taka | 93 | 93 |
| Weakened by 10% | | |
| - Thai Baht | (148) | (148) |
| - United States Dollar | (1,949) | (1,594) |
| - Euro | (809) | (811) |
| - Chinese Renminbi | (54) | - |
| - Canadian Dollar | (89) | (89) |
| - Egyptian Pound | (985) | (985) |
| - Indian Rupee | (257) | (257) |
| - Banglad Taka | (93) | (93) |

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 54(a)(v) to the financial statements.

54. FINANCIAL INSTRUMENTS (CONT'D)**(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(i) MARKET RISK (CONT'D)***(ii) Interest rate risk (Cont'd)*Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

| | THE GROUP 2010 INCREASE/ (DECREASE) RM'000 | THE COMPANY 2010 INCREASE/ (DECREASE) RM'000 |
|---|--|--|
| EFFECTS ON PROFIT AFTER TAXATION | | |
| Increase of 100 basis points (bp) | (679) | (624) |
| Decrease of 100 bp | 679 | 624 |
| EFFECTS ON EQUITY | | |
| Increase of 100 bp | (679) | (624) |
| Decrease of 100 bp | 679 | 624 |

(iii) Equity Price Risk

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

(ii) CREDIT RISK

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by five (5) customers which constituted approximately 77% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

54. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(ii) CREDIT RISK (CONT'D)

Exposure to credit risk (cont'd)

The exposure of credit risk for trade receivables (including amount owing by subsidiaries and associates) by geographical region is as follows:-

| | THE GROUP | | THE COMPANY | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Domestic - Malaysia | 135,665 | 91,272 | 102,762 | 68,771 |
| African countries | 14,908 | 25,342 | 14,908 | 25,342 |
| Other Asian countries | 44,536 | 40,545 | 37,610 | 26,180 |
| North American countries | 7,735 | 2,176 | 7,735 | 2,176 |
| European countries | 1,098 | 991 | 882 | 990 |
| | 203,942 | 160,326 | 163,897 | 123,459 |

Ageing analysis

The ageing analysis of the Group's trade receivables (including amount owing by associates) as at 31 December 2010 is as follows:-

| | GROSS AMOUNT RM'000 | INDIVIDUAL IMPAIRMENT RM'000 | COLLECTIVE IMPAIRMENT RM'000 | CARRYING VALUE RM'000 |
|----------------------|---------------------------|------------------------------------|------------------------------------|-----------------------------|
| Not past due | 39,619 | - | - | 39,619 |
| Past due:- | | | | |
| - less than 3 months | 19,365 | - | - | 19,365 |
| - 3 to 6 months | 65,619 | - | - | 65,619 |
| - over 6 months | 80,638 | (733) | (566) | 79,339 |
| | 205,241 | (733) | (566) | 203,942 |

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired.

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired.

54. FINANCIAL INSTRUMENTS (CONT'D)**(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(ii) CREDIT RISK (CONT'D)***Ageing analysis (cont'd)*

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

(iii) LIQUIDITY RISK

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| THE GROUP 2010 | WEIGHT AVERAGE EFFECTIVE RATE % | CARRYING AMOUNT RM'000 | CONTRACTUAL UN- DISCOUNTED CASH FLOWS RM'000 | WITHIN 1 YEAR RM'000 | 1 – 2 YEAR RM'000 | 2 – 5 YEARS RM'000 | OVER 5 YEARS RM'000 |
|---------------------------------|---|------------------------------|--|----------------------------|-------------------------|--------------------------|---------------------------|
| Bank overdraft | 6.30 | 19,972 | 19,972 | 19,972 | – | – | – |
| Bankers' acceptances | 3.01 | 33,242 | 33,242 | 33,242 | – | – | – |
| Term loan | 7.90 | 140,428 | 175,974 | 46,055 | 24,663 | 53,608 | 51,648 |
| Hire purchase payables | 6.12 | 3,491 | 4,142 | 802 | 802 | 2,074 | 464 |
| Lease payables | 7.36 | 2,002 | 2,231 | 854 | 854 | 523 | – |
| Trade payables | – | 27,320 | 27,320 | 27,320 | – | – | – |
| Other payables and accruals | – | 68,730 | 68,730 | 68,730 | – | – | – |
| Amount owing to associates | – | 19,191 | 19,191 | 19,191 | – | – | – |
| Amount owing to related parties | – | 235 | 235 | 235 | – | – | – |
| | | <u>314,611</u> | <u>351,037</u> | <u>216,401</u> | <u>26,319</u> | <u>56,205</u> | <u>52,112</u> |

54. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(iii) LIQUIDITY RISK (CONT'D)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| THE GROUP 2009 | WEIGHT AVERAGE EFFECTIVE RATE % | CARRYING AMOUNT RM'000 | CONTRACTUAL UN- DISCOUNTED CASH FLOWS RM'000 | WITHIN 1 YEAR RM'000 | 1 - 2 YEAR RM'000 | 2 - 5 YEARS RM'000 | OVER 5 YEARS RM'000 |
|---------------------------------|---|------------------------------|--|----------------------------|-------------------------|--------------------------|---------------------------|
| Bankers' acceptances | 4.39 | 4,121 | 4,121 | 4,121 | - | - | - |
| Bonds | 6.85 | 68,750 | 68,750 | 68,750 | - | - | - |
| Murabahah | | | | | | | |
| Commercial paper | 6.30 | 10,000 | 10,000 | 10,000 | - | - | - |
| Revolving credit | 4.50 | 16,240 | 16,240 | 16,240 | - | - | - |
| Term loans | 7.00 | 35,628 | 41,013 | 10,382 | 9,808 | 20,823 | - |
| Hire purchases payables | 6.02 | 930 | 1,091 | 221 | 221 | 487 | 162 |
| Lease payables | 8.40 | 1,847 | 1,945 | 1,632 | 313 | - | - |
| Trade payables | - | 38,657 | 38,657 | 38,657 | - | - | - |
| Other payables and accruals | - | 32,442 | 32,442 | 29,806 | 176 | 527 | 1,933 |
| Amount owing to related parties | - | 94 | 94 | 94 | - | - | - |
| | | <u>208,709</u> | <u>214,353</u> | <u>179,903</u> | <u>10,518</u> | <u>21,837</u> | <u>2,095</u> |

54. FINANCIAL INSTRUMENTS (CONT'D)**(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(iii) LIQUIDITY RISK (CONT'D)**

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| THE COMPANY 2010 | WEIGHT AVERAGE EFFECTIVE RATE % | CARRYING AMOUNT RM'000 | CONTRACTUAL UN- DISCOUNTED CASH FLOWS RM'000 | WITHIN 1 YEAR RM'000 | 1 – 2 YEAR RM'000 | 2 – 5 YEARS RM'000 | OVER 5 YEARS RM'000 |
|---------------------------------|---|------------------------------|--|----------------------------|-------------------------|--------------------------|---------------------------|
| Bank overdraft | 6.30 | 19,972 | 19,972 | 19,972 | – | – | – |
| Bankers' acceptances | 2.64 | 22,080 | 22,080 | 22,080 | – | – | – |
| Term loan | 7.90 | 140,428 | 175,974 | 46,055 | 24,663 | 53,608 | 51,648 |
| Hire purchases payables | 6.12 | 2,149 | 2,525 | 543 | 543 | 1,315 | 124 |
| Lease payables | 7.36 | 1,617 | 1,815 | 495 | 495 | 825 | – |
| Trade payables | – | 9,564 | 9,564 | 9,564 | – | – | – |
| Other payables and accruals | – | 49,142 | 49,142 | 49,142 | – | – | – |
| Amount owing to subsidiaries | – | 32,294 | 32,294 | 32,294 | – | – | – |
| Amount owing to associates | – | 19,191 | 19,191 | 19,191 | – | – | – |
| Amount owing to related parties | – | 222 | 222 | 222 | – | – | – |
| | | <u>296,659</u> | <u>332,779</u> | <u>199,558</u> | <u>25,701</u> | <u>55,748</u> | <u>51,772</u> |
| 2009 | | | | | | | |
| Bonds | 6.85 | 8,750 | 8,750 | 8,750 | – | – | – |
| Hire purchase payables | 6.03 | 618 | 730 | 138 | 138 | 355 | 99 |
| Term loan | 7.00 | 35,628 | 41,013 | 10,382 | 9,808 | 20,823 | – |
| Trade payables | – | 17,216 | 17,216 | 17,216 | – | – | – |
| Other payables and accruals | – | 11,013 | 11,013 | 11,013 | – | – | – |
| Amount owing to subsidiaries | – | 88,646 | 88,646 | 88,646 | – | – | – |
| Amount owing to related parties | – | 1 | 1 | 1 | – | – | – |
| | | <u>161,872</u> | <u>167,369</u> | <u>136,146</u> | <u>9,946</u> | <u>21,178</u> | <u>99</u> |

54. FINANCIAL INSTRUMENTS (CONT'D)

(b) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

| | THE GROUP | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Bank overdraft | 19,972 | – |
| Bankers' acceptances | 33,242 | 4,121 |
| Murabahah Commercial Papers | – | 10,000 |
| Revolving credit | – | 16,240 |
| Term loans | 140,428 | 35,628 |
| Bonds | – | 68,750 |
| Hire purchase payables | 3,491 | 930 |
| Lease payables | 2,002 | 1,847 |
| Trade payables | 27,320 | 38,657 |
| Other payables and accruals | 68,730 | 32,442 |
| Amount owing to associates and related parties | 19,426 | 94 |
| | 314,611 | 208,709 |
| Less: Fixed deposits with licensed banks | (12,458) | (17,044) |
| Less: Cash and bank balances | (19,218) | (11,443) |
| Net debts | 282,935 | 180,222 |
| Total equity | 346,524 | 308,373 |
| Debt-to-equity ratio | 0.82 | 0.58 |

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

54. FINANCIAL INSTRUMENTS (CONT'D)**(c) CLASSIFICATION OF FINANCIAL INSTRUMENTS**

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| FINANCIAL ASSETS | | | | |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS | | | | |
| Other investments, at cost | 406 | 406 | 406 | 406 |
| LOAN AND RECEIVABLES FINANCIAL ASSETS | | | | |
| Trade receivables | 140,995 | 115,729 | 82,204 | 51,329 |
| Other receivables, deposits and prepayments | 42,285 | 16,708 | 25,498 | 1,269 |
| Amount owing by subsidiaries | - | - | 60,820 | 48,778 |
| Amount owing by associates | 62,947 | 44,597 | 20,873 | 23,352 |
| Amount owing by related parties | 353 | 194 | 349 | 83 |
| Deposits with licensed banks | 12,458 | 17,044 | 10,765 | 12,879 |
| Cash and bank balances | 19,218 | 11,443 | 13,803 | 7,591 |
| | 278,256 | 205,715 | 214,312 | 145,281 |
| FINANCIAL LIABILITIES | | | | |
| OTHER FINANCIAL LIABILITIES | | | | |
| Trade payables | 27,320 | 38,657 | 9,564 | 17,216 |
| Other payables and accruals | 68,730 | 32,442 | 49,142 | 11,013 |
| Amount owing by subsidiaries | - | - | 32,294 | 88,646 |
| Amount owing by associates | 19,191 | - | 19,191 | - |
| Amount owing by related parties | 235 | 94 | 222 | 1 |
| Hire purchase payables | 3,491 | 930 | 2,149 | 618 |
| Lease payables | 2,002 | 1,847 | 1,617 | - |
| Bank overdraft | 19,972 | - | 19,972 | - |
| Banker's acceptances | 33,242 | 4,121 | 22,080 | - |
| Murabahah Commercial Papers | - | 10,000 | - | - |
| Revolving credit | - | 16,240 | - | - |
| Bonds | - | 68,750 | - | 8,750 |
| Term loans | 140,428 | 35,628 | 140,428 | 35,628 |
| | 314,611 | 208,709 | 296,659 | 161,872 |

54. FINANCIAL INSTRUMENTS (CONT'D)

(d) FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

55. COMPARATIVE FIGURES

The following comparatives have been reclassified to conform with the current financial period's presentation:

| | THE GROUP | | THE COMPANY | |
|--|----------------------------------|--|----------------------------------|--|
| | AS RESTATED 2009 RM'000 | AS PREVIOUSLY STATED 2009 RM'000 | AS RESTATED 2009 RM'000 | AS PREVIOUSLY STATED 2009 RM'000 |
| STATEMENTS OF FINANCIAL POSITION | | | | |
| Trade receivables | 115,729 | 139,081 | 51,329 | 74,681 |
| Amount owing by associates | 44,597 | 21,245 | 23,352 | - |
| CASH FLOWS STATEMENTS | | | | |
| Changes in trade and other receivables | 13,968 | (9,384) | 22,122 | (1,230) |
| Changes in amount due from associates | (42,169) | (18,817) | (23,352) | - |

56. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of retained earnings of the Group and the Company at the end of reporting period into realised and unrealised profits or losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | GROUP 2010 RM'000 | COMPANY 2010 RM'000 |
|---|-------------------------|---------------------------|
| Total retained earnings: | | |
| - Realised earnings/(losses) | 15,966 | (34,256) |
| - Unrealised losses | (18,624) | (1,877) |
| | (2,658) | (36,133) |
| Total share of accumulated losses of associate: | | |
| - Realised losses | (482) | - |
| - Unrealised losses | (511) | - |
| | (993) | - |
| | (3,651) | (36,133) |
| Less: Consolidation adjustments | 60,967 | - |
| At 31 December | 57,316 | (36,133) |

138. STATISTICS ON SHAREHOLDINGS

as at 27 April 2011

| | | |
|--|---|----------------------|
| Authorised Share Capital | | |
| Ordinary Shares of RM0.15 each | : | RM375,000,000 |
| Non-cumulative Irredeemable Convertible Preference Shares of RM0.15 each | : | RM105,000,000 |
| | | <u>RM480,000,000</u> |
| Issued and Fully Paid-Up Share Capital | | |
| Ordinary Shares of RM0.15 each | : | RM212,630,520 |
| Non-cumulative Irredeemable Convertible Preference Shares of RM0.15 each | : | RM 3,785,116 |
| | | <u>RM216,415,636</u> |

DISTRIBUTION OF SHAREHOLDINGS

ORDINARY SHARES

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | NO. OF SHARES HELD | % OF SHARES HELD |
|--|---------------------|----------------------|------------------|
| 1 – 99 | 30 | 1,079 | 0.00 |
| 100 – 1,000 | 883 | 729,289 | 0.05 |
| 1,001 – 10,000 | 7,440 | 49,762,215 | 3.51 |
| 10,001 – 100,000 | 8,095 | 323,466,783 | 22.82 |
| 100,001 – 70,876,839 | 1,577 | 944,721,770 | 66.65 |
| 70,876,840 and above (5% and above of issued shares) | 1 | 98,855,667 | 6.97 |
| TOTAL | 18,026 | 1,417,536,803 | 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 | 206 | 124,612 | 0.50 |
| 1,001 – 10,000 | 476 | 1,903,018 | 7.54 |
| 10,001 – 100,000 | 99 | 3,135,800 | 12.43 |
| 100,001 – 1,261,704 | 7 | 1,416,833 | 5.61 |
| 1,261,705 and above (5% and above of issued ICPS) | 3 | 18,653,465 | 73.92 |
| TOTAL | 800 | 25,234,104 | 100.00 |

DISTRIBUTION OF SHAREHOLDINGS (CONT'D)**WARRANT A**

| SIZE OF WARRANT HOLDINGS | NO. OF WARRANT HOLDERS | NO. OF WARRANTS HELD | % OF WARRANTS HELD |
|---|---------------------------|-------------------------|-----------------------|
| 1 – 99 | 271 | 10,728 | 0.02 |
| 100 – 1,000 | 502 | 192,351 | 0.41 |
| 1,001 – 10,000 | 527 | 3,084,925 | 6.62 |
| 10,001 – 100,000 | 508 | 19,334,143 | 41.48 |
| 100,001 – 2,330,878 | 73 | 23,995,442 | 51.47 |
| 2,330,879 and above (5% and above of issued warrants) | 0 | 0 | 0.00 |
| TOTAL | 1,881 | 46,617,589 | 100.00 |

WARRANT B

| SIZE OF WARRANT HOLDINGS | NO. OF WARRANT HOLDERS | NO. OF WARRANTS HELD | % OF WARRANTS HELD |
|--|---------------------------|-------------------------|-----------------------|
| 1 – 99 | 77 | 3,535 | 0.00 |
| 100 – 1,000 | 290 | 212,120 | 0.10 |
| 1,001 – 10,000 | 1,936 | 9,143,719 | 4.31 |
| 10,001 – 100,000 | 1,296 | 48,016,733 | 22.61 |
| 100,001 – 10,616,348 | 261 | 154,950,880 | 72.98 |
| 10,616,349 and above (5% and above of issued warrants) | 0 | 0 | 0.00 |
| TOTAL | 3,860 | 212,326,987 | 100.00 |

140. STATISTICS ON SHAREHOLDINGS

as at 27 April 2011 CONT'D

LIST OF 30 LARGEST SHAREHOLDERS AS AT 27 APRIL 2011 ORDINARY SHARES

| NO. | NAME OF SHAREHOLDERS | NO. OF SHARES | % OF SHARES |
|-----|---|--------------------|---------------|
| 1 | EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR VERSATILE PAPER BOXES SDN BHD (JTR) | 98,855,667 | 6.973 |
| 2 | MCS MICROSYSTEMS SDN BHD | 65,333,333 | 4.608 |
| 3 | TL TECHNOLOGY RESEARCH (HK) LIMITED | 56,000,000 | 3.950 |
| 4 | RAZALI BIN ISMAIL | 39,493,333 | 2.786 |
| 5 | UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST, SINGAPORE BRANCH (CUST ASSET) | 31,158,600 | 2.198 |
| 6 | EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR VERSATILE PAPER BOXES SDN. BHD. (SS2) | 27,568,366 | 1.944 |
| 7 | LEE KWEE HIANG | 23,843,200 | 1.682 |
| 8 | HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM | 16,648,900 | 1.174 |
| 9 | M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP HOCK ENG (MG0209-328) | 15,842,200 | 1.117 |
| 10 | OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM | 15,000,000 | 1.058 |
| 11 | YAP LAI KUAN | 14,713,900 | 1.037 |
| 12 | CHANG CHENG HUAT | 14,329,000 | 1.010 |
| 13 | M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM (MG0210-328) | 10,000,000 | 0.705 |
| 14 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KWEE HIANG | 9,550,000 | 0.673 |
| 15 | LIM KIM HUA | 8,419,600 | 0.593 |
| 16 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SATKUNABALAN A/L K SABARATNAM | 7,762,000 | 0.547 |
| 17 | TEOH HOOI BIN | 7,330,000 | 0.517 |
| 18 | YAP HOCK ENG | 6,022,200 | 0.424 |
| 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 | WONG SENG HUAT | 5,705,800 | 0.402 |
| 22 | LIEW SZE FOOK | 5,500,000 | 0.387 |
| 23 | HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH POO SENG (M02) | 5,460,000 | 0.385 |
| 24 | LOW NGOK MING | 5,000,000 | 0.352 |
| 25 | TAN SAY JIM | 4,843,333 | 0.341 |
| 26 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR HSBC PRIVATE BANK (SUISSE) S.A. (SPORE TST AC CL) | 4,000,000 | 0.282 |
| 27 | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL) | 4,000,000 | 0.282 |
| 28 | NG CHEE LOONG | 3,538,000 | 0.249 |
| 29 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI HON WAI (8072204) | 3,500,000 | 0.246 |
| 30 | M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ABU SAHID BIN MOHAMED (MG0172-003) | 3,000,000 | 0.211 |
| | TOTAL | 524,417,432 | 36.994 |

LIST OF 30 LARGEST SHAREHOLDERS AS AT 27 APRIL 2011 (CONT'D)

ICPS

| NO. | NAME OF SHAREHOLDERS | 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 | 33.539 |
| 2 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED (CLTAC N-TREATY) | 8,323,359 | 32.984 |
| 3 | TUNKU SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN | 1,866,666 | 7.397 |
| 4 | ZALINA SHAHARAH BINTI AZMAN | 400,000 | 1.585 |
| 5 | LIM CHUI KUI @ LIM CHOOI KUI | 240,000 | 0.951 |
| 6 | LIM JIT HAI | 213,500 | 0.846 |
| 7 | MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHU CHIN | 180,000 | 0.713 |
| 8 | CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN CIMB TRUSTEE BERHAD (TR1042A) | 133,333 | 0.528 |
| 9 | AZMI BIN LUDDIN | 130,000 | 0.515 |
| 10 | PUBLIC INVEST NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZITA ELFRIEDE BADER (C) | 120,000 | 0.475 |
| 11 | GAN LAY HAR | 100,000 | 0.396 |
| 12 | KEE SONG SWA | 100,000 | 0.396 |
| 13 | KOH SIEW HEE | 100,000 | 0.396 |
| 14 | TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GURJEET SINGH A/L CHANAN SINGH | 100,000 | 0.396 |
| 15 | TEO TIEN HIONG @ TEO THIN PEE | 100,000 | 0.396 |
| 16 | GOH JIU SIN | 99,800 | 0.395 |
| 17 | BOUNTY LEISURE SDN. BHD. | 80,000 | 0.317 |
| 18 | HDM NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR CHIEW KIN HUAT | 80,000 | 0.317 |
| 19 | PHUA KIM CHONG | 72,000 | 0.285 |
| 20 | SULAIMAN BIN MUSA | 66,000 | 0.261 |
| 21 | SHAHABUDDIN BIN ABDULLAH @ LEE SENG PUN | 60,000 | 0.237 |
| 22 | SARJIT SINGH A/L TARA SINGH | 58,000 | 0.229 |
| 23 | LEE BOON HOCK | 55,000 | 0.217 |
| 24 | TAN SWEE FONG | 51,700 | 0.204 |
| 25 | HSBC NOMINEES (TEMPATAN) SDN BHD CHEW YUET KEW (HBMB303-08) | 50,000 | 0.198 |
| 26 | LEE KEH HONG @ LEE AH MENG | 50,000 | 0.198 |
| 27 | MANJEET SINGH A/L TARA SINGH | 50,000 | 0.198 |
| 28 | SAI HIN MOOI | 50,000 | 0.198 |
| 29 | PHUN CHIN TUNG | 49,900 | 0.197 |
| 30 | LIM CHEE SANG | 40,600 | 0.160 |
| | TOTAL | 21,483,298 | 85.135 |

142. STATISTICS ON SHAREHOLDINGS

as at 27 April 2011 CONT'D

LIST OF 30 LARGEST WARRANTHOLDERS AS AT 27 APRIL 2011 (CONT'D)

WARRANT A

| NO. | NAME OF WARRANT HOLDERS | NO. OF WARRANT | % OF WARRANT |
|-----|--|-------------------|---------------|
| 1 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR HSBC PRIVATE BANK (SUISSE) S.A. (SPORE TST AC CL) | 2,150,000 | 4.611 |
| 2 | UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST,SINGAPORE BRANCH (CUST ASSET) | 1,769,516 | 3.795 |
| 3 | HO YIT LIN @ HO YUET LING | 1,300,000 | 2.788 |
| 4 | LEE KWEE HIANG | 1,026,000 | 2.200 |
| 5 | GOH CHYE KEAT | 1,000,000 | 2.145 |
| 6 | YONG CHEE CHOONG | 949,600 | 2.036 |
| 7 | ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG YUEN ZHI | 745,800 | 1.599 |
| 8 | HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM | 708,000 | 1.518 |
| 9 | TAN SAY JIM | 677,000 | 1.452 |
| 10 | TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW YAM FEE | 600,000 | 1.287 |
| 11 | WANG SUI SANG | 600,000 | 1.287 |
| 12 | CK GOH HOLDINGS SDN BHD | 500,000 | 1.072 |
| 13 | FONG KOK LEONG | 500,000 | 1.072 |
| 14 | KONG CHOY FUN | 370,000 | 0.793 |
| 15 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KWEE HIANG | 360,000 | 0.772 |
| 16 | NG LIAN CHENG | 350,000 | 0.750 |
| 17 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG PUN HOCK | 326,000 | 0.699 |
| 18 | HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG POK SENG | 303,000 | 0.649 |
| 19 | CHOO KOK SENG | 300,000 | 0.643 |
| 20 | CHOW ENN KONG | 300,000 | 0.643 |
| 21 | HLG NOMINEE (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR CHOOI GIAP KEE | 300,000 | 0.643 |
| 22 | ONG SENG KHEK | 300,000 | 0.643 |
| 23 | YEW MING CHIN | 300,000 | 0.643 |
| 24 | TAN LYE PENG | 293,200 | 0.628 |
| 25 | TUNKU SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN | 280,000 | 0.600 |
| 2 | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LEN BOOK LEARN (M66002) | 265,000 | 0.568 |
| 27 | SHANTILAL TISSA HERAT | 230,000 | 0.493 |
| 28 | WONG CHUN WAI | 230,000 | 0.493 |
| 29 | CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS) | 228,000 | 0.489 |
| 30 | JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD SANI BIN MD DAHLAN | 214,150 | 0.459 |
| | TOTAL | 17,475,266 | 37.486 |

LIST OF 30 LARGEST WARRANTHOLDERS AS AT 27 APRIL 2011 (CONT'D)

WARRANT B

| NO. | NAME OF WARRANT HOLDERS | NO. OF WARRANT | % OF WARRANT |
|--------------|---|-------------------|---------------|
| 1 | DANIEL LIM HWA YEW | 8,400,000 | 3.956 |
| 2 | TL TECHNOLOGY RESEARCH (HK) LIMITED | 8,400,000 | 3.956 |
| 3 | M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SAY JIM (MG0210-328) | 6,973,834 | 3.284 |
| 4 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SATKUNABALAN A/L K SABARATNAM | 5,815,000 | 2.738 |
| 5 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR HSBC PRIVATE BANK (SUISSE) S.A. (SPORE TST AC CL) | 5,050,000 | 2.378 |
| 6 | TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG MING SHYAN | 4,207,000 | 1.981 |
| 7 | LAW HOCK CHAI | 4,200,000 | 1.978 |
| 8 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD CHUNG TAT WING (T-471429) | 3,807,500 | 1.793 |
| 9 | LEE KWEE HIANG | 3,578,100 | 1.685 |
| 10 | A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM TEONG KIAT | 3,000,000 | 1.412 |
| 11 | TEOH HOOI BIN | 2,921,900 | 1.376 |
| 12 | NGUI NYUK KYOON | 2,904,700 | 1.368 |
| 13 | YEOW YEW HENG | 2,840,000 | 1.337 |
| 14 | GOH CHYE KEAT | 2,625,000 | 1.236 |
| 15 | TAN ENG HUAT | 2,450,000 | 1.153 |
| 16 | UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST, SINGAPORE BRANCH (CUST ASSET) | 2,000,000 | 0.941 |
| 17 | CHUNG TAT WING | 1,900,000 | 0.894 |
| 18 | TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YOW FOOK LEONG | 1,900,000 | 0.894 |
| 19 | CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS) | 1,808,200 | 0.851 |
| 20 | AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH BOON IANG | 1,630,000 | 0.767 |
| 21 | LEE SIAN LEONG | 1,500,000 | 0.706 |
| 22 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK JIN ANG (CEB) | 1,466,500 | 0.690 |
| 23 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KWEE HIANG | 1,432,500 | 0.674 |
| 24 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAYESKUMAR A/L CHAMANLAL RUGNATH | 1,400,000 | 0.659 |
| 25 | CHOW SOW CHAN | 1,300,000 | 0.612 |
| 26 | HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TECK KHENG (M08) | 1,207,200 | 0.568 |
| 27 | CK GOH HOLDINGS SDN BHD | 1,200,000 | 0.565 |
| 28 | HSBC NOMINEES (ASING) SDN BHD CS SEC (MALAYSIA) SDN BHD FOR STEPHEN JOHN WATSON HAGGER | 1,000,000 | 0.470 |
| 29 | LAI HEE DIN | 1,000,000 | 0.470 |
| 30 | M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TICK YAW (MG0230-073) | 1,000,000 | 0.470 |
| TOTAL | | 88,917,434 | 41.877 |

144. STATISTICS ON SHAREHOLDINGS

as at 27 April 2011 CONT'D

SUBSTANTIAL SHAREHOLDERS AS AT 27 APRIL 2011 (AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS)

ORDINARY SHARES

| NO | SHAREHOLDER | NO OF SHARES | | | |
|----|---|--------------------|--------------|--------------------|--------------|
| | | DIRECT | % | INDIRECT | % |
| 1 | EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR VERSATILE PAPER BOXES SDN BHD (JTR) & (SS2) | 126,424,033 | 8.92 | - | - |
| 2 | DATO' TAN SAY JIM | 46,492,233 | 3.28 | 126,424,033 | 8.92 |
| 3 | YAP HOCK ENG | 21,864,400 | 1.54 | 65,333,333 | 4.61 |
| | TOTAL | 194,780,666 | 13.74 | 191,757,366 | 13.53 |

ICPS

| NO | SHAREHOLDER | NO OF SHARES | | | |
|----|---|-------------------|--------------|----------|----------|
| | | DIRECT | % | INDIRECT | % |
| 1 | UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST, SINGAPORE BRANCH (CUST ASSET) | 8,463,440 | 33.54 | - | - |
| 2 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED (CLTAC N-TREATY) | 8,323,359 | 32.98 | - | - |
| 3 | TUNKU SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN | 1,866,666 | 7.40 | - | - |
| | TOTAL | 18,653,465 | 73.92 | - | - |

DIRECTORS' SHAREHOLDING AS AT 27 APRIL 2011 (AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS)

ORDINARY SHARES

| NO | SHAREHOLDER | NO OF SHARES | | | |
|----|---|-------------------|-------------|--------------------|-------------|
| | | 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 | 3.28 | 126,424,033 | 8.92 |
| 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 ABUL KADER | - | - | - | - |
| 11 | INDRAN A/L SWAMINATHAN | - | - | - | - |
| | TOTAL | 90,737,299 | 6.40 | 126,424,033 | 8.92 |

DIRECTORS' SHAREHOLDING AS AT 27 APRIL 2011 (AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS) (CONT'D)**ICPS**

| NO | SHAREHOLDER | NO OF SHARES | | | |
|----|--------------------------------------|------------------|-------------|----------|---|
| | | DIRECT | % | INDIRECT | % |
| 1 | TAN SRI RAZALI BIN ISMAIL | - | - | - | - |
| 2 | YAM TUNKU DATO' SERI SHAHABUDDIN | - | - | - | - |
| | BIN TUNKU BESAR BURHANUDDIN | 1,866,666 | 7.40 | - | - |
| 3 | DATO' TAN SAY JIM | - | - | - | - |
| 4 | EOW KWAN HOONG | - | - | - | - |
| 5 | SYED ABDULLAH BIN SYED ABD KADIR | 133,333 | 0.53 | - | - |
| 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 | 7.93 | - | - |

WARRANT A

| NO | WARRANT HOLDER | NO OF SHARES | | | |
|----|--------------------------------------|------------------|-------------|----------|---|
| | | 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 | - | - |

WARRANT B

| NO | WARRANT HOLDER | NO OF SHARES | | | |
|----|--------------------------------------|------------------|-------------|------------|-------------|
| | | DIRECT | % | INDIRECT | % |
| 1 | TAN SRI RAZALI BIN ISMAIL | 1,000,000 | 0.47 | - | - |
| 2 | YAM TUNKU DATO' SERI SHAHABUDDIN | - | - | - | - |
| | BIN TUNKU BESAR BURHANUDDIN | - | - | - | - |
| 3 | DATO' TAN SAY JIM | 6,973,834 | 3.28 | 104 | 0.00 |
| 4 | EOW KWAN HOONG | 250,000 | 0.12 | - | - |
| 5 | SYED ABDULLAH BIN SYED ABD KADIR | - | - | - | - |
| 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 | 8,223,834 | 3.87 | 104 | 0.00 |

146. NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH 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, 22 JUNE, 2011 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, 2010 together with the Reports of the Directors and Auditors thereon. | Please refer to Explanatory Note 1 |
| 2. To declare a first and final tax-exempt dividend of 0.45 sen per ordinary share in respect of the financial year ended 31 December, 2010 | Resolution 1 |
| 3. 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) Dato' Tan Say Jim | Resolution 2 |
| (ii) Eow Kwan Hoong | Resolution 3 |
| (iii) Datuk Kamaruddin Bin Taib | Resolution 4 |
| Article 93 | |
| (iv) Rizal Faris Bin Mohideen Abdul Kader | Resolution 5 |
| 4. To approve the payment of Directors' Fees for the financial year ended 31 December, 2010. | Resolution 6 |
| 5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

SPECIAL BUSINESS

- | | |
|--|---------------------|
| 6. To consider and if thought fit, to pass the following Resolution in accordance with Section 129 of the Companies Act, 1965:- "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 8 |
| 7. To consider and if thought fit, to pass the following Resolution in accordance with Section 129 of the Companies Act, 1965:- "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 9 |

To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution of the Company:-

8. ORDINARY RESOLUTION

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, the Articles of Association of the Company and the approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorized and 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 the 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 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."

9. To transact any other ordinary business of which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Seventeenth Annual General Meeting to be held on 22 June 2011, a first and final tax-exempt dividend of 0.45 sen per ordinary share in respect of the financial year ended 31 December 2010 will be paid on 9 September 2011.

The entitlement date for the dividend is 25 August 2011.

A depositor shall qualify for the entitlement to the dividend only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 25 August 2011 in respect of transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG YEN HOONG (LS 008016)
Company Secretary

Kuala Lumpur
30 May, 2011

148. NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING CONT'D

NOTES ON APPOINTMENT OF PROXY

- (a) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- (b) To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting Provided That in the event the member(s) duly execute the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
- (c) A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.
- (d) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (e) Where the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- (f) 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.

EXPLANATORY NOTES ON SPECIAL BUSINESS:-

- (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 re-appointment of Tan Sri Razali Bin Ismail and YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, the persons over the age of 70 years as Directors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company shall take effect if these proposed Resolutions 8 and 9 are passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed by proxy, at a general meeting of which not less than 21 day's notice specifying the intention to propose the resolutions has been duly given.
- (iii) The Resolution 10 is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the Issued Share Capital of the Company for such purposes as the Directors consider would be in the interest of the Company.

The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

The Company did not allot and issue any share pursuant to the Mandate granted to the Directors at the Sixteenth Annual General Meeting held on 16 June, 2010 as there was no requirement for such funding raising activities.

STATEMENT ACCOMPANYING NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

(PURSUANT TO RULE 8.29 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR ACE MARKET)

Details of Directors who are standing for re-election under Agenda 3 of the Notice of the Seventeenth Annual General Meeting are set out in page 146 of the 2010 Annual Report and the Profile of Directors on pages 26 to 31 of the 2010 Annual Report.

PROXY FORM

IRIS CORPORATION BERHAD (302232-X)
(INCORPORATED IN MALAYSIA)

| 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, _____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

as my/our proxy to vote for me/us and on my/our behalf, at the Seventeenth Annual General Meeting of the Company to be held on 22 June 2011 at 11.00 a.m. and, at any adjournment thereof for/against * the resolution(s) to be proposed thereat :-

| NO | RESOLUTIONS | FOR | AGAINST |
|----|--|-----|---------|
| | ORDINARY BUSINESS | | |
| 1 | To approve the first and final tax-exempt dividend of 0.45 sen per ordinary share in respect of the financial year ended 31 December 2010. | | |
| 2 | To re-elect the Director, Dato' Tan Say Jim who retires pursuant to Article 86 of the Company's Articles of Association. | | |
| 3 | To re-elect the Director, Eow Kwan Hoong who retires pursuant to Article 86 of the Company's Articles of Association. | | |
| 4 | To re-elect the Director, Datuk Kamaruddin Bin Taib who retires pursuant to Article 86 of the Company's Articles of Association. | | |
| 5 | To re-elect the Director, Rizal Faris Bin Mohideen Abdul Kader who retires pursuant to Article 93 of the Company's Articles of Association. | | |
| 6 | To approve the payment of the Directors' Fees for the financial year ended 31 December 2010. | | |
| 7 | To re-appoint Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| | As SPECIAL BUSINESS | | |
| 8 | To re-elect the Director, Tan Sri Razali Bin Ismail who retires pursuant to Section 129 of the Companies Act, 1965. | | |
| 9 | To re-elect the Director, YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin who retires pursuant to Section 129 of the Companies Act, 1965. | | |
| 10 | Authority to the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. | | |

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. * STRIKE OUT WHICHEVER IS NOT DESIRED.

As witness my/our hand(s) this _____ day of _____ 2011

Signature of Member(s) /Common Seal

NOTES

- (a) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- (b) To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting Provided That in the event the member(s) duly execute the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
- (c) A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.
- (d) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (e) Where the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- (f) 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.

FOLD HERE

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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