

IRIS CORPORATION BERHAD

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

Interim Financial Report for the first quarter ended 31st March 2010

Contents: -	Page
Condensed Consolidated Statement of Comprehensive Income	2-3
Condensed Consolidated Statement of Financial Position	4-5
Condensed Statement of Changes in Equity	6
Condensed Consolidated Cash Flow Statement	7-8
Notes to the Interim Financial Report	9-20

Condensed Consolidated Statement of Comprehensive IncomeFor the first quarter ended 31st March 2010

	Individual		Cumulative	
	3 months ended		3 months ended	
	31 st March	31 st March	31 st March	31 st March
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Revenue	93,939	60,160	93,939	60,160
Cost of sales	(66,285)	(38,494)	(66,285)	(38,494)
Depreciation and amortization	(2,752)	(2,890)	(2,752)	(2,890)
Gross profit	24,902	18,776	24,902	18,776
Other income	(163)	(182)	(163)	(182)
Operating expenses	(9,446)	(9,176)	(9,446)	(9,176)
Other operating expenses	-	-	-	-
Depreciation and amortization	(741)	(777)	(741)	(777)
Interest expenses	(3,353)	(3,655)	(3,353)	(3,655)
Share of profit / (loss) of associated companies	57	11	57	11
Profit before taxation	11,256	4,997	11,256	4,997
Tax expense	(5,448)	(1,998)	(5,448)	(1,998)
Profit for the period	5,808	2,999	5,808	2,999
Other comprehensive income				
Foreign currency translation differences for foreign operations	12	-	12	-
Other comprehensive income for the period	12	-	12	-
Total comprehensive income for the period	5,820	2,999	5,820	2,999
Profit attributable to:				
Owners of the Company	5,805	2,999	5,805	2,999
Minority interest	3	-	3	-
Profit for the period	5,808	2,999	5,808	2,999

Condensed Consolidated Statement of Comprehensive Income

For the first quarter ended 31st March 2010

(continued)

	Individual		Cumulative	
	3 months ended		3 months ended	
	31 st March	31 st March	31 st March	31 st March
	2010	2009	2010	2009
	RM	RM	RM	RM
Total comprehensive income attributable to:				
Owners of the Company	5,817	2,999	5,817	2,999
Minority interest	3	-	3	-
Total comprehensive income for the period	5,820	2,999	5,820	2,999
Earnings per ordinary share attributable to equity holders of the Company:				
Basic (Sen)	0.41	0.21	0.41	0.21
Diluted (Sen)	0.41	0.21	0.41	0.21

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2009 and the accompanying explanatory notes attached to this interim financial statement.

Condensed Consolidated Statement of Financial PositionAs at 31st March 2010

	31 st March 2010 RM'000	31 st December 2009 RM'000
ASSETS		
NON-CURRENT ASSETS		
Concession assets	7,967	7,753
Property, plant and equipment	111,033	112,813
Development Costs	3,074	3,417
Intellectual properties	11,834	12,179
Goodwill on consolidation	133,982	133,982
Investment in associated company	4,743	4,686
Other investments	406	406
	273,039	275,236
CURRENT ASSETS		
Inventories	67,336	64,174
Trade receivables	150,809	139,081
Amount owing by contract customers	4,247	21
Other receivables, deposits & prepayments	18,604	20,419
Amount owing by associates	34,467	21,245
Amount owing by related parties	316	194
Tax refundable	-	1,129
Deposits with licensed banks	10,642	17,044
Cash and cash equivalents	14,342	11,443
	300,763	274,750
TOTAL ASSETS	573,802	549,986
EQUITY AND LIABILITIES		
EQUITY		
Share capital	216,416	216,416
Share premium	35,052	35,052
Foreign exchange translation reserve	(16)	(27)
Revaluation reserve	27,971	27,971
Retained profits	34,767	28,961
Minority Interest	3	-
TOTAL EQUITY	314,193	308,373

Condensed Consolidated Statement of Financial Position

As at 31st March 2010

(continued)

	31st March 2010	31st December 2009
	RM'000	RM'000
NON-CURRENT LIABILITIES		
Hire purchase & lease payables	1,206	1,031
Other payables	2,636	2,636
Term loan	25,378	27,428
Deferred tax liabilities	13,446	13,446
	<u>42,666</u>	<u>44,541</u>
CURRENT LIABILITIES		
Trade payables	37,047	38,657
Amount owing to contract customers	33,982	13,828
Other payables and accruals	27,490	29,806
Amount owing to related parties	212	94
Hire purchase & lease payables	1,254	1,746
Bonds	60,000	68,750
Short-term borrowings	51,045	38,561
Provision for taxation	5,913	5,630
	<u>216,943</u>	<u>197,072</u>
TOTAL LIABILITIES	<u>259,609</u>	<u>241,613</u>
TOTAL EQUITY AND LIABILITIES	<u>573,802</u>	<u>549,986</u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.22</u>	<u>0.22</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2009 and the accompanying explanatory notes attached to this interim financial statement.

Condensed Consolidated Statement of Changes in Equity

For the first quarter ended 31st March 2010

	← Non-Distributable					→ Distributable			
	Share Capital RM'000	ICPS RM'000	Share Premium RM'000	Translation Reserve RM'000	Reserve Relating to Asset Held for sale RM'000	Revaluation Reserve RM'000	Accumulated (Loss)/Profit RM'000	Minority Interest RM'000	Total Equity RM'000
At 1 st January 2009	210,678	5,738	35,052	19	13,724	-	13,075	-	278,286
Conversion of ICPS into ordinary shares	1,500	(1,500)	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	2,999	-	2,999
Currency translation difference	-	-	-	-	-	-	-	-	-
At 31st March 2009	212,178	4,238	35,052	19	-	27,971	16,074	-	281,285
At 1 st January 2010	212,277	4,139	35,052	(27)	-	27,971	28,961	-	308,373
Conversion of ICPS into ordinary shares	50	(50)	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	12	-	-	5,805	3	5,820
Currency translation difference	-	-	-	-	-	-	-	-	-
At 31st March 2010	212,327	4,089	35,052	(15)	-	27,971	34,766	3	314,193

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2009 and the accompanying explanatory notes attached to this interim financial statement.

Condensed Consolidated Cash Flow Statement

For the first quarter ended 31st March 2010

	Cumulative 31 st March 2010 RM'000	Cumulative 31 st March 2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	11,256	4,997
Adjustments for:		
Non-Cash Items	3,501	3,726
Interest expenses	3,353	3,655
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	18,110	12,378
Changes in working capital		
Net changes in current assets	(10,655)	(4,193)
Net changes in current liabilities	(4,975)	(18,769)
NET CASH (USED IN) /GENERATED FROM OPERATIONS	2,481	(10,584)
Interest paid	(2,022)	(3,274)
Tax paid	(4,035)	(800)
NET CASH (USED IN) /GENERATED FROM OPERATING ACTIVITIES	(3,576)	(14,658)
CASH FLOW FROM INVESTING ACTIVITIES		
Intellectual properties	-	-
Development expenditure	-	-
Proceeds from disposal of fixed assets	-	-
Proceeds from withdrawal of fixed deposit pledged	-	-
Purchase of fixed assets	(534)	(556)
Purchase of concession assets	(279)	(554)
Grants	-	-
Investment in associated company	-	-
NET CASH USED IN INVESTING ACTIVITIES	(813)	(1,110)

Condensed Consolidated Cash Flow Statement

For the first quarter ended 31st March 2010
(continued)

	Cumulative 31st March 2010 RM'000	Cumulative 31st March 2009 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	-
Repayment of hire purchase and lease payables	(809)	(1,589)
Repayment of bond	(8,750)	-
Short term borrowings	15,907	(4,476)
Long term borrowings	(5,473)	(1,050)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES	875	(7,115)
Net changes in cash and cash equivalents	(3,515)	(22,883)
Effects of exchange rate changes	12	-
Cash and cash equivalents at beginning of the year	28,487	55,334
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	24,984	32,451

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2009 and the accompanying explanatory notes attached to this interim financial statement.

Notes to the Interim Financial Report

For the first quarter ended 31st March 2010

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31st March 2010 and has been prepared in compliance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market ("AMLR").

The Group has applied the following accounting standards, amendments and interpretations that have been issued by the MASB from the annual period beginning 1 January 2010 except for IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group:

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 July 2009

FRS 8, Operating Segments

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 January 2010

FRS 4, Insurance Contracts

FRS 7, Financial Instruments : Disclosures

FRS 101, Presentation of Financial Statements (revised)

FRS 123, Borrowing Costs (revised)

FRS 139, Financial Instruments : Recognition and Measurement

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards

Amendments to FRS 2, Share-based Payment : Vesting Conditions and Cancellations

Amendments to FRS 7, Financial Instruments : Disclosures

Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 127, Consolidation and Separate Financial Statements : Cost of an Investment in a subsidiary , Jointly Controlled Entity or Associate

Amendments to FRS 132, Financial Instruments : Presentation

- Puttable Financial Instruments and Obligations Arising on Liquidation

- Separation of Compound Instruments

Amendments to FRS 139, Financial Instruments : Recognition and Measurement

- Reclassification of Financial Assets

- Collective Assessment of Impairment for Banking Institutions

Improvements to FRSs (2009)

IC Interpretations 9, Reassessment of Embedded Derivatives

IC Interpretations 10, Interim Financial Reporting and Impairment

IC Interpretations 11, FRS 2, - Group and Treasury Share Transactions

IC Interpretations 13, Customer Loyalty Programmes

1. Basis of preparation (Cont'd)

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 January 2010 (Cont'd)

IC Interpretations 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The Group plans to apply the following accounting standards, amendments and interpretations from the annual period beginning 1 January 2011 except for IC Interpretation 15, IC Interpretation 16 and IC Interpretation 17 which are not applicable to the Group:

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 March 2010

Amendments to FRS 132, Financial Instruments : Presentation – Classification of Rights Issues

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 July 2010

FRS 1, First-time Adoption of Financial Reporting Standards (revised)

FRS3, Business Combinations (revised)

FRS 127, Consolidated and Separate Financial Statements (revised)

Amendments to FRS 2, Share-based Payment

Amendments to FRS 5, Non-current Assets Held For Sale and Discontinued Operations

Amendments to FRS 138, Intangible Assets

IC Interpretation 12, Service Concession Agreements

IC Interpretation 15, Agreements for the Construction of Real Estate

IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17, Distribution of Non-cash Assets to Owners

Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 January 2011

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 7, Financial Instruments : Disclosures – Improving Disclosures about Financial Instruments

The initial application of the above standards (and its consequential amendments) and interpretations, which will be applied prospectively, are not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

2. Audit report of preceding annual financial statement

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

3. Seasonal or cyclical factors

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

4. Segment information

The Group's segment information for the interim financial report to 31st March 2010 was as follows:-

	Digital Identity & Business Solutions RM'000	Others RM'000	Inter- segment Elimination RM'000	Group RM'000
Revenue	93,742	197	-	93,939
Segment results	30,252	(5,350)	-	24,902
Unallocated corporate expenses				(10,187)
Other operating expenses				-
Operating profit				14,715
Other income				(163)
Finance cost				(3,353)
				11,199
Share of profit / (loss) of associated companies				57
Profit before taxation				11,256
Income tax expenses				(5,448)
Profit after taxation				5,808

5. Non Current Assets Held for Sale

There were no non current assets held for sale as at 17th May 2010.

6. Capital Commitments

Authorised and contracted for:-

	RM'000
Purchase of property, plant and equipment	1,455

7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities except for the following:

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

For the financial period from 1st January 2010 to 31st March 2010, a total of 334,000 units of ICPS have been converted into ordinary shares of RM0.15 each.

8. Changes in the composition of the Group

There were no changes in the composition of the Group for the first quarter.

9. Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial period.

10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter, except for the following:-

(a) Conversion of ICPS

As at 17th May 2010, the Company had issued 398,000 ordinary shares of RM0.15 each pursuant to the conversion of ICPS.

11. Items of an unusual nature

There were no items of unusual nature, which affects assets, liabilities, equity, net income or cash flows in the first quarter.

12. Valuations of property, plant and equipment

There were no valuations made on property, plant and equipment for this quarter.

13. Changes in contingent liabilities and contingent assets

(a) Contingent Liabilities

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

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

IRIS CORPORATION BERHAD (302232-X)

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

- (a) that PJT shall ensure that the Amount be remitted into a project account in Thailand, where ICB and PJT are both joint signatories, as partners in the Project;
- (b) that the Amount shall be applied strictly towards the Project; and
- (c) that PJT has received confirmation and approval for a loan to be applied towards the Project from the Government Savings Bank of Thailand.

(b) Contingent Assets

On 12th July 2006, ICB entered into a Sales and Purchase Agreement with Enve Hitech Farming Solutions Sdn Bhd (“ENVE”) to purchase Capillary Agrotech (Malaysia) Sdn Bhd (“CA”) to which ENVE would guarantee ICB a profit before taxation of RM6 million before 30th 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 4th March 2008, ICB had agreed to an extension of eighteen (18) months by ENVE to fulfill the profit guarantee.

On 30th November 2009, ICB had 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 30th 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 Sales and Purchase Agreement between ICB and ENVE.

IRIS CORPORATION BERHAD (302232-X)

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

14. Taxation

	31st March 2010 RM'000	31st March 2009 RM'000
Deferred tax for current financial year	-	-
Current tax for current financial year	5,448	1,998
Under provision in previous financial year	-	-
	<u>5,448</u>	<u>1,998</u>

The Group's effective tax rate is higher than the statutory tax rate of 25% mainly due losses in subsidiaries which were not available for tax relief at Group and non-deductibility of certain operating expenses for tax purposes.

15. Related Party Transactions

	31st March 2010 RM'000
1. MCS Microsystems Sdn Bhd	
- Purchases	1
- Rental received	20
2. Versatile Paper Boxes Sdn Bhd	
- Purchases	-

Additional information required by the AMLR

16.1 Review of Performance

For the current financial quarter ended 31st March 2010, the Group recorded revenue of RM93.9 million and profit before taxation of RM11.3 million from RM60.1 million and RM5.0 million, which is 56% and 125.2% higher respectively when compared to the previous comparable financial quarter ended 31st March 2009.

The main contributions to the Group's performance for the current financial quarter came from its ongoing projects, namely MyKad Project, Malaysia e-Passport Project, Senegal e-Passport Project, Nigeria e-Passport Project and the provision of smart terminals and solutions to financial institutions.

16.2 Comparison with Preceding Quarter

For the current financial quarter ended 31st March 2010, the Group recorded revenue of RM93.9 million from RM132.6 million, which is 29.1% lower when compared to the preceding financial quarter ended 31st December 2009. The decrease was mainly due to the completion of waste-to-energy plant in Thailand and the billing of Egypt CSO project in the preceding quarter.

Whilst the current financial quarter recorded lower revenue, profit before taxation increased to RM11.3 million from RM9.5 million recorded in the preceding financial quarter ended 31st December 2009. This increase was mainly attributable to high project margin from the digital identity division in the current financial quarter.

17. Prospects

For the financial year 2010, the Group's revenue is expected to be contributed mainly from the core business of digital identity solutions. Local revenue will be sustained by the sale of passport inlays, MyKad as well as project sales. Overseas revenue will be driven by the sales of digital identity solutions to Nigeria, Senegal and Bangladesh.

In view of the on-going contracts, the Group is optimistic that its performance will be satisfactory for the financial year ending 31st December 2010.

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

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

IRIS CORPORATION BERHAD (302232-X)

19. Unquoted Securities

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

20. Quoted Securities

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

21. Other Investments

Other investments represent deposits paid in respect of:

	31st March 2010 RM'000
Investment in XID Technologies Pte Ltd	2,378
Golf Club Membership	406
(Less) Provision for diminution in value	<u>(2,378)</u>
	<u>406</u>

XID Technologies Pte Ltd is an unquoted Singapore company.

22. Status of Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at 17th May 2010, being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report:-

(a) Proposed disposal and leaseback of two plots of leasehold land located within Technology Park Malaysia, Kuala Lumpur and a four (4) and a half storey office and manufacturing building to Mapletree Industrial Fund Ltd (“Mapletree”) (“Proposed Disposal and Leaseback”)

IRIS Technologies (M) Sdn Bhd (“IRIS Tech”), a wholly-owned subsidiary of ICB, had on 11th July 2007 accepted a Conditional Letter of Offer issued by Mapletree dated 9th July 2007 for the proposed disposal and leaseback of two plots of leasehold land and a four (4) and a half storey office and manufacturing building bearing the postal address Lot 8 & 9, IRIS Smart Technology Complex, Technology Park Malaysia, Bukit Jalil, 57000 Kuala Lumpur with an estimated land area of approximately 188,179 sq ft to Mapletree for a consideration of RM91.5 million.

On 16th April 2010, both IRIS Tech and Mapletree Industrial Fund Ltd have mutually agreed to terminate the Conditional Letter of Offer in relation to the Proposed Disposal and Leaseback as the terms of the Sale and Purchase Agreement could not be concluded within the agreed negotiation period.

IRIS CORPORATION BERHAD (302232-X)

(b) Proposed renounceable rights issue of up to 223,408,274 new six (6)-year warrants

On 19th January 2010, the Company had proposed a renounceable rights issue of up to 223,408,274 new six (6)-year warrants ("New Warrants") on the basis of three (3) New Warrants for every twenty (20) existing ordinary shares of RM0.15 each in IRIS ("Shares" or "IRIS Shares") held at an indicative issue price of RM0.05 per New Warrant ("Proposed Warrants Issue"). In this respect, the circular to shareholders of IRIS and the Notice of Extraordinary General Meeting ("EGM") has been dispatched on 12 February 2010. The EGM has been proposed to be held on 3 March 2010.

On 12th February 2010, an application has been submitted to Bank Negara Malaysia for their approval on the issuance of the New Warrants to non-resident shareholders of the Company pursuant to the Proposed Warrants Issue and any additional New Warrants to be issued from time to time arising from any adjustments made pursuant to the provisions of the deed poll governing the New Warrants to be executed by the Company. In addition, on the same day, the listing application has also been submitted to Bursa Securities for the admission of the New Warrants to the Official List and the listing of and quotation for the New Warrants and the new IRIS shares to be issued upon exercise of the New Warrants on the ACE Market of Bursa Securities

On 27th April 2010, the 212,326,987 New Warrants 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 Company raised RM10.6 million from the Warrants Issue. The utilisation of the proceeds of the Warrants issue as at 17th May 2010 has yet to be utilised. The purpose of utilisation will be for the repayment of borrowing and working capital.

23. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions as at the end of the current quarter are:

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
Secured	111,045	25,378	136,423
Unsecured	-	-	-
Total	111,045	25,378	136,423

24. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 17th May 2010 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

25. Material Litigation

Save for the outstanding material litigations as disclosed below, there are no other material litigations involving the Group as at 17th May 2010:

- (a) On 29th 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 30th 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 able to use IRIS’ intellectual property for free, as part of their commercial operations. The Solicitors further informed that in any event, it does not appear that this case will be heard within the next year or two, as the Federal Circuit in Washington proceedings are dependent upon the outcome of the Japanese bankruptcy proceedings. Until these

proceedings are complete there is nothing for IRIS to do with respect to the JAL litigation.

- (b) IRIS Technologies (M) Sdn Bhd (“**ITSB**”), a wholly owned subsidiary of IRIS, and its joint venture Turkish partner Kunt Elektronik San.Ve Tic. A.S (“**KUNT**”) (“**JV**

IRIS CORPORATION BERHAD (302232-X)

Company”) had on 17th September 2009 received a Letter of Termination dated 14th 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 18th 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 2007.

On 24th 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 5th 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. The second hearing was held on 23 March 2010. During the second hearing, 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. This matter is now fixed for hearing on 10 June 2010.

Messrs Sen & Arpacı 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 & Arpacı is also of the view that the counter claim filed by EGM is likely to be rejected by the Ankara Court.

26. Dividend

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

27. Earnings Per Share

	Individual quarter ended	
	31st March 2010	31st March 2009
(a) Basic earnings per share		
Profit attributable to equity holders of the Company for the period (RM'000)	5,805	2,999
Weighted average number of ordinary shares ('000)	1,415,185	1,404,530
Basic earnings per share (Sen)	0.62	0.21
(b) Diluted earnings per share		
Profit attributable to equity holders of the Company for the period (RM'000)	5,805	2,999
Adjustment for after tax effects of interest on ICPS (RM'000)	-	-
Adjusted net profit for the period (RM'000)	5,805	2,999
Weighted average number of ordinary shares ('000)	1,415,185	1,404,530
Adjustment for assumed conversion of ICPS ('000)	-	-
Adjustment for assumed exercise of Warrants ('000)	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	1,415,185	1,404,530
Diluted earnings per share (Sen)	0.41	0.21