

3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 18 June 2002.

Approval has been obtained from the KLSE and SC for the proposed listing of ICB on 21 June 2001 and 15 June 2001 respectively, for admission to the Official List of MESDAQ Market and for permission to deal in and for quotation of the entire issued and paid-up share capital of ICB including the Issue Shares which are the subject of this Prospectus.

The KLSE's approval dated 21 June 2001 is subject to the following conditions:-

- i) ICB to seek KLSE's approval on the appointment of its independent directors;
- ii) Any proposed further increase of stakes in IRISTech apart from those mentioned in Section 6.3 must obtain ICB's shareholders' prior approval; and
- iii) ICB to inform KLSE of the issue price and the proposed final utilisation of public issue proceeds prior to the issuance of the Prospectus.

The SC's approval dated 15 June 2001 is subject to, amongst others, the following conditions:-

- i) The status on the utilization of proceeds from the public issue must be disclosed in ICB's quarterly and annual report until the said proceeds is fully utilised;
- ii) ICB must make an application for the waiver from its obligation to extend a mandatory general offer on the remaining voting shares of IRISTech pursuant to the Malaysian Code On Take-Overs and Mergers, 1998. The approval of the SC was obtained on 11 October 2001; and
- iii) ICB is required to disclose in full the following information in the Prospectus:-
 - a. Risks associated with the dependence of ICB on IRISTech and on the two projects awarded to IRISTech i.e. the MEP and the GMPC projects. Refer to Section 4.24 on "Dependence on IRISTech".
 - b. The potential conflict of interest between Arab-Malaysian, as adviser, and ICB arising from a loan extended by Arab-Malaysian to ICB. Refer to Section 12, "Advisers' Declaration of Interest".
 - c. Information relating to the disposal of 30% equity interest in IRISTech to TSR by ICB in 1999 including the sale consideration, the rationale for the re-purchase of the 30% equity interest in IRISTech from TSR and the purchase consideration of RM1.24 per share for the said re-purchase. Refer to Section 6.3 "Restructuring and Listing Scheme".
 - d. Details of and time period for the utilisation of the Public Issue proceeds including the amount to be utilised for the subscription of IRISTech's proposed rights issue Refer to Section 3.5 "Utilisation of Proceeds".
 - e. Terms and conditions of the RCPS of IRISTech held by NJI, the intention of NJI not to convert the RCPS into ICB Shares as stated in its letter dated 4 April 2000 as well as the implication on ICB's equity interest in IRISTech in the event that NJI convert the RCPS into ordinary shares of IRISTech. Refer to Section 16.4.5(b).

ICB has fully complied/will comply with the conditions mentioned above. The SC and KLSE had vide their letters dated 14 January 2002 approved the Company's application for an extension of time to 15 June 2002 to complete the implementation of the Listing exercise. Further to the above, the KLSE had vide their letter dated 12 June 2002 approved the Company's application for an extension of time to 15 August 2002 to complete the implementation of the listing exercise.

3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE (*CONT'D*)

On 23 May 2002 and 13 May 2002, the KLSE and SC, respectively approved ICB's proposal to revise the listing proposals from the issue of 31,700,000 ordinary shares of RM1.00 each at RM2.00 per Share to the issue of 211,333,333 ordinary shares of RM0.15 each at an issue price of RM0.30. The SC's approval dated 13 May 2002 is subject to the same conditions of its approval dated 15 June 2001 mentioned above. The KLSE's approval dated 23 May 2002 is subject to the following conditions:-

- i) ICB to inform the Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") of the revision; and
- ii) ICB to include a negative statement in its prospectus on the exclusion of profit forecast and projections from the prospectus and reasons thereof.

The Listing proposal is not subject to the approvals of FIC and MITI by virtue of ICB a MSC status company. However, the Company has informed the FIC and MITI of the revision. Please refer to Section 3.7 – Future Financials for the exclusion of information on future financials in this Prospectus.

The entire issued and paid-up share capital of ICB will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. KLSE and SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary or associated companies or of its ordinary shares.

Under KLSE's trading rules, effective from the date of listing, trading in all KLSE listed securities can only be executed through an ADA who is also a KLSE Member.

A copy of this Prospectus has been lodged with the Companies Commission of Malaysia (formerly known as Registrar of Companies, Malaysia) and registered with the SC who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of MCD.

An applicant for the Issue Shares should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The written consents of the Adviser, Sponsor, Managing Underwriter, Underwriter, Lead Placement Agent, Joint Placement Agents, Auditors, Solicitors, Principal Bankers, Registrars, Company Secretaries, Issuing House and Frost & Sullivan to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report and their letter relating to the Proforma Consolidated Balance Sheet in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by ICB. Neither the delivery of this Prospectus or any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the ICB since the date hereof.

The distribution of this Prospectus and the sale of the Issue Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform

3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE (CONT'D)

themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

Acceptance of applications will be conditional upon permission being granted to deal in, and quotation for all of the Issue Shares. Monies paid in respect of any application accepted will be returned if the said permission is not granted.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.2 Purpose of the Public Issue

The purpose of the Public Issue are as follows:-

- a) To raise funds for the ICB Group's financial restructuring, continued operation and expansion, details of which are elaborated in Section 3.5 below;
- b) To obtain the listing of and quotation for the entire issued and paid-up capital of ICB on MLSDAQ Market, which is expected to enhance the business, profile and future prospects of the ICB Group; and
- c) To enable the Company to have access to the capital market for its future expansion and growth.

3.3 Particulars of the Issue

	RM
<i>Issued and fully paid-up share capital:</i>	
622,000,000 ordinary shares of RM0.15 each	93,300,000
<i>To be offered pursuant to the Public Issue:</i>	
211,333,333 ordinary shares of RM0.15 each	31,700,000
Enlarged Share Capital	<u>125,000,000</u>

There is only one (1) class of shares in the Company, namely ordinary shares of RM0.15 each. The Issue Shares rank *pari passu* in all respects with the existing issued Shares of the Company, including voting rights and rights to all dividends or distributions that may be declared subsequent to the date of the allotment thereof.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, such surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary shares held. A proxy may but need not be a member of the Company.

The Issue of a total of 211,333,333 Shares at an Issue price of RM0.30 per Share shall be subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated in the following manner:-

3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE (CONT'D)

- a) 4,000,000 Issue Shares will be made available for application under the public offer;
- b) 3,000,000 Issue Shares will be made available for application by the employees of the Group; and
- c) 204,333,333 of the Issue Shares will be made available for application under the private placement.

The basis of allocation to be determined shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the Shares. To ensure compliance with Clause 2.9 of the MESDAQ Market Listing Rules, the final allocation to any single applicant shall not breach 5% or more of the enlarged share capital of the Company upon Listing, regardless of the amount of Shares applied for. Applicants will be selected in a manner to be determined by the Directors of ICB.

The Issue Shares have been fully underwritten by the Underwriter listed in Section 1. In the event of an under-subscription of the public offer, Shares may be transferred from the public offer tranche and allocated by way of private placement, and vice versa.

In the event of an overall under-subscription of the Issue, all the Issue Shares not applied for will be made available for subscription by the Underwriter based on the underwriting agreement dated 22 May 2002 ("Underwriting Agreement"). There is no minimum level of subscription for this Public Issue.

Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may by notice in writing to the Company given at any time before closing of the Issue, terminate and cancel and withdraw its commitment to underwrite the Issue Shares if:-

- a) there is any material breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, or by closing of the Issue, whichever is earlier, or withholding of information of a material nature from the Underwriter, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or
- b) there is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the issue, or the distribution or sale of the Issue Shares; or
- c) there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Group; or
- d) there shall have occurred, happened or come into effect any of the following circumstances:-
 - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion,

3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE (CONT'D)

sabotage, acts of war or accidents);

which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms pursuant to the underwriting thereof.

Upon such notice(s) being given, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, except that the Company shall remain liable in respect of any of its obligations and liabilities for the payment of the costs and expenses already incurred up to the date on which such notice was given and for the payment of any taxes, duties or levies.

3.4 Pricing of the Issue

Prior to the offering, there has been no public market for the Shares of ICB. The Issue Price of RM0.30 per Share was agreed between the Company and the Managing Underwriter. Among the factors considered in determining the Issue Price, in addition to prevailing market conditions, were the demand from institutional and individual investors, the ICB Group's technology enhancement, contracts in hand, estimates of business growth potential and revenue prospects for the Group, an assessment of the Group's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

3.5 Utilisation of Proceeds

The Company expects the gross proceeds of the Public Issue to amount to approximately RM63.4 million. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for the entire issued and paid-up share capital on MESDAQ Market.

The proceeds from the Public Issue of RM63.4 million are proposed to be utilised for :

Purpose	Note	RM'000
Repayment of bank borrowings	(i)	23,000
Rights issue in IRISTech	(ii)	18,000
Working capital	(iii)	17,400
Listing expenses		5,000
TOTAL		63,400

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3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE (CONT'D)

Note (i)

The Directors propose to repay the following bank borrowings without any preferential treatment, subject to their individual rates of interest and repayment terms. Details of ICB's bank borrowings as at 6 June 2002 are as follows:-

Lender	Type of Facility	Purpose	Amount (RM)
Sime Bank Berhad/Danaharta	Overdraft	Working capital	2,802,400
EON Bank Berhad	Overdraft	Working capital	1,800,550
Pacific Credit & Leasing Sdn Bhd	Short Term Loan	To finance the acquisition of IRISTech	17,721,500
AmMerchant Bank Berhad	Short Term Loan	Working capital/ refinance existing loan	5,726,500
Affin Bank Berhad	Letter of Credit/ Bankers Acceptance	Import/ local purchase of raw materials	4,709,800
Total			32,760,750

Note (ii)

The Board of Directors of IRISTech has proposed and approved a rights issue on the basis of four (4) new ordinary shares of RM1.00 each for seven (7) existing ordinary shares of RM1.00 each held at an issue price of RM1.00 each, details of which have not been finalised. Based on ICB's current shareholding in IRISTech, ICB's share of the rights issue would amount to RM18.9 million as IRISTech's issued and paid-up share capital currently amounts to RM67 million.

Note (iii)

Mainly for tendering of projects including the design and production of prototypes, research and development and funding of ongoing projects.

The abovementioned proceeds of RM63.4 million will be utilised within 12 months from the listing date. ICB is expected to enjoy interest savings as a result of the repayment of a large portion of its borrowings. Interest savings from this repayment is estimated to be RM2.5 million per annum. The Directors are of the opinion that, barring unforeseen circumstances after taking into account the cashflow forecast, projections, banking facilities available and funds to be raised from the Public Issue, the Group will have adequate working capital for its foreseeable requirements.

3.6 Brokerage, Underwriting and Listing Expenses

A management fee is payable by the Company in respect of all the Issue Shares at the rate of 1.5%. An underwriting commission is payable by the Company in respect of the Issue Shares available for application at the rate of 2.5%.

3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE (CONT'D)

Listing expenses are estimated at approximately RM5 million, with the following estimated breakdown:

	RM'000
Professional fees	1,000,000
Fees of the Authorities	40,000
Management Fee	951,000
Underwriting/ Placement fee	1,585,000
Printing and advertising fees	300,000
Miscellaneous	1,124,000
Total	5,000,000

3.7 Future Financials

No future financials are included in this Prospectus as it is difficult to forecast due to the uncertain nature and inherent risks of the business of the ICB Group. Please refer to "Section 4 – Risk Factors" for further details, particularly on "Section 4.1 – Significant and Continuing Losses; Accumulated Deficit", "Section 4.9 – Risk Associated with the Nature of Contract", "Section 4.10 – Dependence on Government Contracts", "Section 4.16 – Uncertainty of Proposed 5-Year Business Development Plan" and "Section 4.18 – Long Product Development Cycle".

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4. RISK FACTORS

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the ordinary shares offered by this Prospectus. The discussion in this Prospectus contains certain forward-looking statements that involve risks and uncertainties. Prospective investors are cautioned that such statements are only predictions and that actual results or events when materialised may differ materially from those disclosed in this Prospectus.

Factors that could cause or contribute to such differences include, but are not limited to those discussed in Section 4 "Risk Factors," Section 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Section 7 "Business Overview", as well as those discussed elsewhere in this Prospectus.

4.1 Significant and Continuing Losses; Accumulated Deficit

There can be no assurance that the Group's operations will generate meaningful revenue which would be required to fund operations or allow it to become profitable, save for royalties generated on the revenues earned by IRISTech from the MEP and the GMPC projects. The MEP project has three (3) components, namely, the hardware and software supply agreement and the substrate supply agreement. As at the date of this Prospectus, only the hardware and software agreements have been finalised. ICB equity accounts for its share of revenue generated from IRISTech's manufacturing operations and earns a royalty payment from the passport substrates and MyKad by IRISTech.

An ICB Group company, IITS had on 13 March 1998 entered into an agreement with the Malaysian Government for the implementation of I.R.I.S for the authentication of Malaysian Passports issued by JIM. Under the agreement, IITS agrees to supply, install and commission I.R.I.S and supply the related hardware and software. IITS also agrees and undertakes to supply silicon substrates to PKN, the current supplier of Malaysian passport to JIM. IITS does not have any formal agreement with PKN.

Further to the above, the Group has incurred significant losses in each period since its inception resulting in an accumulated deficit at 31 December 2001 of RM20.91 million (including an exchange loss of RM1.61 million) and the operations are incurring losses as at the date of this Prospectus. In as much as the Group will continue to have a high level of operating expenses and will be required to make significant up-front expenditures in connection with both the development of its business and the commercialisation of its smart card based security solutions (including, without limitation, salaries of executive, technical, marketing and other personnel), the Group anticipates that it will continue to incur significant losses for the foreseeable future until such time as the Group is able to generate sufficient revenues to finance its operations. There can be no assurance that the Group's smart card based security solutions will gain market acceptance, or that the Group will be able to successfully implement its business strategy, generate meaningful revenues or achieve profitable operations.

Nevertheless the Group is actively marketing its products to various markets such as Ireland, Indonesia, United Arab Emirates, Iran, Saudi Arabia, Kuwait, Australia and New Zealand that have a need for smart card based security solutions. The huge losses incurred in the past are mainly attributable to the high cost of capital, amortisation of deferred expenditure and R & D expenses suffered by the Group which were inevitable as the operations of the Group which require substantial capital outlays that need to be funded. Further to the above, the Group's output of the MEP and MyKad is growing which will eventually result in economies of scale in production cost. Apart from the above, the Group is also undertaking research in lowering its cost of production.

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4. RISK FACTORS (CONT'D)

4.2 Changes in Technology

The smart card market is subject to rapid technological change and intense competition. There can be no assurance that the Group will be able to keep pace with this change. The Group's products could be subject to technological obsolescence and there can be no assurance that the Group will be able to adapt to rapidly changing technology. If the Group is unable for technological or other reasons to develop products and solutions on a timely basis in response to technological changes, or if the Group's products or product enhancements do not achieve sufficient market acceptance, the Group's business would be materially and adversely affected. The Group nevertheless does conduct in house research and development to ensure continuous product development.

4.3 Limited Sources of Supply

The Group does not have formal agreements with vendors for the supply of components on a continuing basis. For example, the Atmel Sarl 32K chip used in the manufacture of the Mykad, CIF 1 wafers and OKI 034 wafers, used in the MEP are sourced based on purchase orders issued on a periodical basis. Should production requirements increase, the need for additional components will increase. Should a key supplier be unwilling or unable to supply any such components in a timely manner, the Group would be materially and adversely affected. The Group may obtain multiple sources of supply for most of its components, but the terms of supply for these components may vary.

Notwithstanding the above, the Group believes that it has established good working relationships with its suppliers and even in the instance that terms of supply are to be re-negotiated, equitable solutions will be agreed upon. Further to the above, as the Group grows in size, the volume of its purchases will invariably give it clout in discussions with its suppliers.

4.4 Need for Additional Funds

The Group expects that, subsequent to this offering, it may need to raise substantial additional capital to fund the ongoing development and expansion of its business, including its research, development, marketing and sales efforts and attain profitability, the amount of which cannot be quantified at this juncture. As at 6 June 2002, the Group has borrowings amounting to RM32.8 million, all of which are interest bearing and procured locally. There is no assurance that any additional funds needed will be available to the Group on favorable terms, or at all. Although based on assumptions that the Group considers reasonable, there is also no assurance that the Group's estimate of its anticipated liquidity needs is accurate or that new business developments or other unforeseen events will not occur, resulting in the need to raise additional funds. In addition, it is probable that raising additional funds via equity issues will result in a substantial additional dilution and reduction in returns, if any, to investors.

The Directors of ICB believe that, upon the listing of the Company on the MESDAQ Market, the Company would have the option of tapping the debt capital market or further raising equity capital, if required. As such, they believe that there would be further funding options upon its successful listing on the MESDAQ Market to meet its requirements.

4.5 Competition

The Group is engaged in a rapidly evolving field. Competition from other companies is intense and expected to increase. The Group competes with numerous well established companies including Gemplus (France), Bull SC & T (France), SchlumbergerSema (France) and Giesecke & Devrient (Germany) which have substantially greater resources, research and development staff, sales and marketing staff, and facilities than the Group does. In addition, other recently developed technologies are, or may in the future be, the basis of competitive products. There can be no assurance that the Group's competitors will not develop technologies and products that are more effective than those being developed by the Group or that would render the Group's technology and products obsolete or non-competitive or that the Group will be able to successfully enhance its products or develop new products when necessary. Regardless, being a Malaysian company currently offering solutions of comparable quality with foreign players, the Group is confident that it would be in a position to offer local and regional customers tangible benefits. Further to the above, the Group believes its heavy investment in R & D give it the ability to compete in the global market place as well.

4. RISK FACTORS (CONT'D)

4.6 Dependence on Key Personnel

The Group's operations are materially dependent upon the services of its financial adviser, Tan Say Jim, the inventor of I.R.I.S technology and the ICOS and its underlying components, Yap Hock Eng and the chief consultant to the technology transfer, Lee Kwee Hiang. The loss of the services of any of these individuals would materially and adversely affect the Group's business. The Group has no service agreements with these individuals. There can be no assurance that the Group will retain the three individuals in its employment, or that it will successfully attract and retain additional or replacement personnel with the requisite experience and capabilities to enable the Group to profitably and effectively evaluate, develop, and market the Group's product line. The Group does not currently maintain any key man insurance on any of its officers. However, Tan Say Jim, Lee Kwee Hiang and Yap Hock Eng are also promoters, directors and shareholders of ICB and as such can be seen as having a long term view on their investment and participation in the Group. As promoters of the Group, part of their shareholdings in ICB are subject to the MESDAQ Market moratorium requirement detailed in Section 10.3.

4.7 Management of Growth

The Group hopes to significantly expand its business, especially in the area of research and development on biometrics verification application (the science of measuring physical characteristics unique to an individual, such as fingerprint, voice pattern, eye pattern, or facial pattern, in order to identify that individual), in part with the proceeds of this offering. Such anticipated expansion will likely place further demand on the Group's existing management and operations. The Group's future growth and profitability will depend, in part, on its ability to successfully manage a growing sales force and implement management and operating systems which react efficiently and timely to short and long-term trends or changes in its business. There can be no assurance that the Group will be able to effectively manage any expansion of its business.

4.8 Arbitrary Offering Price; No Prior Public Market for Shares; Possible Volatility of Share Price

The price to the Issue Shares in this offering has been determined by agreement between the Company and the Underwriter. Such offering price should not be considered an indication of the actual value of the Company, as it bears no relationship to the Company's assets, book value, earnings, net worth or other financial statement criteria of value. There is presently no market, private or public, for the Company's securities and there can be no assurance that a trading market will develop, or if developed, that it will be maintained. The MESDAQ Market, the newly established exchange, on which the Company's shares will be listed on, does not have a long record of listings. Therefore there is no assurance that the MESDAQ Market is able to provide an active and successful trading environment for the Company's shares. There is also no assurance that the purchasers will be able to resell the Company's shares at the offering price or at any price. Following this offering, the market price for the ordinary shares may be highly volatile, and may therefore decrease significantly, depending on a number of factors including, but not limited to, operating results and competitive forces, market acceptance of the Group's products as well as the ongoing development of the Group. Due to the recent economic turmoil in the Asian region, the local bourse has experienced extreme price and volume fluctuations that have particularly affected the market price of many companies for reasons unrelated to the operating performance of or announcements by the companies and these broad market fluctuations and general market conditions may adversely affect the market price of the Company's ordinary shares, including the Shares offered hereby.

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4. RISK FACTORS (CONT'D)

4.9 Risk Associated with the Nature of Contract

Most of the Group's non-government contracts such as sales of readers are short-term in duration. As a result, the Group must continually replace its contracts with new contracts to sustain its revenue. Contracts may be terminated for a variety of reasons, including termination of product development, failure of products to satisfy safety requirements, unexpected or undesired results from use of the product or the client's decision to forego a particular project. On the other hand, the terms and conditions of the Group's long-term contracts, the MEP and the GMPC Projects, may be varied by the government as provided for by the contracts. The failure to obtain new contracts or the cancellation or delay of existing contracts could have a material adverse effect on the Group's business and results of operations. Nevertheless, it is anticipated that the Group's continuous R & D effort and active marketing of new products will give it a wider and diversified customer base.

4.10 Dependence on Government Contracts

As part of its strategy, the Group intends to market its smart card based security solutions to government agencies in Malaysia and if possible to local and federal Governments overseas. So far, the Group has been successful in securing the MEP and the GMPC projects in Malaysia. The Group may be exposed to special risks inherent in Government contracts, including delays in funding, lengthy review processes for awarding contracts, non-renewal, delay, termination at the convenience of the government, reduction or modification of contracts in the event of changes in the government's policies or as a result of budgetary constraints and increased or unexpected costs resulting in losses, any or all of which could have a material adverse effect on the Group. Because the Group will be required to go through the competitive bidding process, there can be no assurance that the Group will be successful in having its bids accepted. The competitive bidding process is typically lengthy and often results in the expenditure of financial and other resources in connection with bids that are not accepted. Additionally, inherent in the competitive bidding process is the risk that actual performance costs may exceed projected costs upon which a submitted bid or contract price is based. To the extent that actual costs exceed projected costs, the Group would incur losses, which would adversely affect the Group's operating margins and results of operations. Moreover, in most instances, the Group would be required to post bids and/or performance bonds in connection with contracts with government agencies. Any inability by the Group to obtain coverage in sufficient amounts could have a material adverse effect on the Group.

Nevertheless, the Group is also developing products that are targeted for sale to private organisations. Examples of these are the telecommunication cards, security access systems and personal identification cards. With the diversification of its product range, ICB believes that the risks associated with its dependence on government contracts will subside.

4.11 Technology

Biometrics verification is an important component in security applications offered by the Group. At present, the electronic facial and fingerprint verification technology, targeted for use in the IIPBSS and in the Group's other product offerings, are licensed from its original proprietary owners. The ICOS which the Group claims to be proprietary has yet to attain registered patent status. The I.R.I.S. technology is also subjected to trading restrictions in the United Kingdom, United Arab Emirates and Egypt as stipulated in the Technology Transfer Agreement between the Company and MCS. Accordingly, the Group does not exclusively own all the technology incorporated in its products nor does it have complete rights to exploit the technology in all markets. The success of the Group will therefore depend on its ability to exploit each different technology in the market areas stipulated in the respective agreements. If the Group fails to perform its obligations under the respective licensing agreements, or if it fails to get an extension for the licenses upon expiry, it could lose a critical portion of the technology necessary for the commercialisation of its products. While the Group believes it may be able to utilise other currently available software on biometrics verification or develop such software with its own internal resources, there can be no assurance that such other software will be available to the Group on favorable terms, or if at all that the Group will have the technical ability to develop its own software, or that such software will ultimately serve as an adequate substitute for the Group's product offering.

4. RISK FACTORS (CONT'D)

4.12 Intellectual Property Rights

The Group's success will depend on its ability to obtain patents, protect trade secrets and operate without infringing on the property rights of others. To date the Group has made 7 patent applications to the US Patent and Copyright Office in Washington, D.C., USA, three (3) of which have been approved to-date. One (1) patent application was made to and approved by the South Africa Patent Office. ICB has also made one (1) patent application to the EU Patent Office, the approval of which is still pending to-date. These patents cover the ICOS, proprietary techniques and applications commercialised by the Group. Although the Group believes its patent application contains patentable claims, there can be no assurance the remaining patent applications will be issued. The Group has not filed any patent application in Malaysia. There may be other companies independently developing equivalent or superior technologies or products and may obtain patent or similar rights with respect to them. The Group is not aware of any infringement by its technology on the proprietary rights of others and has not received any notice of claimed infringement. However, the Group has not conducted any investigation as to possible infringement and there can be no assurance that third parties will not assert infringement claims against the Group in connection with its products, that any such assertion of infringement will not result in litigation, or that the Group would prevail in such litigation. Moreover, in the event that the Group's technology or proposed products were deemed to infringe upon the rights of others, the Group would be required to obtain licenses to utilise such technology. There can be no assurance that the Group would be able to obtain such licenses in a timely manner on acceptable terms and conditions, and the failure to do so could have a material adverse effect on the Group. If the Group was unable to obtain such licenses, it could encounter significant delays in product market introductions while it attempted to design around the infringed upon patents or rights, or could find the development, manufacture or sale of products requiring such licenses to be foreclosed. In addition, patent disputes are common in the smart card and computer industries and there can be no assurance that the Group will have the financial resources to enforce or defend a patent infringement or proprietary rights action. The Group also relies on trade secrets and proprietary know-how to protect the concepts, ideas and documentation relating to its proprietary technology. However, such methods may not afford the Group complete protection and there can be no assurance that others will not independently obtain access to the Group's trade secrets and know-how or independently develop products or technologies similar to those of the Group. Furthermore, although the Group has confidentiality and non-competition agreements with its employees, there can be no assurance that such arrangements will adequately protect the Group's trade secrets. See Section 7.5 "Business Overview - Intellectual Property."

4.13 No Protective Laws

There are no protectionism policies for the emerging smart card based security solution business in Malaysia. With the MSC project, foreign-owned companies are allowed to set up smart card operations in Malaysia, which may pose a direct threat to the Group especially if established foreign competitors decide to participate in such projects. The absence of legislation to encourage the use of Malaysian-made smart cards or smart card based security solutions when there may be no disparity in product quality may curtail the growth of the Group. It is uncertain whether the Group will be able to overcome such competition in the future in the absence of direct government intervention to protect locally incorporated smart card companies. Notwithstanding the above, management of the Group are confident that the Group's technological know-how, R & D ability and cost advantage place it in a good position in view of the anticipated competition.

4.14 Product Performance

The Group's research and development efforts are subject to all of the risks inherent in the development of new products and technology (including unanticipated delays, expenses and difficulties). There can be no assurance that the Group's products will satisfactorily perform the functions for which they are designed, that they will meet applicable price or performance objectives or that unanticipated technical or other problems will not occur which would result in increased costs or material delays in the development thereof. Furthermore, software products as complex as those developed by the Group and incorporated into its smart card products may contain errors or failures when installed, updated or enhanced. There can be no assurance that, despite testing by the Group and by current and potential end users, errors will not be found in new products after the delivery by the Group, resulting in loss of or delay in market acceptance. See Section 7.3 - "Products" and Section 7.4 - "Core Technology - Image Retrieval Identification System".

4. RISK FACTORS (CONT'D)

4.15 Dependence on Third-Party Marketing Arrangements

The Group has limited marketing resources. To date, the Group has conducted only limited marketing activities and has relied primarily on the efforts of its Directors Lee Kwee Hiang, Yap Hock Eng and Tan Say Jim for such activities. In time to come the Group believes that it has to establish strategic marketing alliances and licensing or other arrangements with systems integrators, value-added resellers and other smart card vendors, if it wants to stay ahead of the competition as the Group's main priority should be product development rather than marketing. Moreover, the Group has limited relevant expertise or resources to carry-out thorough and effective marketing exercises. The Group's success in future will depend in part on its ability to enter into agreements with such third parties, and on the ability and efforts of such third parties to successfully market the Group's products. The failure of the Group to complete its third-party marketing strategy or the failure of any such party to develop and sustain a market for the Group's smart cards and other products could have a material adverse effect on the Group. Although the Group views third-party marketing arrangements as a major factor in the commercialization of its smart card systems, there can be no assurance that any strategic partners, licensees or others would view an arrangement with the Group as significant to their businesses. Regardless of the above, in light of the strategic alliances established, the Group has obtained a foothold in the Australian and New Zealand markets through Intercard. Together with ICB, which is overseeing marketing efforts in the Asia Pacific region, the Group believes that it will be able to market its products at a global level in a more efficient manner via local representatives rather than to develop an in-house global marketing division.

4.16 Uncertainty of Proposed 5-Year Business Development Plan

The success of the Group's business development plan will be largely dependent upon market acceptance of smart cards generally, as well as the Group's ability to successfully market its smart card based security solutions and to further develop and commercialise further applications of its proprietary technology. In addition, the Group's proposed future plan and prospects will be dependent upon, among other things, the Group's ability to enter into strategic marketing and licensing or other arrangements on a timely basis and on favorable terms, establish satisfactory arrangements with sales representatives and marketing consultants, hire and retain skilled management as well as financial, technical, marketing and other personnel, successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service controls) and obtain adequate financing when and as needed. The Group has limited experience in developing new products based on innovative technology and there is limited information available concerning the performance of the Group's technologies or market acceptance of the Group's products other than the MEP and the MyKad. There can be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans. Moreover, there can be no assurance that the Group will have sufficient capacity to satisfy any increased demand for its smart card based security solutions and technologies resulting from the Group's implementation of its 5-Year Business Development Plan.

4.17 Need for Continued Support from Existing Financiers

To date, the Group's operating cashflow has not been sufficient to fund all of its capital and operating expenditures. See Section 4.4 on "Need for Additional Funds". In the Section 3.5 on "Utilisation of Proceeds", it has been indicated that a total of RM23 million of the funds raised from the Public Issue would be used for the part repayment of the Group's bank borrowings which as at 6 June 2002 amounted to RM32.8 million. Nevertheless, the continued availability of credit lines has an important bearing on the operations and capital expenditure plans of the Group. As such there can be no assurance that the creditors that have extended credit will continue to make available the funding facilities required. Further to the above, there can be no assurance that the current assets of the Group will be realised on a timely basis to meet the obligations of the Group as and when they fall due.

As mentioned above, the Directors of ICB believe that upon the listing of the Company on the MESDAQ Market, the Company would have the option of tapping the debt capital market or further raising equity capital, if required. As such, they believe that there would be further funding options upon its successful listing on the MESDAQ Market.

4. RISK FACTORS (CONT'D)

4.18 Long Product Development Cycle

The time taken from development to the implementation of the Group's projects is long and typically involves significant technical evaluation and commitment of capital and other resources. For example, the GMPC project for the MyKad which commenced in 1998 was launched much later in April of 2001. This evaluation process, undertaken both internally by the Group and by the customers, invariably is a lengthy process of several months and involves risks, including customers' budgetary constraints and internal acceptance reviews. The length of time taken to implement a particular project will vary from customer to customer and is subject to delays associated with a long testing and approval process. The Group's business, operating results and financial condition could be materially and adversely affected if customers cancel or delay projects. There can be no assurance that the Group will not continue to experience these additional delays in the future, which may contribute to significant fluctuations of future operating results and cashflows and may adversely affect such results.

4.19 Product Liability

The Group's projects and supply agreements with its customers have no provisions designed to limit the Group's exposure to potential product liability claims. The sale and support of the Group's products may involve the risk of such liability claims, any of which can be quite substantial. A product liability suit or action, whether or not meritorious, could result in substantial costs and diversion of management's attention and the Group's resource, which could have a material adverse impact on the Group's business, operating results and financial conditions. Additionally, a suit alleging a defect or a breach of an express or implied warranty, if successful, may also have adverse precedent effect on other or future actions.

4.20 Ownership and Control of the Company

Following the Public Issue, the Promoters of the Company comprising TSR, Lee Kwee Hiang, Yap Hock Eng, Tan Say Jim, MCSM, VPB and TLTR (HK) will hold approximately 56.0% of ICB's issue and paid-up share capital. Collectively, they will be able to exercise a material influence over ICB including the appointment of ICB's board of directors and influence certain corporate transactions.

4.21 Potential Acquisitions and Joint Ventures

The Group may from time to time engage in acquisitions of companies with complementary products and services in related areas. Although no such acquisitions are currently being negotiated by the Group, any future acquisitions could expose the Group to new risks, including those associated with the assimilation of new operations and personnel, the diversion of financial and management resources from existing operations, and the inability of management to integrate successfully acquired businesses, personnel and technologies. Furthermore, there can be no assurance that the Group will be able to generate sufficient revenues from any such acquisition to offset associated acquisition costs, or that the Group will be able to maintain uniform standards of quality and service, controls, procedures and policies, which may result in the impairment of relationships with customers, employees, and new management personnel. The Group may also evaluate, on a case-by-case basis, joint venture relationships with certain complementary businesses. Any such joint venture investment would involve many of the same risks posed by acquisitions, particularly those risks associated with the diversion of resources, the inability to generate sufficient revenues, the management of relationships with third parties and potential additional expenses, any of which could have a material adverse effect on the Group's business, financial condition or operating results.

4. RISK FACTORS (CONT'D)

If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies that the Group believes will be in the interest of its shareholders, although the Group currently has no understandings, commitments or agreements with respect to any material acquisition and no material acquisition is currently being pursued. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions, or to integrate any such acquisitions with its current business.

The process of integrating an acquired business, product or technology into the Group may result in unforeseen operating difficulties and expenditures, including but not limited to the assimilation of new operations and personnel, the diversion of financial and management resources from existing operations, and the inability of management to integrate successfully acquired businesses, personnel and technologies, all of which may absorb a significant amount of management attention that would otherwise be available for ongoing development of the Group's business. There can be no assurance that the anticipated benefits of any acquisition will be realised, or that the Group will be able to generate sufficient revenues from any such acquisition to offset associated acquisition costs, or that the Group will be able to maintain uniform standards of quality and service, controls, procedures and policies, which may result in the impairment of relationships with customers, employees and new management personnel. Acquisitions may also result in potentially dilutive issuance of equity, the incidence of debt and contingent liabilities and amortisation expenses related to goodwill and other intangible assets.

4.22 MSC Status

ICB was granted MSC status on 25 July 1997 by MDC and its associated company IRISTech was granted MSC status on 10 October 1997. As at today, all MSC status companies are granted financial and non-financial incentives. The MDC is the body responsible for monitoring all MSC designated companies. There can be no assurance that the Group will continue to retain its MSC status or that the Group will continue to enjoy or not experience delays in enjoying the MSC incentives outlined above, all of which could materially and adversely affect the Group's business, operating results and financial condition. There can be no assurance that the MSC incentives including those outlined above will not be changed or modified in anyway in the future. However, both ICB and IRISTech have received the MSC Bill of Guarantees (i.e. a bill which grant the MSC status mentioned above and further detailed in Section 7.15.4) issued by the Malaysian Government.

4.23 Foreign Exchange Risks

A significant amount, approximately 75%, of inputs into the manufacturing processes of the ICB Group rely on imported materials. Examples of imported materials are the CIF 1 wafer and the Atmel 32K chip, which monthly quantum purchased is approximately GBP292,000 and USD694,000, respectively. As such in an environment of a floating exchange rate, there would exist risks that exchange fluctuations would affect the profitability of the Group. However at present time, the Malaysian Ringgit has been fixed to the USD. As most transactions are in USD, there is certainty in pricing and costing of goods produced. Nevertheless, the USD is freely floating against other nations currencies and there can be no assurance that future foreign exchange fluctuations will not adversely impact the ICB Group. There can also be no assurance that the exchange rate currently pegged at RM3.80:USD1.00 will be maintained in the future.

4.24 Dependence on IRISTech

By virtue of the transfer of the I.R.I.S. technology and related substrate to IRISTech via the Technology Transfer Agreement dated 13 January 1995, IRISTech became the manufacturing arm of the ICB Group. IRISTech's subsidiary, IITS was granted the hardware and software supply contract for the MEP project. IRISTech supplies the substrates for the MEP Project. IRISTech's associate GCSB is the entity that has been awarded the GMPC Contract. IRISTech manufactures the MyKad of the GMPC project. A significant amount of ICB revenue (averaging approximately 21% of total revenue over the 1998-2001 period) is derived from the royalty income earned from the use of ICB's operating systems for these two projects.

4. RISK FACTORS (CONT'D)

ICB is entitled to royalty payments as provided for in agreements entered into with IRISTech dated 13 January 1995 and 1 February 2000 in respect of the MEP and the GMPC projects, respectively. Based on the terms of the agreement dated 13 January 1995, a royalty of 5% on the net sales value of all substrates sold by IRISTech in respect of the MEP project is payable to ICB by IRISTech for a period of 5 years commencing from the date when such sales is effected by IRISTech, i.e. 4 August 1997. As for the agreement dated 1 February 2000, IRISTech agreed to pay ICB RM2.50 per MCOS masked smart card produced in perpetuity.

With the completion of the Acquisition, ICB has control over only 49.5% of IRISTech. The other major shareholder of IRISTech is Berjaya Group Berhad which effectively controls 50.5% of the company. At present, the management of IRISTech is carried out by ICB.

It can be argued that ICB is dependent on IRISTech as the contracts for the two main projects as mentioned above are with IRISTech's subsidiary and associated companies, and as IRISTech is the manufacturing concern of the ICB Group. There can be no assurance that the cordial relationship between ICB and its associate will continue to exist at all times in the future.

Nevertheless it must be appreciated that ICB is a company involved in the research and development of smart card based security solutions. It has developed or is in the process of developing other products. It produces its own products e.g. the smart card readers which is amongst the various products that has been commercialised.

On the contrary, the directors of ICB believe that IRISTech is dependent on ICB for the technologies that are involved in the MEP and MyKad of the GMPC project, for example the ICOS and MCOS operating systems that are employed in the software solutions for these projects. The management of IRISTech is also undertaken by ICB. As such the above risks, in the opinion of the Directors of ICB, are to a large extent mitigated.

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5. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The world is presently undergoing a revolution brought about with the advent of the Information Age. Recognising the opportunity at hand, the Prime Minister of Malaysia launched Malaysia's information technology initiative with the creation of the Multimedia Super Corridor ("MSC"). Aimed at being the launch pad to propel Malaysia into the Information Age, the MSC represents a comprehensive action plan encompassing physical and technology infrastructure and logistics, legislative framework and fiscal incentives, all promulgated in its Bill of Guarantees. As part of the MSC initiative, the Government formulated seven flagship applications that were meant to be the focus of the drive towards achieving the vision. The seven flagship applications being the primary areas for multimedia application are the introduction of multi-purpose cards, smart schools, telemedicine, borderless marketing center, world-wide manufacturing web, electronic government and R & D cluster.

The Government's initiative to establish a sole and universal platform for the MPC ("Multi-Purpose Card") is with the intention of it being the standard platform adopted by both the public and private sectors. The MPC card, incorporating a microprocessor, would perform multiple tasks including data processing, storage and file management. With enhanced security features and memory capacity, the card was envisaged to be more than an ordinary memory card. It was anticipated that this card would facilitate more efficient, trouble-free transactions with the public and private sectors. Further, other flagship applications of the MSC like electronic government would involve extensive use of the MPC. The introduction of smart cards is expected to lead to more cost-effective and quality services, and at the same time allow Government agencies to reengineer the way things are done presently. ICB has crystallised this vision with the MyKad, one of the flagship applications of the MSC.

In the early 1990's one of the promoters of ICB, Yap Hock Eng struck upon the idea of electronic identification as a means of preventing forgeries that occur on document based crimes as electronic identification would have the advantage of enhanced security features. I.R.I.S. technology was born offering the ability to store vast amounts of data and images onto a specially developed silicon chip.

On 23 March 1998, this technology saw its first commercial application with the launch of the MEP. The Group has since developed further applications based on the core technology for use in the telecommunication industry, entertainment theme parks, and for identification and data storage purposes.

The Group has invested heavily in research and development and in the acquisition of complementary technologies, its associated company IRISTech and in plant and machinery. As such the Group's performance is very much dependent on achieving market acceptance for its smart card based security solutions and a critical volume of sales, and this is further dependent on the Group expanding its activities beyond the shores of Malaysia. At present, ICB Group is already in negotiations with a South East Asian country for the licensing of the ICOS software and is supplying telephone cards to the Philippines through IRISTech. The Group has also participated in tenders for supply of electronic passport and identification card solutions to Ireland and Indonesia. Through strategic alliances, the Group hopes to market its products around the world.

The Group's operations are located at the Technology Park Malaysia, Bukit Jalil, Kuala Lumpur which is located in the MSC corridor. Believed to be the first fully integrated smart card producer in this region, this 330,000 square feet facility is designed to meet the security standards required for a security document printer. Two of the companies in the Group have been conferred the benefit of MSC status, namely ICB and IRISTech, and therefore enjoy the benefits granted to companies with such status, including tax incentives. It is believed that benefits derived from the above mentioned status will be passed on to its shareholders.

The Group also believes that its proprietary know-how, the copyrights and patents of which are registered and filed with the United States Department of Commerce, Patent and Trademark Office, the South Africa Patent Office and EU Patent Office, would enable the Group to forge a competitive advantage in the smart card industry. ICB Group has not filed any patent application in Malaysia or any country other than the USA, South Africa and EU. Apart from the above, the Group's continued R & D effort, manned by more than 45 professionals, is a proactive effort to ensure that it remains at the cutting edge of smart card based security solution technology.

5. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT'D)

The Group's main contracts to date include the supply of hardware and software to the Government for the MEP project. The infrastructure for the MEP project has been implemented across Malaysia and as at to-date, 36 units of Immigration Autogate System had been installed.

The Group is also currently actively participating in the Consortium, through its 20% equity participation in GCSB, which has been awarded the contract for the supply of the MyKad. The project, being one of the flagship applications of the MSC, is deemed a project of national importance, more so due to the symbolic element of the GMPC card to the MSC initiative. The implementation of the GMPC began in August 2000 and the initial launch was in April 2001, targeting at the population of the MSC corridor amounting to some 2 million citizens. As at 31 December 2001, more than 2 million GMPC cards were supplied. The Group is expecting a national rollout of MyKad in the near future. On 24 July 2001, ICB has received the Proton World Certification (being products which comply with certain minimum international standards certified by Proton World International B.V.) for its E-Cash application using MCOS operating system.

Financial Analysis and Results of Operations

The Group has been, until recently, in what can be termed as the 'development stage' and as such has not generated significant revenues prior to this. The main manufacturing arm of the Group, IRISTech only began operations in mid-1998. As such the Group believes that its early investments in capital, R & D and personnel will only bear results in the medium term. The above is further illustrated with the huge charges in the profit and loss account for interest cost, depreciation and research and development over the financial years prior to the date of this Prospectus. There has been a significant cash requirement by the Group to fund its capital requirements. This has been funded mainly through bank borrowings but it is envisaged that the Group's gearing will be reduced with the proceeds raised from the Public Issue. Although as at 31 December 2001, the Group has accumulated losses of RM20.91 million (including an exchange loss of RM1.61million), these losses are seen as necessarily incurred to fund the development of the Group and are attributable to the abovementioned factors. For further discussion on the financial results of the Group, refer to Section 8.2 "Financial Analysis".

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6. INFORMATION ON THE ICB GROUP

6.1 Incorporation

ICB was incorporated in Malaysia on 31 May 1994 as TL Technology Research (M) Sdn Bhd under the Companies Act 1965 as a private limited company. The Company was converted to a public company and assumed its present name on 18 and 20 August 1999, respectively. ICB was awarded MSC status by the MDC on 25 July 1997. The MSC status grants ICB, amongst others, a five (5) year (renewable up to ten (10) years) tax exemption on statutory income and freedom of ownership i.e. exemption from the NDP requirements. For more details, please see Section 7.15.4 on "Incentives for the Smart Card Industry in Malaysia".

The Company currently operates in Kuala Lumpur and functions as the Head Office of the Group. ICB is principally involved in information technology consulting, implementation and research and development. The Company has three (3) subsidiary and four (4) associated companies with principal activities ranging from smart card manufacturing, marketing to R&D.

As at 6 June 2002, ICB had 80 employees and the Group (including IRISTech) had more than 270 employees.

6.2 Share Capital

<i>Authorised Share Capital</i>		RM
• 2,000,000,000 ordinary shares of RM0.15 each		300,000,000
<i>Issued and Paid-up Share Capital</i>		
• Existing: 622,000,000 ordinary shares of RM0.15 each		93,300,000
• Public Issue of 211,333,333 ordinary shares of RM0.15 each		31,700,000
		<u>125,000,000</u>

Details of the changes in the Company's issued and paid-up share capital since its incorporation are set out below:-

Ordinary Shares

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value</u> (RM)	<u>Consideration</u>	<u>Total</u> (RM)
31.05.94	2	1.00	Cash	2
30.05.96	6,124,998	1.00	Cash	6,125,000
24.06.96	2,205,000	1.00	Cash	8,330,000
20.02.97	1,670,000	1.00	Cash	10,000,000
23.07.98	20,000,000	1.00	Cash	30,000,000
28.07.98	10,000,000	1.00	Cash	40,000,000
20.05.99	10,000,000	1.00	Cash	50,000,000
25.06.99	1,000,000	1.00	Cash	51,000,000
28.06.99	5,000,000	1.00	Cash	56,000,000
02.07.99	6,000,000	1.00	Cash	62,000,000
05.07.99	500,000	1.00	Cash	62,500,000
06.07.99	4,500,000	1.00	Cash	67,000,000
09.07.99	1,300,000	1.00	Cash	68,300,000
13.12.01	25,000,000	1.00	Other than cash ¹	93,300,000
02.05.02	622,000,000	0.15	Other than cash ²	93,300,000

Notes :-

1. Issued as consideration for the purchase of TSR's stake in IRISTech. Although this issue has been filed with its consideration being other than cash, the transaction was effected via a contra of cash receipt for the Acquisition and TSR's subscription of shares in ICB. Refer to Section 6.3.
2. Par value of ICB shares split to RM0.15.

6. INFORMATION ON THE ICB GROUP (CONT'D)*Preference Shares*

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Class</u>	<u>Par value (RM)</u>	<u>Consideration</u>	<u>Total (RM)</u>
16.08.96	5,000,000	A ¹	1.00	Cash	5,000,000
20.02.97	5,000,000	A ¹	1.00	Cash	10,000,000
27.05.97	10,000,000	B ²	1.00	Cash	20,000,000
02.06.98	(10,000,000)	A ¹	1.00	Converted to B shares	10,000,000
02.06.98	10,000,000	B ²	1.00	Cash	20,000,000
27.07.98	(20,000,000)	B ²	1.00	Redeemed	-

Notes :-

1. *Class A Preference Shares are not convertible into ordinary shares.*
2. *Class B Preference Shares are convertible into ordinary shares.*

6.3 Restructuring and Listing Scheme

The SC and KLSE had via their letters dated 15 June 2001 and 21 June 2001, respectively approved the restructuring and listing proposals of ICB on MFSDAQ Market which involves, amongst others, the proposed acquisition by ICB of TSR's 30.0% equity interest in IRISTech.

Under a sale and purchase agreement dated 25 April 2000, ICB has acquired TSR's 20,100,000 ordinary shares of RM1.00 each representing 30.0% shareholding in IRISTech for a total cash consideration of RM25,000,000. In turn TSR, has simultaneously utilised all of the abovementioned proceeds to subscribe for 25,000,000 new ordinary shares of RM1.00 each in ICB.

Prior to the above, on 23 April 1999, ICB entered into a sale and purchase agreement with TSR for the disposal of the same 20,100,000 ordinary shares of RM1.00 each representing 30% of the issued and paid-up share capital of IRISTech for RM1.00 per share. The consideration was settled by cash.

TSR's participation in the Group was initially at IRISTech but there was always an informal understanding between TSR and ICB that in the event that ICB obtained listing approval from KLSE and SC, TSR would participate in the listing of the Group. ICB was also desirous of having a meaningful stake in IRISTech pursuant to the listing proposals. The consideration for the disposal and the subsequent re-acquisition is the same at RM25 million and is arrived at on a willing seller willing buyer basis.

TSR was a director of ICB until 6 April 1999. The shareholders on 22 September 1999 ratified the said disposal to TSR. A legal opinion from Messrs Jeff Leong, Poon & Wong dated 22 July 2000 has been procured which opines that this transaction does not infringe Section 132C of the Companies Act, 1965.

With the completion of the Acquisition on 31 December 2001, IRISTech became a 49.5% associated company of ICB. On 2 May 2002, TSR was re-appointed to the ICB Board of Directors.

6.4 Public Issue

The initial offering by ICB will involve a public issue of 211,333,333 new Shares representing at least 25.36% of the enlarged share capital of the Company at an issue price of RM0.30 per Share to the following parties :

- a) 4,000,000 Issue Shares will be made available for application under the public offer;

6. INFORMATION ON THE ICB GROUP (CONT'D)

- b) 3,000,000 Issue Shares will be made available for application by the employees of the Group; and
- c) 204,333,333 of the Issue Shares will be made available for application under the private placement.

6.5 Historical Information on the ICB Group

ICB was incorporated in Malaysia on 31 May 1994 under the Companies Act 1965 as TL Technology Research (M) Sdn Bhd. The Company's founders are Tan Say Jim, Lee Kwee Hiang and Yap Hock Eng. In the early nineties, Yap Hock Eng, who was then Managing Director of MCS, developed an electronic identification technology that could compress and store vast amounts of linear/graphical data in a limited space of a microchip which he believed would revolutionise identification methods for high-level security.

The decision to transfer this technology, known as the I.R.I.S., back home was catalyzed by the Government's call to Malaysian scientists living abroad to return to Malaysia and help the country to realise its goal to become a developed nation by the year 2020.

On 13 January 1995, a Technology Transfer Agreement was signed between MCS and ICB. Pursuant to this agreement, MCS had transferred and delivered to ICB all rights, title and interest owned or held by MCS in I.R.I.S., the I.R.I.S. technology and the substrate, including all intellectual property rights to enable ICB to design, manufacture on a commercial basis, prepare derivative works of, distribute and sell such technology exclusively around the world except in Egypt, United Arab Emirates, Turkey and the United Kingdom. Under the agreement, ICB is required to pay to MCS a royalty of 2% of the net sales value of all substrates sold for a period of 5 years commencing from the date when such sales is effected by ICB, i.e 4 August 1997.

ICB had to raise RM4.2 million to complete the technology transfer. Being a newly incorporated entity with limited shareholders funds, the Company decided to team up with BGB. On the same day, the I.R.I.S technology was transferred to IRISTech, in which BGB then held 70% equity interest and the remaining interest held by ICB.

Upon the transfer of I.R.I.S. to Malaysia, an operating system, namely ICOS, was developed by ICB under the supervision of Yap Hock Eng. Today, IRISTech owns the copyright to the I.R.I.S technology whereas patent applications with regards to the methods and applications of the I.R.I.S lies with ICB. ICB owns three (3) approved patents and is awaiting approval for four (4) others made in the USA. ICB has also been awarded an approved patent in South Africa and filed a patent application in the EU, approval of which is pending to-date.

In 1996, the construction for the IRIS Smart Complex commenced, funded by investments from BGB. The complex together with plant and machinery, costing RM85 million, is built on a 4.5 acre lease-hold land located at the Technology Park Malaysia in Bukit Jalil, Kuala Lumpur. ICB believes the complex is Asia's first fully integrated smart card manufacturing facility. Lee Kwee Hiang, one of the Company's founders was responsible for the designing of the manufacturing facilities. The plant is equipped with a complete manufacturing process from silicon processing, to module embedding and personalised printing of the finished smart cards.

ICB's subsidiaries, listed below, represents the Company's investments in various projects that are off shoots from its core technology, the I.R.I.S.

6. INFORMATION ON THE ICB GROUP (CONT'D)**6.6 Information on Subsidiary and Associated Companies**

The details of the subsidiary and associated companies of ICB are as follows :-

Name	Date/Place of Incorporation	Principal Business	Issued Share Capital	Owned %
IRIS Technologies (M) Sdn Bhd (302552-H) ("IRISTech")	02.06.1994 Malaysia	Smart card design and manufacturing	RM67,000,000 (<i>Ordinary Shares</i>) RM180,000 (<i>RCPs</i>)	49.5 -
Asiatronics Sdn Bhd (380605-FI) ("Asiatronics")	21.03.1996 Malaysia	Distributor of electronic boarding pass and baggage tags	RM500,000 (<i>Ordinary Shares</i>)	80
TL Automation Electronics (M) Sdn Bhd (318967-U) ("TLAE")	06.10.1994 Malaysia	Distributor of smart card readers	RM1,000,000 (<i>Ordinary Shares</i>)	75
TL Technology Research (Aust) Pty Limited (ACN075913478) ("TLTR (Aust)")	09.10.1996 Australia	Investment Holding	AUD3,500,000 (<i>Ordinary Shares</i>)	100
<i>Held through IRISTech</i>				
IRIS Information Technology Systems Sdn Bhd (222819-K) ("IITS")	13.08.1991 Malaysia	Marketing contact and contactless smart technology based products	RM2,000,000 (<i>Ordinary Shares</i>)	100
Confidential Matter Limited (454956) ("CML")	23.11.1993 Hong Kong	Dormant	HK\$20 (<i>Ordinary Shares</i>)	100
GMPC Corporation Sdn Bhd (334028-H) ("GMSB")	18.02.1995 Malaysia	Supply of GMPC solutions to the Malaysian Government	RM5,000,000 (<i>Ordinary Shares</i>)	20

6.6.1 Information on IRISTech**a) History and Business**

IRISTech was incorporated in Malaysia on 2 June 1994 under the Companies Act 1965 as a private limited company under the name of Arjunan Citra Sdn Bhd. The Company assumed its present name on 4 February 1995. IRISTech is principally engaged in information technology ownership, research and development in the use of smart technology and manufacturing of contact and contactless smart technology based products. IRISTech was awarded MSC status on 10 October 1997 by the MDC which enables the company to enjoy, amongst others, a five (5) year tax holiday renewable for another five (5) years. IRISTech is a 50.5% subsidiary of BGB.

6. INFORMATION ON THE ICB GROUP (CONT'D)

One of IRISTech's biggest achievement to date is being awarded the contract (through its wholly owned subsidiary, IITS) for the MEP Project. The electronic passport comes with a microprocessor chip embedded in its cover, which electronically compresses and stores the photograph and biodata of the passport holder. It is believed to be the first of its kind in the world. The project was launched by the Prime Minister Datuk Seri Dr. Mahathir Mohamad on 23 March 1998 and is expected to replace all the Malaysian passports currently in circulation. It has also been successful (through its associate company, GCSB) in securing the GMPC project for the supply of MyKad. The GMPC project represents one of the flagship application of the MSC. The MyKad was officially launched by the Deputy Prime Minister on 5 September 2001.

IRISTech is the manufacturing arm of the ICB Group. IRISTech owns the IRIS Smart Complex which is located on a 4.50 acre lease-hold land at Technology Park Malaysia, Bukit Jalil, Kuala Lumpur which the Group believes is Asia's first fully integrated manufacturing facility for contact and contactless microchip cards (memory and microprocessor), magnetic stripe cards, contactless document inserts and assembled module in tapes and reels for commercial usage.

The manufacturing facility has the capacity to house 4 production lines, and is able to operate up to 24 hours a day. Currently, the plant has one (1) production line, operating eight (8) hours i.e. one (1) shift a day with a production capacity of 1.3 million finished smart cards per month.

IRISTech holds the copyright to the I.R.I.S for the design, development and manufacture of smart cards.

b) Share Capital

<i>Authorised Share Capital</i>	RM
• 85,000,000 ordinary shares of RM1.00 each	85,000,000
• 1,500,000,000 redeemable convertible preference shares of RM0.01 each	15,000,000
	100,000,000
<i>Issued and Paid-up Share Capital</i>	
• 67,000,000 ordinary shares of RM1.00 each	67,000,000
• 18,000,000 redeemable convertible preference shares of RM0.01 each	180,000
	67,180,000

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6. INFORMATION ON THE ICB GROUP (CONT'D)

Details of the changes in IRISTech's issued and paid-up share capital since its incorporation are set out below:-

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value (RM)</u>	<u>Consideration</u>	<u>Total (RM)</u>
<i>Ordinary shares</i>				
02.06.94	2	1.00	Cash	2
23.01.95	15,299,998	1.00	Cash	15,300,000
20.03.98-03.04.98	35,700,000	1.00	Cash	51,000,000
04.12.98	16,000,000	1.00	Cash	67,000,000
<i>RCPS'</i>				
20.03.98	18,000,000	0.01	Cash	180,000
<i>8% Preference shares</i>				
30.04.96	3,000,000	1.00	Cash	3,000,000
19.09.96	6,000,000	1.00	Cash	9,000,000
26.12.96	1,710,000	1.00	Cash	10,710,000
20.03.98	(10,710,000)	1.00	Redeemed for cash	-

Notes :-

1. The RCPS holders are entitled to participate in profits *pari passu* with ordinary shareholders subject to the conversion ratio described in Section 16 and, has priority over ordinary shares in winding-up but has no voting rights.

c) *Subsidiary and Associated Companies*

IRISTech has two wholly owned subsidiary companies, IITS and CML, and an associated company namely, GCSB. Details of the three companies are as follows:-

<u>Subsidiary Company</u>	<u>Country and Date of Incorporation</u>	<u>Issued and Paid-up Share Capital</u>	<u>Effective Interest</u>	<u>Principal Activities</u>
IITS	13.08.1991 Malaysia	RM2,000,000	100%	Marketing contact and contactless smart technology based products
CML	23.11.1993 Hong Kong	HK\$20	100%	Dormant
GCSB	18.02.1995 Malaysia	RM5,000,000	20%	Supply of GMPC solutions to the Malaysian Government

6. INFORMATION ON THE ICB GROUP (CONT'D)*d) Employees*

As at 6 June 2002, IRISTech has 194 employees.

6.6.2. Information on TLAE*a) History and Business*

TLAE was incorporated in Malaysia on 6 October 1994 under the Companies Act 1965 but has not commenced commercial operations. The company is principally involved in the development and manufacture of computer hardware and software.

The other major shareholder of TLAE, who hold the remaining 25% equity interest, is Sin Hock Kean.

b) Share Capital

<i>Authorised Share Capital</i>		RM
• 1,000,000 ordinary shares of RM1.00 each		RM1,000,000
<i>Issued and Paid-up Share Capital</i>		
• 1,000,000 ordinary shares of RM1.00 each		RM1,000,000

Details of the changes in TLAE's issued and paid-up share capital since its incorporation are set out below:-

Date of allotment	No. of shares	Par value (RM)	Consideration	Total (RM)
6.10.94	2	1.00	Cash	2
5.07.96	999,998	1.00	Cash	1,000,000

c) Subsidiary and Associated Companies

TLAE has neither subsidiary nor associated company.

d) Employees

As at 6 June 2002, TLAE has no employees.

6.6.3. Information on Asiatronics*a) History and Business*

Asiatronics was incorporated in Malaysia on 21 March 1996 under the Companies Act 1965. Asiatronics is principally involved in the marketing and development of airline and airplane security systems, one of the key applications of the I.R.I.S. technology.

A major achievement for Asiatronics is the development of the IIPBSS which involves electronic boarding passes, radio frequency baggage tags and tag readers. The IIPBSS underwent a test run at the Langkawi International Airport in November 1997. This system does a "bag matching" i.e. positively identifies the passenger with his baggage to ensure that the luggage of passengers who had checked in but did not board the plane are not left on board the plane in line with IATA regulations.

6. INFORMATION ON THE ICB GROUP (CONT'D)

The innovation of the IIPBSS received media attention from as far as the UK. On 3 December 1997, the British Broadcasting Corporation ("BBC") featured the IIPBSS system in the documentary "Tomorrow's World".

The other major shareholder of Asiatronics, who holds the remaining 20% equity interest, is Tirai Ombak Sdn Bhd, which is owned by the estate of the late Dato' Dr Wan Adli bin Wan Ibrahim and Wan Hamdy bin Dato' Wan Ibrahim.

b) Share Capital

<i>Authorised Share Capital</i>	RM
• 1,000,000 ordinary shares of RM1.00 each	1,000,000
<i>Issued and Paid-up Share Capital</i>	
• 500,000 ordinary shares of RM1.00 each	500,000

Details of the changes in Asiatronics's issued and paid-up share capital since its incorporation are set out below:-

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value (RM)</u>	<u>Consideration</u>	<u>Total (RM)</u>
21.03.96	2	1	Cash	2
09.05.96	2	1	Cash	4
08.07.96	499,996	1	Cash	500,000

c) Subsidiary and Associated Companies

Asiatronics has neither a subsidiary nor an associated company.

d) Employees

As at 6 June 2002, Asiatronics has no employees.

6.6.4. Information on TLTR (Aust)*a) History and Business*

TLTR (Aust) was incorporated in Australia with the name Middle East Nominces Pte Ltd on 9 October 1996. Its present name was assumed on 14 March 1998.

TLTR (Aust) is a wholly owned subsidiary of ICB. It is the investment holding arm for the Group for investments in Australia. Its investments include a 10.8% equity interest in Intercard, an Australian company currently seeking re-quotation on the Australian Stock Exchange, making it one of Intercard's largest shareholders. Intercard is involved in the development of automatic contactless identification and communication systems.

6. INFORMATION ON THE ICB GROUP (CONT'D)*b) Share Capital*

<i>Authorised Share Capital</i>	AUD
• 8,970,000 ordinary shares of AUD1.00 each	8,970,000
• 1,030,000 preference shares of AUD1.00 each	1,030,000
<i>Issued and Paid-up Share Capital</i>	
• 3,500,000 ordinary share of AUD1.00 each	3,500,000

Details of the changes in TLTR (Aust) issued and paid-up share capital since its incorporation are set out below:-

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value (AUD)</u>	<u>Consideration</u>	<u>Total (AUD)</u>
09.10.96	1	1.00	Cash	1.00
25.10.97	1,249,999	1.00	Cash	1,250,000
15.02.97	500,000	1.00	Cash	1,750,000
01.07.97	1,100,000	1.00	Cash	2,850,000
05.03.98	650,000	1.00	Cash	3,500,000

c) Subsidiary and Associated Companies

TLTR (Aust) has neither a subsidiary nor an associated company.

d) Employees

As at 6 June 2002, TLTR (Aust) had no employees.

6.6.5. Information on IITS*a) History and Business*

IITS was incorporated in Malaysia on 13 August 1991 under the Companies Act, 1965 as Berjaya Information Technology Sdn Bhd. The company changed its name to Berjaya Information Technology Systems Sdn Bhd on 14 October 1994 before assuming its present name on 25 August 1998. IITS serves as an intermediary for the Group in supplying silicon substrates manufactured by IRISTech to JIM for the MEP project.

b) Share Capital

<i>Authorised Share Capital</i>	RM
• 5,000,000 ordinary shares of RM1.00 each	5,000,000
<i>Issued and Paid-up Share Capital</i>	
• 2,000,000 ordinary shares of RM1.00 each	2,000,000

6. INFORMATION ON THE ICB GROUP (CONT'D)

Details of the changes in IITS issued and paid-up share capital since its incorporation are set out below:-

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value</u> (RM)	<u>Consideration</u>	<u>Total</u> (RM)
13.08.91	2	1	Cash	2
06.12.95	1,999,998	1	Cash	2,000,000

c) *Subsidiary and Associated Companies*

IITS has neither a subsidiary nor an associate company.

d) *Employees*

As at 6 June 2002, IITS had no employees.

6.6.6. Information on CML

a) *History and Business*

CML was incorporated in Hong Kong under the Companies Ordinance on 23 November 1993 as a private limited company. The company is currently dormant.

b) *Share Capital*

<i>Authorised Share Capital</i>	HK\$
• 1,000 ordinary shares of HK\$10.00 each	10,000
<i>Issued and Paid-up Share Capital</i>	
• 2 ordinary shares of HK\$10.00 each	20

Details of the changes in CML's issued and paid-up share capital since its incorporation are set out below:-

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value</u> (HK\$)	<u>Consideration</u>	<u>Total</u> (HK\$)
23.11.93	2	10	Cash	20

c) *Subsidiary and Associated Companies*

CML has neither a subsidiary nor an associate company.

d) *Employees*

As at 6 June 2002, CML had no employees.

6. INFORMATION ON THE ICB GROUP (CONT'D)**6.6.7. Information on GCSB****a) History and Business**

GCSB was incorporated in Malaysia on 18 February 1995 under the Companies Act, 1965 as Abad Merdeka Sdn Bhd. The company changed its name to GMPC Corporation Sdn Bhd on 17 September 1998. GCSB is the company set up by the Consortium and was awarded the contract for the GMPC project by the Malaysian Ministry of Home Affairs on 3 May 1999. The Group's role in the project is to provide card technology inclusive of the operating system for the GMPC project and the MyKad. GCSB is equally owned by each of the company of the Consortium.

b) Share Capital

<i>Authorised Share Capital</i>	RM
• 5,000,000 ordinary shares of RM1.00 each	5,000,000
<i>Issued and Paid-up Share Capital</i>	
• 5,000,000 ordinary shares of RM1.00 each	5,000,000

Details of the changes in GCSB issued and paid-up share capital since its incorporation are set out below:-

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value</u> (RM)	<u>Consideration</u>	<u>Total</u> (RM)
18.02.95	2	1	Cash	2
24.08.98	3	1	Cash	5
28.05.99	249,995	1	Cash	250,000
22.07.99	4,750,000	1	Cash	5,000,000

c) Subsidiary and Associated Companies

GCSB has neither a subsidiary nor an associate company.

d) Employees

As at 6 June 2002, GCSB had three (3) employees.

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