IRIS CORPORATION BERHAD

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

Interim Financial Report for the Fourth quarter ended 31st December 2011

Contents: -

Condensed Consolidated Statement of Comprehensive Income

For the Fourth quarter ended 31st December 2011

	Individual 3 months ended		Cumulative 12 months ended	
	31st December 2011 RM'000	31st December 2010 RM'000	31st December 2011 RM'000	31st December 2010 RM'000
Revenue	135,436	75,473	407,173	366,110
Cost of sales	(98,026)	(52,466)	(280,165)	(255,239)
Depreciation and amortization	(1,974)	(2,673)	(7,140)	(10,781)
Gross profit	35,436	20,334	119,868	100,090
Other income	(2,101)	1,064	2,210	2,579
Administrative and operating expenses	(16,195)	(12,802)	(51,667)	(45,335)
Depreciation and amortisation	(1,247)	(1,318)	(4,657)	(3,938)
Finance costs	(2,872)	(3,411)	(11,559)	(11,755)
Share of (loss)/profit of associates	(266)	2,010	(1,146)	946
Profit before taxation	12,755	5,877	53,049	42,587
Tax expense	(1,702)	(1,810)	(16,898)	(14,556)
Profit for the period	11,053	4,067	36,151	28,031
Other comprehensive income				
Foreign currency translation differences for foreign operations	-	(4)	-	20
Share of associate's other comprehensive income	-	(511)	-	(511)
Other comprehensive income for the period	-	(515)	-	(491)
Total comprehensive income for the period	11,053	3,552	36,151	27,540
Profit attributable to:				
Owners of the Company	11,887	4,081	37,304	28,031
Non-controlling Interest	(834)	(14)	(1,153)	-
Profit for the period	11,053	4,067	36,151	28,031

Condensed Consolidated Statement of Comprehensive Income

For the Fourth quarter ended 31st December 2011
(continued)

	Individual 3 months ended		Cumulative 12 months ended	
	31st December 2011 RM'000	31st December 2010 RM'000	31st December 2011 RM'000	31st December 2010 RM'000
Total comprehensive income attributable to:				
Owners of the Company	11,887	3,566	37,304	27,540
Non-controlling Interest	(834)	(14)	(1,153)	-
Total comprehensive income for the period	11,053	3,552	36,151	27,540
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.80	0.29	2.51	1.98
Diluted (Sen)	0.79	0.29	2.46	1.98

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2010 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial Position

As at 31st December 2011

	31st December 2011 RM'000	31st December 2010 RM'000
ASSETS		
NON-CURRENT ASSETS		
Concession assets	9,867	8,720
Property, plant and equipment	114,194	114,876
Development Costs	678	2,048
Intellectual properties	9,353	10,799
Goodwill on consolidation	133,982	133,982
Investment in associates	42,476	42,497
Available-for-sale financial assets	406	406
Deferred tax assets	1,929	1,929
	312,885	315,257
CURRENT ASSETS		
Inventories	61,658	69,429
Trade receivables	175,291	140,995
Amount owing by contract customers	31,571	21,752
Other receivables, deposits & prepayments	44,000	42,837
Amount owing by associates	65,302	62,947
Amount owing by related parties	206	353
Tax refundable	-	338
Deposits with licensed banks	15,377	12,458
Cash and cash equivalents	78,649	19,218
	472,054	370,327
TOTAL ASSETS	784,939	685,584
EQUITY AND LIABILITIES		
EQUITY		
Share capital	236,257	216,416
Share premium	35,211	35,052
Warrants reserve	10,616	10,616
Foreign exchange translation reserve	(518)	(518)
Revaluation reserve	27,314	27,642
Retained earnings	87,861	57,316
Total equity attributable to owners of the Company	396,741	346,524
Non-controlling Interest	(1,103)	-
TOTAL EQUITY	395,638	346,524

Condensed Consolidated Statement of Financial Position

As at 31st December 2011
(continued)

	31st December 2011 RM'000	31st December 2010 RM'000
NON-CURRENT LIABILITIES		
Hire purchase & lease payables	3,450	4,148
Term loan	78,278	102,728
Deferred tax liabilities	15,288	15,288
	97,016	122,164
CURRENT LIABILITIES		
Trade payables	55,803	27,320
Other payables and accruals	140,833	68,730
Amount owing to an associate	-	19,191
Amount owing to related parties	5	235
Hire purchase & lease payables	1,323	1,345
Short-term borrowings	87,452	90,914
Provision for taxation	6,869	9,161
	292,285	216,896
TOTAL LIABILITIES	389,301	339,060
TOTAL EQUITY AND LIABILITIES	784,939	685,584
Net assets per ordinary share attributable to owners of the Company (RM)	0.25	0.24

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2010 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity
For the Fourth quarter ended 31st December 2011

	← Attributable to the owners of the Company →									
			← Non-Distributable			→	Distributable			
	Ordinary Share Capital RM'000	ICPS* RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
At 1st January 2010	212,277	4,139	35,052	-	(27)	27,971	28,961	308,373	-	308,373
Conversion of ICPS into ordinary shares	289	(289)	-	-	-	-	-	-	-	-
Additional investment in a Subsidiary	-	-	-	-	-	-	-	-	(5)	(5)
Net effect of change in equity Interest	-	-	-	-	-	-	(5)	(5)	5	-
Realisation on usage of property	-	-	-	-	-	(329)	329	-	-	-
Proceeds from issuance of Warrants	-	-	-	10,616	-	-	-	10,616	-	10,616
Total comprehensive income for the financial period	-	-	-	-	(491)	-	28,031	27,540	-	27,540
At 31st December 2010	212,566	3,850	35,052	10,616	(518)	27,642	57,316	346,524	-	346,524

Condensed Consolidated Statement of Changes in Equity
For the Fourth quarter ended 31st December 2011
(continued)

	Attributable to the owners of the Company									
			Non-Distributable				Distributable			
	Ordinary Share Capital RM'000	ICPS* RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
At 1st January 2011	212,566	3,850	35,052	10,616	(518)	27,642	57,316	346,524	-	346,524
Issue of share capital	19,841	-	159	-	-	-	-	20,000	-	20,000
Acquisition/Issue of share in Subsidiaries	-	-	-	-	-	-	-	-	50	50
Conversion of ICPS into ordinary shares	3,850	(3,850)	-	-	-	-	-	-	-	-
Realisation on usage of property	-	-	-	-	-	(328)	328	-	-	-
Dividend paid	-	-	-	-	-	-	(7,087)	(7,087)	-	(7,087)
Total comprehensive income for the financial period	-	-	-	-	-	-	37,304	37,304	(1,153)	36,151
At 31st December 2011	236,257	-	35,211	10,616	(518)	27,314	87,861	396,741	(1,103)	395,638

* *ICPS define as Non-Cumulative Irredeemable Convertible Preference Share*

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 2010 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow Statement
For the Fourth quarter ended 31st December 2011

	Cumulative 31st December 2011 RM'000	Cumulative 31st December 2010 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	53,049	42,587
Adjustments for:		
Non-Cash Items	13,306	20,616
Interest income	(439)	(86)
Finance costs	11,559	11,755
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	77,475	74,872
Changes in working capital		
Net changes in current assets	(39,715)	(98,418)
Net changes in current liabilities	81,166	9,800
NET CASH GENERATED FROM/(USED IN) OPERATIONS	118,926	(13,746)
Dividend received	75	100
Interest received	439	86
Interest paid	(11,559)	(11,755)
Tax paid	(18,852)	(10,320)
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	89,029	(35,635)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of investment in associates	(1,000)	(18,358)
Acquisition of subsidiaries, net of cash acquired	50	(5)
Proceeds from disposal of plant and equipment	27	181
Purchase of plant and equipment	(7,936)	(10,951)
Purchase of concession assets	(1,411)	(1,152)
Grants	-	-
NET CASH USED IN INVESTING ACTIVITIES	(10,270)	(30,285)

Condensed Consolidated Cash Flow Statement

For the Fourth quarter ended 31st December 2011
(continued)

	Cumulative 31st December 2011 RM'000	Cumulative 31st December 2010 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(7,087)	-
Proceeds from issuance of ordinary share	20,000	-
Proceeds from issuance of Warrants	-	10,616
Net repayment of hire purchase and lease payables	(1,410)	(410)
Repayment of bonds	-	(68,750)
Net proceeds from short term borrowings	7,450	2,881
Proceeds from drawdown of trade and term loans	42,509	123,000
Repayment of borrowings	(57,899)	(18,200)
NET CASH FROM FINANCING ACTIVITIES	3,563	49,137
Net changes in cash and cash equivalents	82,322	(16,783)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the year	11,704	28,487
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	94,026	11,704

Cash and cash equivalents at end of the period comprise the following balance sheet amounts:

Deposits with licensed banks, cash and bank balances	94,026	31,676
Bank overdraft	-	(19,972)
	94,026	11,704

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 2010 and the accompanying explanatory notes attached to the interim financial report.

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31st December 2011 and has been prepared in compliance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Rule 9.22 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Group has adopted the following accounting standards, amendments and interpretations (including the consequential amendments) that have been issued by the MASB:

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

1. Basis of preparation (Cont'd)

FRSs and IC Interpretations (including the Consequential Amendments) (cont'd)	Effective date
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interprétation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
Annual Improvements to FRSs (2010)	1 January 2011

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

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

(ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interest to be absorbed by the non-controlling interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting of its future transactions or arrangements.

1. Basis of preparation (Cont'd)

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the MASB but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
FRS 124 (Revised) Related Party Disclosures	1 January 2012
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The initial application of the above standards (and its consequential amendments) and interpretations are not expected to have any material 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 Fourth quarter.

4. Segment information

The Group's operating segments information for the interim financial report to 31st December 2011 was as follows:-

	Digital Identity & Business Solutions RM'000	Others RM'000	Inter-segment Elimination RM'000	Group RM'000
Revenue	403,296	3,877	-	407,173
Segment results	122,182	(2,314)	-	119,868
Unallocated corporate expenses				(56,324)
Other income				2,210
Operating profit				65,754
Finance costs				(11,559)
				54,195
Share of loss of associates				(1,146)
Profit before taxation				53,049
Income tax expense				(16,898)
Profit after taxation				36,151

5. Capital Commitments

	As at 31st Dec 2011 **RM'000**
Authorised and contracted for:-	
Purchase of property, plant and equipment	NIL

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities in the current financial period.

7. Changes in the composition of the Group

There was no change in the composition of the Group in the current financial period except for an internal restructuring that was completed on 1 October 2011, of which all the equity shares of IRIS Information Technology Systems Sdn Bhd and IRIS Eco Power Sdn Bhd that was previously held by IRIS Technologies (M) Sdn Bhd, a wholly-owned subsidiary of IRIS Corporation Berhad, have then been transferred to IRIS Corporation Berhad.

8. 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.

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

There were no material events subsequent to the end of the current quarter.

10. Items of an unusual nature

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

11. Valuations of property, plant and equipment

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

12. Changes in contingent liabilities and contingent assets

(a) Contingent Liabilities

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

13. Taxation

	Individual 3 months ended		Cumulative 12 months ended	
	31st December 2011 RM'000	31st December 2010 RM'000	31st December 2011 RM'000	31st December 2010 RM'000
Income tax				
- Current financial year	(1,702)	(1,967)	(16,898)	(18,161)
- Over/(Under) provision in prior years	-	70	-	3,518
	(1,702)	(1,897)	(16,898)	(14,643)
Deferred tax				
- Current financial year	-	1,396	-	1,396
- Over/(Under) provision in prior years	-	(1,309)	-	(1,309)
	-	87	-	87
Total tax expense	(1,702)	(1,810)	(16,898)	(14,556)

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

14. Related Party Transactions

The transactions with related parties of the Group for the cumulative 12 months period ended 31st December 2011 were as follows:

	RM'000
(a) Associates	
GMPC Corporation Sdn Bhd	
- Sales	83,166
- Rental received	6
PJT Technology Co. Ltd	
- Sales	8,583
(b) A company in which a director/substantial shareholder of the Company has financial interest	
MCS Microsystems Sdn Bhd	
- Rental received	78
Versatile Paper Boxes Sdn Bhd	
- Purchases	11
Imagescan Creative Sdn Bhd	
- Purchases	44

15. Comparative figures

Certain comparative figures as shown in the condensed consolidated statement of comprehensive income have been reclassified in order to conform with the current financial period's presentation.

Additional information required by the AMLR

16.1 Review of Performance

For the current financial quarter ended 31st December 2011, the Group recorded revenue of RM135.4 million and profit before taxation of RM12.8 million from RM75.5 million and RM5.9 million in the previous comparable quarter ended 31st December 2010, which is 79.3% and 116.9% higher respectively.

The main contributions to the Group's performance for the current financial quarter came from its existing projects, namely MyKad Project, Malaysia e-Passport Project, Automatic Fare Collection System (AFC) for the LRT project in Malaysia, the Bangladesh MRP passport project and also the new project, namely Tanzania e-ID card project.

16.2 Comparison with Preceding Quarter

The Group recorded revenue of RM135.4 million for the current financial quarter ended 31st December 2011, which is 30.9% higher as compared to revenue of RM103.4 million recorded in the preceding financial quarter ended 30th September 2011.

The increase in revenue was mainly attributable to the higher revenue from MyKad Project, Turkey e-Passport inlay Project, and also the new project, namely Tanzania e-ID card project.

Profit before taxation for the current financial quarter ended 31st December 2011 was recorded at RM12.8 million, which is 20.5% lower as compared to profit before taxation of RM16.1 million recorded in the preceding financial quarter ended 30th September 2011.

The decrease in profit before taxation for the current quarter was mainly attributable to the unrealised foreign exchange loss in operation costs due to the weakening of Ringgit Malaysia against US dollar.

17. Prospects

For the financial year 2012, the Group's revenue is expected to be derived mainly from the core business of digital identity solutions. Local revenue will be sustained by the sale of Malaysia e-passport inlays, e-ID cards as well as project sales. Overseas revenue will be driven by the sales of digital identity solutions to Nigeria, Senegal, Tanzania 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 March 2012.

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

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

19. Unquoted Securities and/or Properties

There were no purchases or disposals of unquoted securities and/or properties for the current quarter and financial 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. Available-for-sale financial assets

Available-for-sale financial assets represent investment and deposits paid in respect of:

	At 31st December 2011 **RM'000**
Investment in XID Technologies Pte Ltd	2,378
Golf Club Membership	406
(Less): Allowance for diminution in value	(2,378)
	406

XID Technologies Pte Ltd is an unquoted Singapore company.

22. Status of Corporate Proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 15th February 2012, being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report.

23. Group Borrowings and Debt Securities

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

	Short Term RM'000	**Long Term RM'000**	**Total RM'000**
Secured	87,452	78,278	165,730

All of the above borrowings are denominated in Ringgit Malaysia other than a short term borrowing amounting to RM6.83 million which is denominated in US dollar.

24. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 15th February 2012 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 material litigations as disclosed below, there are no other material litigations involving the Group as at 15th February 2012:

(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.

Regarding the bankruptcy proceedings, pursuant to The Appellee's Status Report dated 27th January 2012, JAL stated that the stay issued by the US Bankruptcy Court still remains in effect. On March 28th 2011, Japan Airlines completed its corporate reorganization proceedings in Japan.

(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 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 18th 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 & Arpaci had on behalf of the JV Company, made an application to the Ankara Civil Court of Turkey ("**Court**"), for an injunction to restrain EGM from claiming on the performance bond submitted by the JV Company in year 2007.

On 24th September 2009, an interlocutory injunction was obtained by the JV Company from the Court. Subsequently, on behalf of the JV Company, Messrs Sen & Arpaci 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 22nd December 2009.

On 23rd March 2010, EGM presented a counter claim, claiming approximately YTL 5.25 million from the JV Company. Specifically, the EGM is seeking to return all the hardware and equipments to the JV Company in exchange for a refund of YTL 5.25 million paid to the JV Company. The third hearing was held on 10th June 2010. The outcome of the hearing was that the judge had requested the JV Company to submit the precise damages amount(s) to be claimed against EGM so that the judge can decide which component court will hear the matter.

On 5th October 2010, JV Company had submitted new evidences for the case. The Courts accepted JV Company's submission and ordered EGM to reply to the new evidences submitted by JV Company within 20 days from 5th October 2010. However, no decision was granted at this stage to the EGM for their claims of refund of YTL 5.25 million they paid for the completion of phase 1 of the Project (for hardware and equipments delivered). At the same hearing, the Courts appointed three expert witnesses to study and analyze the case and the submissions of both Parties on commercial and technical grounds since the case is highly technical in nature. The Courts then fixed 23rd December 2010 to hear the reports from the Court's appointed specialists or expert witnesses before giving out further directions.

The Courts have continued to give further hearing dates pending the submission of the Expert Reports. On the last hearing date pending submission of the Expert Report on 31st January 2012, the Court expert finally submitted their findings and the case is now fixed for hearing on 20th March 2012.

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

There was no progress on the hearing dated 14th June 2011. The next hearing date has then been postponed and fixed on 6th October 2011. There were no submissions by the Expert until the last hearing date 20th December 2011 wherein the Expert report until to date has yet to be submitted. The matter was fixed for further hearing on 27th March 2012.

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

26. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 31st December 2011 RM'000	As at 31st December 2010 RM'000
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	35,148	15,966
- Unrealised profits/(losses)	(8,856)	(18,624)
	26,292	(2,658)
ii) Associates		
- Realised profits/(losses)	(503)	(482)
- Unrealised profits/(losses)	(511)	(511)
	(1,014)	(993)
	25,278	(3,651)
iii) Group consolidated adjustments	62,583	60,967
Total retained earnings of the Group	87,861	57,316

27. Dividend

Breakdown of dividend paid for the cumulative 12 months period ended 31st December 2011 were as follows:

	12-months ended 31st December 2011 RM'000
2010 - First and final dividend of 0.45 sen per ordinary share	7,087

28. Earnings Per Share

	Individual 3 months ended		Cumulative 12 months ended	
	31st December 2011	31st December 2010	31st December 2011	31st December 2010
(a) Basic earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	11,887	4,081	37,304	28,031
Weighted average number of ordinary shares ('000)	1,483,617	1,416,073	1,483,617	1,416,073
Basic earnings per ordinary share (Sen)	**0.80**	**0.29**	**2.51**	**1.98**
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	11,887	4,081	37,304	28,031
Adjustment for after tax effects of Warrants A (RM'000)	-	-	-	-
Adjustment for after tax effects of Warrants B (RM'000)	-	-	-	-
Adjusted net profit for the period (RM'000)	11,887	4,081	37,304	28,031
Weighted average number of ordinary shares ('000)	1,483,617	1,416,073	1,483,617	1,416,073
Adjustment for assumed exercise of Warrants A ('000)	5,484	-	5,484	-
Adjustment for assumed exercise of Warrants B ('000)	24,980	-	24,980	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	1,514,081	1,416,073	1,514,081	1,416,073
Diluted earnings per ordinary share (Sen)	**0.79**	**0.29**	**2.46**	**1.98**

29. Profit before taxation

	Individual 3 months ended 31st December 2011 RM'000	**Cumulative 12 months ended** 31st December 2011 RM'000
Profit before taxation is arrived at after charging/(crediting):		
- Provision for inventories	3,966	6,163
- Net foreign exchange loss	7,661	4,402
- Written off of patent	-	66
- Written off of receivables	183	183