

IRIS CORPORATION BERHAD

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

Interim Financial Report for the First quarter ended 30th June 2012

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Condensed Consolidated Statement of Comprehensive IncomeFor the First quarter ended 30th June 2012

	Individual		Cumulative	
	3 months ended		3 months ended	
	30th June	30th June	30th June	30th June
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Revenue	102,466	95,305	102,466	95,305
Cost of sales	(74,739)	(64,492)	(74,739)	(64,492)
Depreciation and amortisation	(2,992)	(1,643)	(2,992)	(1,643)
Gross profit	24,735	29,170	24,735	29,170
Other income	2,052	292	2,052	292
Administrative and operating expenses	(12,510)	(13,011)	(12,510)	(13,011)
Depreciation and amortisation	(1,206)	(1,150)	(1,206)	(1,150)
Finance costs	(2,498)	(2,776)	(2,498)	(2,776)
Share of (loss)/profit of associates	(135)	(382)	(135)	(382)
Profit before taxation	10,438	12,143	10,438	12,143
Tax expense	(3,153)	(6,294)	(3,153)	(6,294)
Profit for the period	7,285	5,849	7,285	5,849
Total comprehensive income for the period	7,285	5,849	7,285	5,849
Profit attributable to:				
Owners of the Company	8,334	5,849	8,334	5,849
Non-controlling interests	(1,049)	-	(1,049)	-
Profit for the period	7,285	5,849	7,285	5,849

Condensed Consolidated Statement of Comprehensive IncomeFor the First quarter ended 30th June 2012

(continued)

	Individual 3 months ended		Cumulative 3 months ended	
	30 th June 2012 RM'000	30 th June 2011 RM'000	30 th June 2012 RM'000	30 th June 2011 RM'000
Total comprehensive income attributable to:				
Owners of the Company	8,334	5,849	8,334	5,849
Non-controlling interests	(1,049)	-	(1,049)	-
Total comprehensive income for the period	7,285	5,849	7,285	5,849
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.53	0.41	0.53	0.41
Diluted (Sen)	0.47	0.40	0.47	0.40

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31st March 2012 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial PositionAs at 30th June 2012

	30 th June 2012 RM'000	31 st March 2012 RM'000
ASSETS		
NON-CURRENT ASSETS		
Concession assets	10,386	10,229
Property, plant and equipment	115,843	117,146
Development Costs	-	336
Intellectual properties	8,663	9,008
Goodwill on consolidation	135,403	135,403
Investment in associates	40,667	40,802
Available-for-sale financial assets	406	406
	311,368	313,330
CURRENT ASSETS		
Inventories	69,732	57,411
Trade receivables	214,222	210,542
Amount owing by contract customers	48,514	30,850
Other receivables, deposits & prepayments	56,562	66,652
Amount owing by associates	17,632	17,016
Amount owing by related parties	195	176
Tax refundable	3,102	1,764
Deposits with licensed banks	28,661	27,063
Cash and cash equivalents	48,066	61,761
	486,686	473,235
	798,054	786,565
TOTAL ASSETS		
EQUITY AND LIABILITIES		
EQUITY		
Share capital	236,257	236,257
Share premium	35,211	35,211
Warrants reserve	10,616	10,616
Revaluation reserve	27,151	27,233
Retained earnings	101,777	93,361
Total equity attributable to owners of the Company	411,012	402,678
Non-controlling interests	(2,049)	(1,000)
TOTAL EQUITY	408,963	401,678

Condensed Consolidated Statement of Financial PositionAs at 30th June 2012

(continued)

	30th June 2012	31st March 2012
	RM'000	RM'000
NON-CURRENT LIABILITIES		
Hire purchase & lease payables	3,599	3,395
Term loan	66,994	72,978
Deferred tax liabilities	12,580	12,580
	<u>83,173</u>	<u>88,953</u>
CURRENT LIABILITIES		
Trade payables	44,373	33,465
Other payables and accruals	165,925	182,308
Amount owing to an associate	454	36
Amount owing to related parties	5	5
Hire purchase & lease payables	1,249	1,252
Short-term borrowings	83,832	72,753
Provision for taxation	10,080	6,115
	<u>305,918</u>	<u>295,934</u>
TOTAL LIABILITIES	<u>389,091</u>	<u>384,887</u>
TOTAL EQUITY AND LIABILITIES	<u>798,054</u>	<u>786,565</u>
Net assets per ordinary share		
attributable to owners of the Company		
(sen)	<u>26.10</u>	<u>25.50</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31st March 2012 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the First quarter ended 30th June 2012

			← Non-Distributable →				Distributable	Attributable to the owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	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			
At 1 st April 2011 (as previously reported)	212,621	3,795	35,052	10,616	(518)	27,561	63,833	352,960	-	352,960
Effect of adopting MFRS	-	-	-	-	518	(518)	-	-	-	-
At 1 st April 2011 (as adjusted)	212,621	3,795	35,052	10,616	-	27,043	63,833	352,960	-	352,960
Conversion of ICPS into ordinary shares	3,795	(3,795)	-	-	-	-	-	-	-	-
Realisation on usage of property	-	-	-	-	-	(82)	82	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	-	5,849	5,849	-	5,849
At 30th June 2011 (as adjusted)	216,416	-	35,052	10,616	-	26,961	69,764	358,809	-	358,809

* ICPS define as Non-Cumulative Irredeemable Convertible Preference Share

Condensed Consolidated Statement of Changes in Equity

For the First quarter ended 30th June 2012

(continued)

	← Non-Distributable →				Distributable		Attributable to the owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000			
At 1 st April 2012 (as previously reported)	236,257	35,211	10,616	(930)	27,233	94,291	402,678	(1,000)	401,678
Effect of adopting MFRS	-	-	-	930	-	(930)	-	-	-
At 1 st April 2011 (as adjusted)	236,257	35,211	10,616	-	27,233	93,361	402,678	(1,000)	401,678
Realisation on usage of property	-	-	-	-	(82)	82	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	8,334	8,334	(1,049)	7,285
At 30th June 2012	236,257	35,211	10,616	-	27,151	101,777	411,012	(2,049)	408,963

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31st March 2012 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow StatementFor the First quarter ended 30th June 2012

	Cumulative 30th June 2012 RM'000	Cumulative 30th June 2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	10,438	12,143
Adjustments for:		
Non-Cash Items	4,533	3,713
Interest income	(55)	(165)
Finance costs	2,498	4,846
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	17,414	20,537
Changes in working capital		
Net changes in current assets	(23,491)	40,119
Net changes in current liabilities	(5,057)	9,239
NET CASH (FOR)/GENERATED FROM OPERATIONS	(11,134)	69,895
Interest received	55	165
Interest paid	(2,498)	(4,846)
Tax paid	(525)	(2,637)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(14,102)	62,577
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(995)	(2,653)
Purchase of concession assets	(173)	(341)
NET CASH FOR INVESTING ACTIVITIES	(1,168)	(2,994)

Condensed Consolidated Cash Flow StatementFor the First quarter ended 30th June 2012

(continued)

	Cumulative 30th June 2012 RM'000	Cumulative 30th June 2011 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of hire purchase and lease payables	(1,924)	1,383
Net repayment of short term borrowings	(17,133)	(14,636)
Proceeds from drawdown of trade and term loans	47,739	9,062
Repayment of borrowings	(25,509)	(15,675)
	<hr/>	<hr/>
NET CASH FROM/(FOR) FINANCING ACTIVITIES	3,173	(19,866)
	<hr/>	<hr/>
Net changes in cash and cash equivalents	(12,097)	39,717
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the period	88,824	6,206
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	76,727	45,923
	<hr/>	<hr/>
Cash and cash equivalents at end of the period comprise the following balance sheet amounts:		
Deposits with licensed banks, cash and bank balances	76,727	45,923
	<hr/>	<hr/>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31 March 2012 and the accompanying explanatory notes attached to the interim financial report.

Notes to the Interim Financial Report

For the First quarter ended 30th June 2012

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30th June 2012 and has been prepared in compliance with Malaysian Financial Reporting Standards (“MFRS”) 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”). For the periods up to and including the financial period ended 31 March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”) with effective from 1st April 2012. This condensed consolidated interim financial report is the Group’s first MFRS compliant condensed report. The transition from FRS framework to MFRS framework under the MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards does not have any significant financial impact on to the financial statements of the Group, except as disclosed in Note 1(a) below.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31 March 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31st March 2012.

- (a) As the requirements of FRSs are equivalent to the MFRSs, the significant accounting policies adopted by the Group for this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial period from 1st January 2011 to 31st March 2012 except as discussed below:

Foreign currency translation reserves

Prior to 1st April 2012, the Group recognised translation differences on foreign operations as a separate component of equity. Upon the changes in Framework effective 1st April 2012, the Group used the transitional provision of first-time adoption whereby the cumulative foreign currency translation differences on all foreign operations are deemed to be zero at the date of transition as of 1 January 2011 to MFRS. Accordingly, at the date of transition to MFRS the cumulative foreign currency translation differences were adjusted to retained earnings and the impact of adopting this accounting policy is disclosed as below:

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1. Basis of preparation (Cont'd)

The reconciliation of equity for comparative periods and of equity at the date of transition reported under FRS for those periods and at the date of transition under MFRS are shown as below:

	As previously report “FRS” RM’000	Adjustment RM’000	As restated “MFRS” RM’000
<i>Statements of Financial Position / Statement of Changes in Equity</i>			
<u>As at 1st January 2011</u>			
Foreign currency translation reserve	(518)	518	-
Retained earnings	63,833	(518)	63,315
<u>As at 1st April 2012</u>			
Foreign currency translation reserve	(930)	930	-
Retained earnings	94,291	(930)	93,361

- (b) The Group has not applied in advance the accounting standards (and its consequential amendments) and interpretations that have been issued by the MASB but are not yet effective for the current financial year. The initial application of the above mentioned standards (and its consequential amendments) and interpretations are not expected to have material financial impacts on the financial statements of the Group upon their first adoption.

2. Audit report of preceding annual financial statement

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

3. Seasonal or cyclical factors

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

4. Segment information

The Group's operating segments information for the interim financial report to 30th June 2012 was as follows:-

	Trusted Identity & Business Solutions RM'000	Others RM'000	Inter- segment Elimination RM'000	Group RM'000
Revenue	98,847	3,619	-	102,466
Segment results	26,802	(2,067)	-	24,735
Unallocated corporate expenses				(13,716)
Other income				2,052
Operating profit				13,071
Finance costs				(2,498)
				10,573
Share of loss of associates				(135)
Profit before taxation				10,438
Income tax expense				(3,153)
Profit after taxation				7,285

5. Capital Commitments

	As at 30 th June 2012 RM'000
Authorised and contracted for:-	
Purchase of property, plant and equipment	250

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities.

7. Changes in the composition of the Group

There was no change in the composition of the Group in the current financial period.

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 First 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**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		Cumulative	
	3 months ended		3 months ended	
	30th June	30th June	30th June	30th June
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current financial year	(3,153)	(6,294)	(3,153)	(6,294)
- Over/(Under) provision in prior years	-	-	-	-
	(3,153)	(6,294)	(3,153)	(6,294)
Deferred tax				
- Current financial year	-	-	-	-
Total tax expense	(3,153)	(6,294)	(3,153)	(6,294)

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 significant transactions with related parties of the Group for the cumulative 3 months period ended 30th June 2012 were as follows:

	RM'000
(a) Associates	
PJT Technology Co. Ltd	
- Sales	<u>3,002</u>

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 30th June 2012, the Group recorded revenue of RM102.5 million from RM95.3 million, which is 7.6% higher as compared to the previous comparable quarter ended 30th June 2011.

Whilst the current financial quarter recorded higher revenue, profit before taxation decreased to RM10.4 million, which is 14.1% lower as compared to profit before taxation of RM12.1 million recorded in the previous comparable quarter ended 30th June 2011. The decrease was mainly attributable to lower margin in certain overseas projects and additional costs incurred for new businesses.

The main contributions to the Group's performance for the current financial quarter came from its existing projects, namely Malaysian e-Passport Inlays and Tanzania e-ID cards and new project, namely the implementation of Malaysian e-Passport ICAO compliance project.

16.2 Comparison with Preceding Quarter

The Group recorded revenue of RM102.5 million and profit before taxation of RM10.4 million from RM76.6 million and RM5.0 million in the preceding financial quarter ended 31st March 2012, which is 33.8% and 108% higher respectively.

The increase in revenue and profit before taxation was mainly attributable to the implementation of Malaysian e-Passport ICAO compliance project and Tanzania e-ID cards project.

17. Prospects

For the financial year 2013, the Group's revenue is expected to be derived mainly from the trusted identification's projects, namely Malaysia e-passport inlays, the implementation of Malaysian e-Passport ICAO compliance project, Nigeria e-Passport inlays, Tanzania e-ID cards project, Turkey inlays and Bangladesh MRP Passport project.

For Food and Agro Technology Division and Koto Industrialised Building Division, their results are expected to be satisfactory once the Rimbunan Kaseh Programme takes off in the 2nd quarter of financial year 2013. The Rimbunan Kaseh Programme is a modern rural project which consists of Koto houses and amenities, supported by modern and integrated farming activities.

In view of the on-going contracts and Rimbunan Kaseh Programme, the Group is optimistic that its performance will be satisfactory for the financial year ending 31st March 2013.

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 30 th June 2012 RM'000
Investment in an unquoted shares in Malaysia	273
Investment in an unquoted shares in Singapore	2,378
Investment in an unquoted shares in Hong Kong	981
Golf Club Membership	406
(Less): Allowance for diminution in value	<u>(3,632)</u>
	<u>406</u>

22. Status of Corporate Proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 17th August 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	<u>83,832</u>	<u>66,994</u>	<u>150,826</u>

All of the above borrowings are denominated in Ringgit Malaysia other than a short term borrowing amounting to RM12.88 million which is denominated in USD dollar.

24. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 17th August 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 17th August 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 27 January 2012, JAL stated that the stay issued by the US Bankruptcy Court still remains in effect. On 28 March 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.

On 20th March 2012, the Expert Report submitted was unfavourable towards the JV Company. The JV Company proceeded to file an appeal against the findings of the said Expert Technical Report. The Court decided that the file is to be sent to the same Court Experts for an additional technical report to be prepared on the grounds that the appeal is to be evaluated. The next hearing is now fixed on 13th November 2012.

In parallel, EGM filed additional claims of loss of opportunity amounting to YTL 13.041 million against the JV Company on 14 September 2010. On 30th November 2010, JV Company submitted evidences substantiating grounds for the rebuttal of this EGM's additional claims. On 8 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.

The Expert Report was submitted on 27th March 2012. The JV Company then appointed lawyers Messrs Sen & Arpacı to appeal against the submission of the negative indemnity provision reported in the said Expert Report. The Court has further adjourned pending the submission of an additional Expert Report and the next hearing is now fixed on 4th October 2012.

Messrs Sen & Arpacı is of opinion that the JV Company has a good chance of recovering the amount claimed. Messrs Sen & Arpacı is also of the view that the counter claim filed by EGM is likely to be rejected by the Ankara Court based on multiple legal issues that will be contemplated by the additional report.

26. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 30 th June 2012 RM'000	As at 31 st March 2012 RM'000
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	72,482	47,359
- Unrealised profits/(losses)	(17,447)	(19,330)
	55,035	28,029
ii) Associates		
- Realised profits/(losses)	(3,622)	(3,487)
- Unrealised profits/(losses)	-	-
	(3,622)	(3,487)
	51,413	24,542
iii) Group consolidated adjustments	50,364	68,819
Total retained earnings of the Group	101,777	93,361

27. Dividend

At the forthcoming Annual General Meeting, a first and final tax-exempt dividend of 0.45 sen per ordinary share in respect of the current financial period will be proposed for shareholders' approval.

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

28. Earnings Per Share

	Individual		Cumulative	
	3 months ended	3 months ended	3 months ended	3 months ended
	30th June	30th June	30th June	30th June
	2012	2011	2012	2011
(a) Basic earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	8,334	5,849	8,334	5,849
Weighted average number of ordinary shares ('000)	1,575,046	1,418,442	1,575,046	1,418,442
Basic earnings per ordinary share (Sen)	0.53	0.41	0.53	0.41
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	8,334	5,849	8,334	5,849
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)	8,334	5,849	8,334	5,849
Weighted average number of ordinary shares ('000)	1,575,046	1,418,442	1,575,046	1,418,442
Adjustment for assumed exercise of Warrants A ('000)	32,907	7,770	32,907	7,770
Adjustment for assumed exercise of Warrants B ('000)	149,878	35,388	149,878	35,388
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	1,757,831	1,461,600	1,757,831	1,461,600
Diluted earnings per ordinary share (Sen)	0.47	0.40	0.47	0.40

29. Profit before taxation

	Individual 3 months ended 30th June 2012 RM'000	Cumulative 3 months ended 30th June 2012 RM'000
Profit before taxation is arrived at after charging/(crediting):		
- Depreciation of property, plant and equipment	3,700	3,700
- Net foreign exchange (gain)/loss	(1,885)	(1,885)
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