PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation of Interim Financial Statements

The interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

These 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 year ended 31 December 2010.

A2. Changes in Accounting Policies

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2010, except for the changes arising from the adoption of revised Financial Reporting Standards (FRSs), IC Interpretations and Amendments that are relevant to their operations and effective for annual periods beginning on or after 1 January 2011 as follows:

FRSs and IC Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards (Revised)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters)
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)
FRS 3	Business Combinations (Revised)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell controlling interest in a subsidiary)
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)
FRS 127	Consolidated and Separate Financial Statements (Revised)
FRS 128	Investments in Associates (Revised)
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue)
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127)

Improvements to FRSs 2010

IC Int. 4 Determining whether an Arrangement contains a Lease
IC Int. 9 Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from revised FRS 3)
IC Int. 12 Service Concession Arrangements
IC Int. 16 Hedges of a Net Investment in a Foreign Operation
IC Int. 17 Distributions of Non-cash Assets to Owners
IC Int. 18 Transfers of Assets from Customers

The adoption of these new and revised Standards and IC Interpretations did not have any effect on the financial performance, position or presentation of financials of the Group except as follows:

FRS 3: Business Combinations (Revised)

The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interest') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;

- requires the recognition of the settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit and loss as incurred, whereas previously they were accounted for as part of the cost of the business combination.

This Standard was adopted prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

FRS 127: Consolidated and Separate Financial Statements (Revised)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (revised), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

This Standard was applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

The Group has not adopted the following new/revised FRSs, Amendments and IC Interpretations that have been issued but not yet effective:

FRSs, Amendments to FRSs and IC Interpretations		**Effective date**
FRS 124	Related Party Disclosures (Revised)	1 January 2012
Improvements to FRSs 2010		
IC Int. 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendments relating to prepayments of a minimum funding requirement)	1 July 2011
IC Int. 15	Agreements for the Construction of Real Estate	1 January 2012
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

A3. Qualification of Financial Statements

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

A4. Seasonal and Cyclical Factors

The Group's results were not materially affected by any major seasonal or cyclical factors.

A5. Unusual and Extraordinary Items

As mentioned in Note B8, the Capital Reduction has been completed on 14 February 2011. All effects in relation to the Capital Reduction have been reflected accordingly in the Statement of Changes in Equity.

Save as mentioned above, there were no other exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cashflows during the current quarter under review.

A6. Material Changes in Estimates

There were no significant changes in estimates reported in prior financial years which have a material effect in the current quarter.

A7. Debts and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back, and repayment of debts and debts equity securities during the financial quarter under review.

A8. Dividends Paid

No dividends were paid during the current quarter.

A9. Valuation of Property, Plant and Equipment

There is no revaluation of property, plant and equipment, as the Group does not adopt a revaluation policy on property, plant and equipment.

A10. Subsequent Events

As mentioned in Note B8, on 13 April 2011, the Company announced that the Rights Issue has been completed, following the admission of 49,526,250 Warrants to the Official Listing of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing and quotation of the aforesaid securities on the Main Market of Bursa Securities.

A11. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial period.

A12. Contingent Liabilities

There were no changes in contingent liabilities during the current quarter since the last audited financial statements.

A13. Capital Commitment

As of the date of this report, The Group has capital commitment not provided for in this report, for the purchase of machineries to be utilised in production of security seals as follows:

	RM'000
Approved and contracted for	1,610

A14. Segmental Information

For management purposes, the Group is organised as one integrated business segment. The Group however, reviews sales performance by geographical market:

Three Months Ended 31 March 2011	Asia Pacific RM'000	Europe RM'000	America RM'000	Elimination RM'000	Total RM'000
External sales	7,600	5,109	5,653	-	18,362
Inter-segment sales	12,709	-	-	(12,709)	-
Total revenue	20,309	5,109	5,653	(12,709)	18,362
Results					
Results from continuing operations					2,021
Finance costs					(507)
Profit before tax					1,514
Income tax expense					(58)
Profit from continuing operations					1,456
Loss from discontinued operations					(103)
Profit for the period					1,353

Sales from Major Customers

For the first quarter ended 31 March 2011, 2 major customers contributed more than 10% of the total revenue in Europe region. There is no other single customer contributed more than 10% of the total revenue in each region during the period other than Europe region as mentioned above.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

The Group recorded higher revenue for the first quarter of 2011 (“Q1 2011”) of RM18.362 million, an increase of 23% over the corresponding preceding quarter of 2010 (“Q1 2010”). This growth was driven by stronger customer demand especially in the Europe and Americas regions. Revenue contribution from Europe region for Q1 2011 stood at RM5.109 million or an increase of 62% compared to RM3.156 million in Q1 2010. Revenue from Americas region grow by 29% from RM4.364 million in Q1 2010 to RM5.653 million in Q1 2011.

While revenue has grown for the current quarter compared to the corresponding quarter last year, profit margins have been slightly eroded in view of the strengthening of Ringgit Malaysia against United States Dollar (“USD”) and Great Britain Pound (“GBP”), higher raw material prices (increased by approximately 12%) and increase in labour costs. The Group closed the period with a profit of RM1.353 million. The Group’s earnings before interest, tax and depreciation (“EBITDA”) stood at RM3.641 million.

B2. Variation of Results Against Preceding Quarter

	Current Quarter 31.3.2011 RM	Preceding Quarter 31.12.2010 RM
Revenue – Seals	18,362	18,042
Results		
Profit before tax	1,514	1,192
Income tax (expense)/credit	(58)	62
Profit from continuing operations	1,456	1,254
Loss for the period from discontinued operations	(103)	(59)
Profit for the period	1,353	1,195

Despite of challenging business environment, the Group maintained its revenue and profitability trend in Q1 2011 as compared to the last quarter of 2010 (“Q4 2010”). Asia Pacific region reported 11% drop in revenue due to lower sales to shipping industry. The shortfall was fully offset by 13% and 15% increase in revenue contributed by Europe and Americas regions respectively.

B3. Prospects of the Group

The Group expects the sales momentum to be continued as the next few quarters of 2011 unfold, owing to strong order book level. On the other hand, the Group is aware of the on-going challenges to foreign exchange market and crude oil price moving forward. In this regard, the Group will continuously review and implement measures to mitigate the preceding risks.

B4. Profit Forecast or Profit Guarantee

The Group has not provided any quarterly profit forecast for the period under review.

B5. Income Tax (Expense)/Credit

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.3.2011 RM	Preceding Year Corresponding Quarter 31.3.2010 RM	Current Year Quarter 31.3.2011 RM	Preceding Year Corresponding Quarter 31.3.2010 RM
Estimated tax payable:				
Current year:				
Malaysian	(25)	-	(25)	-
Foreign	-	(3)	-	(3)
Under/(Over)provision in prior years:				
Malaysian	-	-	-	-
Foreign	-	-	-	-
	(25)	(3)	(25)	(3)
Deferred tax:				
Current year – Foreign	(33)	5	(33)	5
	(58)	2	(58)	2

Domestic current income tax is calculated at the statutory tax rate of 25% of the taxable profit for the period. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate as calculated above is lower than the prevailing statutory tax rate principally due to utilisation of unabsorbed tax losses and capital allowances as well as tax incentives available to a subsidiary company.

B6. Unquoted Investments and/or Properties

There were no disposals of unquoted investments and properties during the period under review.

B7. Quoted and Marketable Investments

There were no investments in quoted securities as at the period under review.

B8. Status of Corporate Proposals

The following corporate proposals announced on 9 August 2010 were completed on 13 April 2011:

(i) Termination of the Company's existing employees' share option scheme ("ESOS") which was extended for a period of five (5) years up to 14 May 2012;

(ii) Establishment of a new ESOS of up to fifteen percent (15%) of the issued and paid-up capital of the Company at any point of time, for the employees and directors (including non-executive directors) of the Group;

(iii) Reduction of the Company's issued and paid-up share capital which entails the cancellation of RM0.70 from the existing par value of every existing ordinary share of RM1.00 each in the Company pursuant to Section 64 of the Companies Act, 1965 ("Act") and the reduction of RM17,096,926 from the share premium account of the Company pursuant to Section 64 and Section 60(2) of the Act to be off-set against the accumulated losses of the Company ("Capital Reduction");

(iv) Renounceable rights issue of 49,526,250 Warrants on the basis of one (1) warrant for every two (2) existing shares of the Company at an issue price of RM0.03 per warrant;

(v) Reduction in the authorised share capital of the Company from RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each to RM150,000,000 comprising 500,000,000 ordinary shares of RM0.30 each; and

(vi) Amendments to the Memorandum and Articles of Association of the Company to allow for the alteration in the authorised share capital of the Company

(collectively referred to as "the Proposals").

On 16 December 2010, the Company obtained approval from its shareholders via extraordinary general meeting in relation to the Proposals.

On 26 January 2011, the Company announced that the High Court of Malaya in Kuala Lumpur had granted an order confirming the Capital reduction pursuant to Section 64 and Section 60(2) of the Act.

On 14 February 2011, the Company announced that the Sealed Order of the High Court of Malaya in Kuala Lumpur had been lodged with the Registrar of Companies and the Capital Reduction considered completed on the same date.

On 13 April 2011, the Company announced that the Right Issue has been completed, following the admission of 49,526,250 Warrants to the Official Listing of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing and quotation of the aforesaid securities on the Main Market of Bursa Securities.

Other than the abovementioned, there are no other corporate proposals announced but not completed as at the date of this report.

B9. Utilisation of Rights Proceeds

As at the date of this report, the status of the utilisation of proceeds from the Renounceable Rights Issue of 49,526,250 Warrants on the basis of one (1) warrant for every two (2) existing shares of the Company at an issue price of RM0.03 per Warrant which was completed on 14 April 2011 is as follows:

Purposes	**Proposed Utilisation RM'000**	**Amount Utilised RM'000**	**Balance Unutilised RM'000**	**Time frame**
Working capital	886	355#	531	Within six (6) months from the receipt of the proceeds
Estimated expenses for the Proposals	600	600	-	Within one (1) month from the receipt of the proceeds
Total	1,486	955	531	

Inclusive of excess in estimated expenses for the Proposals amounting to approximately RM55,000.

B10. Group Borrowings

The Group borrowings as at the end of the reporting period are as follows:

	Current RM'000	**Non-current RM'000**	**Total RM'000**
Secured			
Bank overdraft	268	-	268
Bankers acceptances	418	-	418
Revolving credit	24,306	-	24,306
Long-term borrowings	660	1,607	2,267
Hire-purchase payables	708	1,937	2,645
	26,360	3,544	29,904
Unsecured			
Bank overdraft	1,632	-	1,632
Revolving credit	3,500	-	3,500
	5,132	-	5,132
	31,492	3,544	35,036

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	23,061
Thai Baht	11,975
	35,036

B11. Derivative Financial Instruments

Forward foreign currency contracts are entered into by the Group in currencies other than the functional currency to manage exposure to the fluctuations in foreign currency exchange rates on specific transactions.

Forward foreign currency contracts are recognised on the contract dates and are measured at fair value with changes in fair value are recognised in profit or loss.

The outstanding forward foreign currency contracts as at 31 March 2011 are as follows:

Type of Derivative	Notional Value RM'000	Fair Value RM'000	Fair Value Gain RM'000
Forward foreign currency contracts			
- Less than 1 year	1,283	1,296	13

Any forward foreign currency contracts, entered by the Group, were executed with creditworthy financial institutions in Malaysia.

There have been no changes since the end of the previous financial year in respect of the following:

(i) the Group's exposures to credit risk, market risk and liquidity risk;

(ii) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;

(iii) the risk management policies in place for mitigating and controlling the risks associated with financial derivatives contracts; and

(iv) the related accounting policies.

B12. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instrument not recognised in the statement of financial position as at the quarter end.

B13. Dividend

No dividends has been paid, proposed or declared during the quarter under review.

B14. Disclosure of Realised and Unrealised Profits or Losses

The breakdown of the retained profits of the Group into realised and unrealised profits, pursuant to the directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:

	Current Quarter Ended 31.12.2010 RM	Preceding Quarter Ended 31.12.2010 RM
Total retained profits/(accumulated losses) of the Group:		
Realised gain/(loss)	7,267	(81,601)
Unrealised gain/(loss)	809	1,948
	8,076	(79,653)

B15. Earnings/(Loss) Per Share

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
Profit/(Loss) attributable to owners of the Parent (RM'000):				
Profit/(Loss) from:				
Continuing operations	1,456	1,938	1,456	1,938
Discontinued operations	(103)	(108)	(103)	(108)
	1,353	1,830	1,353	1,830
Number of ordinary shares ('000)	99,052	99,052	99,052	99,052
Basic profit/(loss) per share (sen):				
Continuing operations	1.41	1.86	1.41	1.41
Discontinued operations	(0.10)	(0.11)	(0.10)	(0.10)
	1.31	1.75	1.31	1.31
Diluted profit/(loss) per share (sen):				
Continuing operations	N/A	1.86	N/A	1.41
Discontinued operations	N/A	(0.11)	N/A	(0.10)
	N/A	1.75	N/A	1.31

By order of the Board,
Dato' Ong Eng Lock
Executive Chairman
Kuala Lumpur